

Report in Brief

Date: January 2022

Report No. A-07-21-00605

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



Why OIG Did This Audit

The Centers for Medicare & Medicaid Services (CMS) reimburses contractors for a portion of their postretirement benefit (PRB) costs, which are funded by the contributions that contractors make to their dedicated trust fund.

The HHS, OIG, Office of Audit Services, Region VII pension audit team reviews the cost elements related to qualified defined-benefit, PRB, 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 correctly identify and claim PRB costs.

Our objective was to determine whether the calendar years (CYs) 2014 through 2016 PRB 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 negative \$15.6 million of Medicare PRB 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 Postretirement Benefit Costs Through Its Incurred Cost Proposals for Calendar Years 2014 Through 2016

What OIG Found

NHS claimed PRB costs of negative \$15.6 million for Medicare reimbursement, through its ICPs, for CYs 2014 through 2016; however, we determined that the allowable PRB costs during this period were negative \$14.1 million. The difference, \$1.5 million, represented allowable Medicare PRB costs that NHS did not claim on its ICPs for CYs 2014 through 2016. NHS did not claim these allowable Medicare PRB costs primarily because it used incorrect indirect cost rates when claiming PRB costs for Medicare reimbursement. Specifically, NHS used incorrect allocable PRB costs when calculating the indirect cost rates.

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 PRB costs of \$1.5 million for CYs 2014 through 2016.

NHS neither agreed nor disagreed with our finding that the allowable Medicare PRB 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 PRB 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 both the audited actuarial computations (which included the audited allocable PRB costs used to determine the indirect cost rates) and the calculations for the allowable PRB costs.

Although NHS did not specifically agree or disagree with our finding, NHS did generally agree with the methodology we used to calculate the allowable PRB 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 PRB costs of \$1.5 million for CYs 2014 through 2016. Therefore, we maintain that our finding and recommendation remain valid.