Report in Brief
Date: April 2021
Report No. A-07-20-00600

Why OIG Did This Audit
Medicare contractors are required to separately account for the Medicare segment pension plan assets based on the requirements of Cost Accounting Standards (CAS) 412 and 413.

The HHS, OIG, Office of Audit Services, Region VII pension audit team reviews the Medicare segment pension assets to ensure compliance with Federal regulations. Previous OIG audits found that Medicare contractors did not always correctly update the segmented pension assets.

Our objective was to determine whether Blue Cross Blue Shield of South Carolina (BCBS South Carolina) complied with Federal requirements when updating its Supplemental Executive Retirement Plan III (SERP III) Medicare Allowable segment pension assets from January 1, 2015, to January 1, 2017.

How OIG Did This Audit
We reviewed BCBS South Carolina’s update of its SERP III Medicare Allowable segment pension assets from January 1, 2015, to January 1, 2017.

Blue Cross Blue Shield of South Carolina Overstated Its Supplemental Executive Retirement Plan III Medicare Allowable Segment Pension Assets as of January 1, 2017

What OIG Found
BCBS South Carolina did not correctly update its SERP III Medicare Allowable segment pension assets from January 1, 2015, to January 1, 2017, in accordance with Federal requirements. BCBS South Carolina identified $396,891 as its SERP III Medicare Allowable segment pension assets as of January 1, 2017; however, we determined that those assets were $391,943 as of that date. Therefore, BCBS South Carolina overstated its SERP III Medicare Allowable segment pension assets as of January 1, 2017, by $4,948. BCBS South Carolina overstated those pension assets because its policies and procedures did not always ensure that it calculated those assets in accordance with Federal requirements when updating its SERP III Medicare Allowable segment pension assets from January 1, 2015, to January 1, 2017.

What OIG Recommends and Auditee Comments
We recommend that BCBS South Carolina decrease its SERP III Medicare Allowable segment pension assets by $4,948 and recognize $391,943 as the SERP III Medicare Allowable segment pension assets as of January 1, 2017, and improve policies and procedures to ensure that going forward, it calculates Medicare Allowable segment pension assets in accordance with Federal requirements.

BCBS South Carolina stated that it did not object to our findings and recommendations and added that it did not believe our findings had a material impact on its submitted Incurred Cost Proposals.

The full report can be found at https://oig.hhs.gov/oas/reports/region7/72000600.asp.