

SUPPORTING STATEMENT for 0938-0469

A. BACKGROUND

We are requesting reinstatement of the following form: CMS-906, Fiscal Soundness Reporting Requirements (FSRR). The revised form significantly reduces regulatory burden through the utilization of an online filing module called the Health Plan Management System (HPMS). Specifically, MAOs log onto to the HPMS from the Web, upload a pdf of their Annual Independently Audited Financial Statements, and enter 13 data elements from the corresponding financial statements (The list of the elements is included with this submission).

B. JUSTIFICATION

1. Need and Legal Basis

CMS is assigned responsibility for overseeing all Medicare Advantage Organizations (MAO) on-going financial performance. Specifically, CMS needs the requested collection of information to establish that each MAO maintains a fiscally sound organization and thereby remains a going concern. The authority for this collection is found at CFR 42 516(a)(5).

2. Information Users

In addition to the specific directives mentioned above, the proposed reporting requirements serve four distinct program needs:

- a. Provide CMS information required to effectively monitor the performance of Medicare Advantage Organizations (MAOs) that contract to arrange delivery of care to Medicare beneficiaries;
- b. Provide CMS information required to oversee MAO's continuing compliance with State financial and reserve requirements;
- c. Provide CMS with a base for evaluating the progress and effectiveness of the Medicare Advantage (MA) program; and
- d. Provide statistical data as required for continued effective oversight.

3. Use of Information Technology

CMS, for the 2007 FSRR, is utilizing information technology to reduce filing burden. As stated above, all MAOs log onto to the HPMS from the Web, upload a pdf of their Annual Independently Audited Financial Statements, and enter 13 data elements from the corresponding financial

statements. This allows for 100 percent of the FSRR to be captured electronically. Accordingly, the use of information technology allows CMS the ability to better track the FSRR for compliance. Moreover, the web-based collection has the potential to ensure all MAOs have filed the FSRR and identifies the no-compliant organizations. Ultimately, the use of information technology provides superior oversight, more timely access to the information, and significantly improved analysis capabilities.

4. Duplication of Efforts

No duplication of efforts. All contracting entities under the MA program are required by their respective states to provide Annual Audited Financial Statements. As stated above, these statements are prepared annually by an independent Accounting firm retained by the Company and presented to management. The only additional burden is the direct entry of the data elements from the audited statements into HPMS.

5. Small Business

This collection does not adversely impact small businesses.

6. Less Frequent Collection

Under this updated collection effort, financial Information will only be required once a year as opposed to four times per year.

7. Special Circumstances

There are no special circumstances associated with this filing.

8. Federal Register Notice/Outside Consultation

A 60-day Federal Register Notice was published on April 2, 2008.

No other outside consultation was required in the preparation of this document .

9. Payments/Gifts to Respondents

No gifts were made to the respondents.

10. Confidentiality

CMS complies with all provisions of the Freedom of Information Act and its Amendments. Under this Act, FSRR records requested in such a

manner as to be readily identified are made available unless they fall within one of the specific exemptions of the Act. FSRR data dealing with MAO's trade secrets and confidential business information as well as any forward looking financial projections are not released for public consumption.

11. Sensitive Questions

No questions of a sensitive nature are being asked.

12. Burden Estimate (Hours & Wages)

The FSRR is designed to capture financial data the MAOs are required to maintain for managerial, actuarial and clinical purposes. Therefore, the MAOs' job is principally one of assembling the required information in the requested format, from its own records.

The estimate of reporting burden is based upon several assumptions. First, the majority of the FSRR information supplied to CMS has already been required to be collected by appropriate State regulatory agencies (e.g., State departments of insurance, corporations, and/or health).

The following discussion clearly demonstrates the minimal marginal time required to supply CMS with annual financial information.

Estimated Person hours Per Response.

Estimates of respondent hours may vary among MAOs as result of (1) membership size, (2) staffing patterns, and (3) the type of management information system(s) utilized. The time required preparing the requested information is related to State-filing requirements (the burden is created by the state). The only additional burden to an organization is to log onto the HPMS , upload a PDF file of the annual independently audited financial statements, and enter 13 data elements from the corresponding statements. HPMS staff has established the total annual burden for the data upload and entry at 20 minutes per MAO. Additionally, the total number of MAOs filing the FSRR is 700 with an hourly cost associated with the FSRR of \$35. Accordingly, total burden for this filing for the FSRR is as follows: 700 (number of MAOs) x 20 (the number of minutes required by each MAO to complete) x \$35 (cost per hour). Therefore, the final burden of package is $700 * .3333 * \$35$ or $700 * \$11.66$. Finally, the **total burden of the FSRR is \$8,166**

13. Capital Costs

There are no costs for capital and start-up cost components, or costs associated with operation and maintenance, and purchase of service(s) components.

Respondent cost burden per response/hour is discussed above, under item number 12.

14. Estimate of Cost to Federal Government

There is no cost to the Federal Government.

15. Changes to Burden

The slight increase in annual cost burden to the MAOs complying with the FSRR (from \$10 per MAO in 2005 to \$11.66 per MAO in \$2008) is due to CMS' shift from a paper based collection to a Web-Based electronic collection of the MAO's Independently Audited Financial Statements. However, CMS now can more thoroughly evaluate the MAOs compliance with the FSRR; provide more extensive oversight of the MAOs to ensure they are remaining fiscally sound, and provide management with more timely and insightful analysis. Finally, the electronic submission will provide an extensive record of financial data for the MAO population allowing CMS to perform more comprehensive analysis and identify and evaluate—not just short term performance—but intermediate and long term trends. Most importantly, CMS will ensure 100% compliance with financial reporting requirement through the new electronic submissions by MAOs. The previous paper-based submissions of MAO financial reporting was difficult for CMS to track and required MAOs to package, send and track paper submissions.

16. Publication/Tabulation Dates

There are no publication or tabulation dates.

17. Expiration Date

We are not seeking exemption for displaying the expiration date.

18. Certification Statement

There is no exception to the "Certification for Paperwork Reduction Act Submissions", of OMB Form 83-1.