

## Report in Brief

Date: August 2021

Report No. A-07-21-00615

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 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 \$66,738 of SERP III costs that Palmetto claimed for Medicare reimbursement on its ICPs for CYs 2015 and 2016.

## Palmetto Government Benefits Administrator, LLC, Claimed Some Unallowable Medicare Supplemental Executive Retirement Plan III Costs Through Its Incurred Cost Proposals

### What OIG Found

Palmetto claimed SERP III costs of \$66,738 for Medicare reimbursement, through its ICPs, for CYs 2015 and 2016; however, we determined that the allowable SERP III costs during this period were \$41,576. The difference, \$25,162, represented unallowable Medicare SERP III costs that Palmetto claimed on its ICPs for CYs 2015 through 2016. Palmetto claimed these unallowable Medicare SERP III costs primarily because it used incorrect indirect cost rates when claiming those costs for Medicare reimbursement.

### 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 SERP III costs of \$25,162 for CYs 2015 and 2016.

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.

Nothing in Palmetto's comments caused us to change our finding or recommendation. Thus, we continue to recommend that Palmetto work with CMS to ensure that its final settlement of contract costs reflects a decrease in Medicare SERP III costs of \$25,162 for CYs 2015 and 2016.