

## **SUPPORTING STATEMENT for 0938-0469**

### **A. BACKGROUND**

We are requesting revision of the following form: CMS-906, Fiscal Soundness Reporting Requirements (FSRR). The revised form combines Part C, Part D, 1876 Cost Plans, Demonstration Plans and the Program of All-Inclusive Care for the Elderly (PACE) programs. This is a product of the June 2008 reorganization where the responsibility of Part D financial reporting is now under the auspices of the Division of Finance and Benefits (DFB) in the Medicare Advantage Group (MCAG). Entities contracting in these programs currently submit all documentation being requested. The Fiscal soundness Reporting Requirements document will be posted on the Medicare Advantage website.

### **B. JUSTIFICATION**

#### **1. Need and Legal Basis**

CMS is assigned responsibility for overseeing all Medicare Advantage Organizations (MAO), Prescription Drug Plan (PDP) sponsors, 1876 Cost Plans, Demonstration Plans and PACE organizations on-going financial performance. Specifically, CMS needs the requested collection of information to establish that contracting entities within those programs maintain fiscally sound organizations and thereby remain a going concern. The authority for this collection is found at 42 CFR 422.516(a) (5), 42 CFR 423.514 and 42CFR 460.028.

#### **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 MAOs, PDPs, 1876 Cost Plans, Demonstration Plans and PACE organizations that contract to arrange delivery of care to Medicare beneficiaries;
- b. Provide CMS information required to oversee MAOs, PDPs, 1876 Cost Plans, Demonstration Plans and PACE organizations continuing compliance with State financial and reserve requirements where applicable;
- c. Provide CMS with a base for evaluating the progress and effectiveness of the various programs; and
- d. Provide statistical data for continued effective oversight.

**3. Use of Information Technology**

CMS is utilizing information technology to minimize filing burden. All organizations log onto the Health Plan Management System (HPMS) from the Web, upload a pdf of their Annual Independently Audited Financial Statements, other required documentation, (if applicable depending upon organization type) and enter 4 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 organizations have filed the FSRR and identifies the non-compliant organizations. Ultimately, the use of information technology provides superior oversight, more timely access to the information, and significantly improved analytic capabilities.

**4. Duplication of Efforts**

No duplication of efforts.

**5. Small Business**

This collection does not adversely impact small businesses.

**6. Frequency of Collection**

Quarterly or annually depending upon the organization type.

**7. Special Circumstances**

The consolidation of the financial reporting requirements for all the various plan types to one area of the agency is a product of the 2008 reorganization.

**8. Federal Register Notice/Outside Consultation**

A 60-day Federal Register Notice was published January 8, 2010. No comments were received.

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, PDPs and PACE organizations are required to maintain for managerial, actuarial and clinical purposes. Therefore, the organizations' 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 the following assumption. The majority of the FSRR information supplied to CMS has already been required to be collected by appropriate regulatory agencies (e.g., State departments of insurance, Department of Labor, IRS, and/or health agencies).

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 organizations as result of (1) membership size, (2) staffing patterns, (3) the type of management information system(s) utilized and (4) variance in frequency of reporting. The time required preparing the requested information is related to State-filing requirements or other Federal agencies (the burden is created by those agencies or departments). The only additional burden to an organization is to log into the Fiscal Soundness Reporting Requirements module located in HPMS, upload required documentation and four data elements. HPMS staff has established the total annual burden for the

data upload and entry at 20 minutes per organization. There are a total of 350 MAOs, 1876 Cost Plans and Demonstration Plans. From that total, 305 file once a year taking 20 minutes to file at a cost of \$35 per hour ( $305 \times .3333 \times 35$ ) with the total burden being \$3,558. The remaining 45 organizations file 4 times a year taking 20 minutes to file at \$35 per hour ( $45 \times 4 \times .3333 \times 35$ ) or \$2,100. PDPs and Employer/Union Direct Contract sponsors total 95 organizations. Those organizations file quarterly so the burden would be 95 organizations filing 4 times a year taking 20 minutes a filing at \$35 per hour ( $95 \times 4 \times .3333 \times 35$ ) or \$4,433. There are 69 PACE organizations. From that total 35 are required to file 4 times a year taking 20 minutes to file at \$35 per hour ( $35 \times 4 \times .3333 \times 35$ ) or \$1,633. The remaining PACE organizations file 1 time per year taking 20 minutes to file at \$35 per hour ( $34 \times 1 \times .3333 \times 35$ ) or \$397. By combining the burden of MAOs, 1876 cost Plans, Demonstration Plans, PDPs, Employer/Union Direct Contract PDPs and PACE organizations the **total burden of the FSRR is \$12,121. Total for the annual burden hours is 346.29 hours.**

**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.

**14. Estimate of Cost to Federal Government**

Reviews will be conducted on all 1040 submissions and will take on average one half hour to complete. Reviewers on average will be at grade 13 step 5 earning \$48.35 an hour. Total cost to the federal government will be \$25,142 ( $1040 \times .5 \times 48.35$ ).

**15. Changes to Burden**

There is an increase in burden due to adding PDPs to this collection effort. Previously this collection effort pertained to MAOs, 1876 Cost Plans, Demonstration Plans and PACE organizations.

**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.