

Report in Brief

Date: September 2017
Report No. A-07-17-00521

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



Why OIG Did This Review

The Centers for Medicare & Medicaid Services (CMS) reimburses a portion of Medicare contractors' costs for postretirement benefit (PRB) plans. At CMS's request, the OIG, Office of Audit Services, Region VII pension audit team reviews the Medicare segment PRB costs to ensure compliance with Federal requirements.

Previous OIG reviews found that Medicare contractors have not always complied with Federal requirements when claiming PRB costs for Medicare reimbursement.

Our objective was to determine whether the fiscal years (FYs) 2011 through 2015 PRB costs that Blue Cross Blue Shield Association (BCBS Association) claimed for Medicare reimbursement under its fiscal intermediary contracts, and reported on its Final Administrative Cost Proposals (FACPs), were allowable and correctly claimed.

How OIG Did This Review

We reviewed \$340,000 of PRB costs that BCBS Association claimed for Medicare reimbursement on its FACPs for FYs 2011 through 2015.

Blue Cross Blue Shield Association Generally Claimed Allowable Medicare Postretirement Benefit Costs

What OIG Found

Although BCBS Association generally claimed allowable PRB costs for Medicare reimbursement under its fiscal intermediary contracts for FYs 2011 through 2015, it did claim some unallowable PRB costs for this timeframe. BCBS Association claimed PRB costs of \$339,722 for Medicare reimbursement for FYs 2011 through 2015; however, we determined that the allowable Federal Acquisition Regulation-compliant PRB costs during this period were \$271,117. The difference, \$68,605, represented unallowable fiscal intermediary contract Medicare PRB costs that BCBS Association claimed on its FACPs for FYs 2011 through 2015. BCBS Association claimed these unallowable Medicare PRB costs primarily because it based its claims for Medicare reimbursement on incorrectly calculated assignable PRB costs.

What OIG Recommends and BCBS Association Comments

We recommend that BCBS Association revise its FACPs for FYs 2011 through 2015 to decrease its claimed Medicare PRB costs by \$68,605.

BCBS Association stated that it accepted our recommendation. BCBS Association also stated that it had no means to adjust the FACPs for FYs 2011 through 2015, as the final FACP audits for these years have been conducted by the OIG and are now being closed. BCBS Association added that it understood that the Federal Government would present a closing agreement summarizing the Medicare PRB costs audit recommendation relating to its contract with HHS, including the recommendation in this report.