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 comply with Federal requirements when claiming nonqualified plan costs for Medicare reimbursement.

Our objective was to determine whether the calendar years (CYs) 2015 and 2016 Blue Cross Blue Shield of South Carolina Excess Plan (Excess Plan) 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 $351,277 of Excess Plan costs that CGS claimed for Medicare reimbursement on its ICPs for CYs 2015 and 2016.

CGS Administrators, LLC, Claimed Some Unallowable Medicare Excess Plan Costs Through Its Incurred Cost Proposals

What OIG Found
CGS claimed Excess Plan costs of $351,277 for Medicare reimbursement, through its ICPs, for CYs 2015 and 2016; however, we determined that the allowable Excess Plan costs during this period were $322,255. The difference, $29,022, represented unallowable Medicare Excess Plan costs that CGS claimed on its ICPs for CYs 2015 and 2016. CGS claimed these unallowable Medicare Excess Plan costs primarily because it used incorrect indirect cost rates when claiming those costs for Medicare reimbursement. Specifically, CGS used an incorrect allocable Excess Plan 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 Excess Plan costs of $29,022 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 decrease our recommended Excess Plan cost adjustment from $29,128 to $29,022 (a $106 change).

The full report can be found at https://oig.hhs.gov/oas/reports/region7/72100612.asp.