

Report in Brief

Date: January 2022

Report No. A-07-21-00603

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



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 identify and update the segmented pension assets.

Our objectives were to determine whether Noridian Healthcare Solutions, LLC (NHS), complied with Federal requirements and its established cost accounting practice when: (1) implementing the prior audit recommendation, (2) updating the Medicare segment pension assets to December 31, 2016, and (3) determining Medicare's share of the Medicare segment excess pension assets or liabilities as a result of NHS's benefit curtailment.

How OIG Did This Audit

We reviewed NHS's implementation of the prior audit recommendation; its identification of the Medicare segment; its update of the Medicare segment pension assets from January 1, 2016, to December 31, 2016; and its calculation of Medicare's share of its Medicare segment's excess pension liabilities as of December 31, 2016.

Noridian Healthcare Solutions, LLC, Understated Its Medicare Segment Pension Assets and Understated Medicare's Share of the Medicare Segment Excess Pension Assets as of December 31, 2016

What OIG Found

NHS concurred with our prior audit recommendation to increase the NHS segment pension assets by \$1.6 million as of January 1, 2016. NHS did not implement our prior recommendation to update the NHS segment pension assets.

For our second objective, NHS did not correctly update the Medicare segment pension assets from January 1, 2016, to December 31, 2016, in accordance with Federal regulations and its established cost accounting practice. NHS identified Medicare segment pension assets of \$30.2 million as of December 31, 2016; however, we determined that the Medicare segment pension assets were \$31.5 million as of that date. Therefore, NHS understated the Medicare segment pension assets by \$1.2 million. NHS did not have policies and procedures to ensure that it calculated those assets in accordance with Federal regulations and its established cost accounting practice when updating the Medicare segment's pension assets.

For our third objective, NHS calculated \$1.6 million as Medicare's share of the Medicare segment excess pension liabilities as of December 31, 2016; however, we calculated that Medicare's share of the surplus of the Medicare segment excess pension assets was \$703,387 as of that date. The difference, \$2.3 million, constituted Medicare's share of allowable Medicare segment pension assets that NHS did not include in its curtailment adjustment.

What OIG Recommends and Auditee Comments

We recommend that NHS: (1) increase the Medicare segment pension assets by \$1.2 million and recognize \$31.5 million as the Medicare segment pension assets as of December 31, 2016, and (2) increase Medicare's share of the Medicare segment excess pension assets as of December 31, 2016, by \$2.3 million and recognize \$703,387 as Medicare's share of the pension assets as a result of the benefit curtailment.

NHS did not agree with either of our findings. After reviewing NHS's comments on our draft report, we maintain that our calculations of the Medicare segment pension assets and Medicare's share of the Medicare segment excess pension assets remain valid and that all of our findings and recommendations remain valid as well.