

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 postretirement benefit (PRB) costs, which are funded by the contributions that these contractors make to their dedicated trust funds.

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 comply with Federal requirements when claiming PRB costs for Medicare reimbursement.

Our objective was to determine whether the calendar years (CYs) 2012 through 2016 PRB costs that Palmetto Government Benefits Administrator, LLC (Palmetto), claimed for Medicare reimbursement, and reported on its ICPs, were allowable and correctly claimed.

How OIG Did This Audit

We reviewed \$5.3 million of PRB costs that Palmetto claimed for Medicare reimbursement on its ICPs for CYs 2012 through 2016.

Palmetto Government Benefits Administrator, LLC, Claimed Some Unallowable Medicare Postretirement Benefit Costs Through Its Incurred Cost Proposals

What OIG Found

Palmetto claimed PRB costs of \$5.3 million for Medicare reimbursement, through its ICPs, for CYs 2012 through 2016; however, we determined that the allowable PRB costs during this period were \$2.4 million. The difference, \$2.85 million, represented unallowable Medicare PRB costs that Palmetto claimed on its ICPs for CYs 2012 through 2016. Palmetto claimed these unallowable Medicare PRB costs primarily because it used incorrect indirect cost rates when claiming PRB costs for Medicare reimbursement. Specifically, Palmetto used an incorrect allocable PRB cost when calculating the indirect cost rates.

What OIG Recommends and Auditee Comments

We recommend that Palmetto work with CMS to ensure that its final settlement of contract costs reflects a decrease in Medicare PRB costs of \$2.85 million for CYs 2012 through 2016.

In its formal written comments, Palmetto 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 Palmetto provided to us after issuance of our draft report caused us to decrease our recommended PRB cost adjustment from \$2,850,564 to \$2,848,586 (a \$1,978 change).