

Report in Brief

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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 nonqualified plan costs.

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 correctly identify and claim nonqualified plan costs, including Supplemental Executive Retirement Plan (SERP) costs, for Medicare reimbursement.

Our objective was to determine whether the calendar years (CYs) 2015 and 2016 SERP III costs that CGS Administrators, LLC (CGS), claimed for Medicare reimbursement, and reported on its ICPs, were allowable and correctly claimed.

How OIG Did This Audit

We reviewed \$59,695 of SERP III costs that CGS claimed for Medicare reimbursement on its ICPs for CYs 2015 and 2016.

CGS Administrators, LLC, Claimed Some Unallowable Medicare Supplemental Executive Retirement Plan III Costs Through Its Incurred Cost Proposals

What OIG Found

CGS claimed SERP III costs of \$59,695 for Medicare reimbursement, through its ICPs, for CYs 2015 and 2016; however, we determined that the allowable SERP III costs during this period were \$52,990. The difference, \$6,705, represented unallowable Medicare SERP III costs that CGS claimed on its ICPs for CYs 2015 and 2016. CGS claimed these unallowable Medicare SERP III costs primarily because it used incorrect indirect cost rates when claiming those costs for Medicare reimbursement. Specifically, CGS used an incorrect allocable SERP III cost when calculating the indirect cost rates.

What OIG Recommends and Auditee Comments

We recommend that CGS work with CMS to ensure that its final settlement of contract costs reflects a decrease in Medicare SERP III costs of \$6,705 for CYs 2015 and 2016.

In its formal written comments, CGS did not directly refer to the monetary amount in our recommendation but did say that it would work with CMS to ensure that its final settlement of contract costs is appropriate. However, information CGS provided to us after issuance of our draft report caused us to increase our recommended SERP III cost adjustment from \$6,613 to \$6,705 (a \$92 change).