

Report in Brief

Date: January 2022

Report No. A-07-21-00602

U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES
OFFICE OF INSPECTOR GENERAL



Why OIG Did This Audit

The Centers for Medicare & Medicaid Services (CMS) reimburses Medicare contractors for a portion of their pension costs, which are funded by the annual contributions that these contractors make to their pension plans.

The HHS, OIG, Office of Audit Services, Region VII pension audit team reviews the cost elements related to qualified defined-benefit, postretirement benefit, and any other pension-related cost elements claimed by Medicare contractors through Incurred Cost Proposals (ICPs).

Previous OIG audits found that Medicare contractors did not always comply with Federal requirements when claiming pension costs for Medicare reimbursement.

Our objective was to determine whether the calendar years (CYs) 2014 through 2016 pension costs that Noridian Healthcare Solutions, LLC (NHS), claimed for Medicare reimbursement, and reported on its ICPs, were allowable and correctly claimed.

How OIG Did This Audit

We reviewed \$14.2 million of pension costs that NHS claimed for Medicare reimbursement on its ICPs for CYs 2014 through 2016.

Noridian Healthcare Solutions, LLC, Did Not Claim Some Allowable Medicare Pension Costs for Calendar Years 2014 Through 2016

What OIG Found

NHS claimed pension costs of \$14.2 million for Medicare reimbursement, through its ICPs, for CYs 2014 through 2016; however, we determined that the allowable Cost Accounting Standards-based pension costs during this period were \$14.9 million. The difference, \$629,072, represented allowable Medicare pension costs that NHS did not claim on its ICPs for CYs 2014 through 2016. This underclaim occurred specifically because NHS based its claim for Medicare reimbursement on incorrect pension costs included in the indirect cost rates on the ICPs.

What OIG Recommends and Auditee Comments

We recommend that NHS work with CMS to ensure that its final settlement of contract costs reflects an increase in Medicare pension costs of \$629,072 for CYs 2014 through 2016.

NHS neither agreed nor disagreed with our finding that the allowable Medicare pension costs in the ICPs for CYs 2014 through 2016 were understated, but added that it generally agreed with the methodology we used for the finding. NHS further stated that it would work with CMS to ensure a final settlement of the contract costs to include an appropriate adjustment to Medicare pension costs for CYs 2014 through 2016, consistent with the methodology as documented in this report.

We acknowledge that our audited adjustments take time for auditees like NHS to review. We gave NHS a total of 60 days to respond to our draft report, and we provided NHS with the audited actuarial computations (which included the audited allocable pension costs used to determine the indirect cost rates).

Although NHS did not specifically agree or disagree with our finding, NHS did generally agree with the methodology we used to calculate the allowable pension costs. We continue to recommend, using that methodology, that NHS work with CMS to ensure that its final settlement of contract costs reflects an increase in Medicare pension costs of \$629,072 for CYs 2014 through 2016. Therefore, we maintain that our finding and recommendation remain valid.