

Licensure and Solvency, Business Transactions and Financial Fiscal Soundness Reporting Requirements

~~Title I, Part 423, Subpart I includes regulations regarding Licensure and Solvency. Part D Sponsors (PDPs), Employer/Union Direct Contract PDPs (Direct Contract PDP), Medicare Advantage Organizations (MAOs), - Program of All-Inclusive Care for the Elderly (PACE) Organizations, Section 1876 Cost Plans and Demonstration Plans and will be responsible for reporting several multiple data elements and documentation related to their fiscal soundness licensure and solvency and other financial requirements. Documentation requirements specific to the various programs is prescribed in the sections below. Employer/Union-Direct Contract PDPs (Direct Contract PDP) will be responsible for reporting multiple data elements and documentation related to their solvency and other financial requirements. Direct Contract PDPs are employers or unions that directly contract with CMS to offer a Part D plan exclusively to the employer's/union's retirees. Documentation required in SubSection I, II, III, & IV will be uploaded into the Fiscal Soundness Module in Health Plan Management System (HPMS). Data elements required under Subsection VIII will be entered into the Fiscal Soundness Module in HPMS. Thus, dDocumentation is not will no longer be mailed to CMS, nor will data be entered into the Part D Reporting Module in HPMS. Documentation requirements are listed separately for Part D-PDPs and Direct Contract PDPs. These dData will be used to monitor the financial condition of the entities contracting with CMS. ensure Part D-PDPs and Direct Contract PDPs continue to be fiscally solvent entities.~~

- ~~SubsSection I. Fiscal Soundness Reporting nancial and Solvency Requirements Documentation - Part D PDPs~~
- ~~SubsSection II. Fiscal Soundness Reporting nancial and Solvency Requirements Documentation – Direct Contract PDPs~~
- ~~SubsSection III. Fiscal Soundness Reporting nancial and Solvency Requirements Documentation HPMS data– Medicare Advantage Organizations, 1876 Cost Plans and Demonstration Plans Part D-PDPs and Direct Contract PDPs~~
- ~~Section IV. Fiscal Soundness Reporting Requirements - PACE Organizations~~
- ~~Section V. Fiscal Soundness Reporting Requirements HPMS data – Part D PDPs, Direct Contract PDPs, Medicare Advantage Organizations, 1876 Cost Plans, Demonstration Plans and PACE Organizations.~~

Reporting timeline:

| | Quarter 1 YTD | Quarter 2 YTD | Quarter 3 YTD | Annual |
|-----------------------------|--------------------------|--------------------------|-----------------------------|----------------------------|
| Reporting Period | January 1 - | January 1 - | January 1 - September 30 | January 1 - December 31 |

| | | | | |
|-----------------------------|----------|-----------|-------------|--|
| | March 31 | June 30 | | |
| Data due to CMS/HPMS | May 15 | August 15 | November 15 | 120 days after the end of the calendar year or within 10 days of the receipt of the Annual Audited F/S whichever is earlier. |

I. **Fiscal Soundness Reporting ~~nancial and Solvency~~ Requirements**

Documentation for Part D PDP Contracts:

- A. According to the quarterly time periods specified above, for quarters 1 – 3 only, Part D PDP Contracts that are licensed will submit the following completed Health Blank form pages directly to CMS:
- Jurat;
 - Assets;
 - Liabilities, Capital and Surplus;
 - Statement of Revenue and Expenses;
 - Capital and Surplus Account; and
 - Cash Flow;
- Note: CMS will accept a copy of the Health Blank form submitted to the state in its entirety.
- B. According to the quarterly time periods specified above, non-licensed Part D PDP Contracts will submit un-audited financial statements, which convey the same information contained in the Health Blank form, directly to CMS. An alternative for non-licensed Part D PDP Contracts would be to complete the Health Blank pages as prescribed in A. above.
- C. According to the quarterly time periods specified above, non-licensed Part D PDP Contracts will submit documentation showing that an insolvency deposit of \$100,000 is being held in accordance with CMS requirements by a qualified financial institution.
- D. According to the quarterly time periods specified above, Part D PDP Sponsors not licensed in any state must submit documentation that demonstrates they possess the allowable sources of funding to cover projected losses for the greater of 7.5% of the aggregated projected target amount for a given year or resources to cover 100% of any projected losses in a given year. This documentation should include a worksheet indicating how they arrived at the aggregated projected target amount. Pro-forma financial statements including the balance sheet, income statement and statement of cash flows projecting through the next 12 months by quarter. Enrollment projections through the next 12 months by quarter. Guarantees, letters of credit and other documents essential to demonstrating that the funding for projected losses requirement has been met must also be included.
- E. All Part D PDP contracts will submit a copy of their independently audited financial statements (which are statutory based or GAAP based) -within one hundred twenty days following their fiscal year end or within 10 days of receipt of those statements, whichever is earlier directly to CMS. Licensed entities may not report under GAAP for a period longer than 36 months.

- F. All non-licensed Part D PDP Contracts will submit a copy of an Actuarial Opinion by a qualified actuary within one hundred twenty days following their fiscal year end directly to CMS. The opinion should address the assumptions and methods used in determining loss revenues, actuarial liabilities, and related items.
- G. According to the quarterly time periods specified above, Part D PDP sponsors with any state licensure waivers must submit an update on the status of obtaining licensure for each waived state.
- H. Per § 423.514 each Part D sponsor must report to CMS annually, within 120 days of the end of the fiscal year, significant business transactions, between the Part D sponsor and a party in interest. Definitions for significant business transactions and a party in interest can be found in § 423.501.

Documentation submitted should include the following:

1. A description of the transaction or transactions taking place with the party in interest.
2. Identification of the party in interest and an explanation of how that party meets the definition of a party in interest.
3. The costs incurred during the fiscal year relating to the transactions between the party in interest and the Part D sponsor and what those costs would have been if incurred at fair market value. If the costs incurred exceed fair market value, provide an explanation justifying that the costs are consistent with prudent management and fiscal soundness requirements.
4. Combined financial statements for the Part D plan sponsor and a party in interest if 35% or more of the costs of operation of the Part D sponsor go to a party in interest, or 35% or more of the revenue of a party in interest is from the Part D sponsor.

If a Part D PDP sponsor did not have significant business transactions with a party in interest as prescribed in § 423.501 then the Part D PDP sponsor must submit an attestation signed by [its/their](#) President, CEO or CFO indicating that the contracting entity did not have significant business transactions with a party in interest as prescribed in § 423.501.

II. Fiscal Soundness Reporting ~~nancial and Solvency~~ Requirements **Documentation for Direct Contract PDPs:**

- A. According to the quarterly time periods specified above, Direct Contract PDPs will submit un-audited financial statements directly to CMS.
- B. According to the quarterly time periods specified above, Direct Contract PDPs will submit documentation showing that an insolvency deposit of \$100,000 is being held in accordance with CMS requirements by a qualified financial institution (unless CMS waived this requirement in writing with respect to the sponsor).
- C. Direct Contract PDPs will submit a copy of their independently audited financial statements -within one hundred twenty days following their fiscal

year end or within 10 days of receipt of those statements, whichever is earlier directly to CMS.

- D. All Direct Contract PDPs will submit a copy of their credit rating (or, if they have no credit rating, a Dun & Bradstreet report) on a quarterly basis directly to CMS as follows:

| | |
|----------------|-----------------------|
| For Quarter 1: | May 15 th |
| For Quarter 2: | Aug. 15 th |
| For Quarter 3: | Nov. 15 th |
| For Quarter 4: | Feb. 15 th |

- E. All Direct Contract PDPs will submit an ERISA Sec. 411(a) attestation directly to CMS by February 15th.

III. **Fiscal Soundness Reporting Requirements for Medicare Advantage Organizations (MAOs), 1876 Cost Plans and Demonstration Plans.**

- A. All Medicare Advantage Organizations will submit a copy of their independently audited financial statements (which are statutory based or GAAP based) within one hundred twenty days following their fiscal year end or within 10 days of receipt of those statements, whichever is earlier, directly to CMS. Entities may not report under GAAP for a period longer than 36 months.

IV. **Fiscal Soundness Reporting Requirements for Program of All-inclusive Care for the Elderly (PACE) Organizations**

- A. All PACE Organizations will submit a copy of their independently audited financial statements (which are statutory based or GAAP based) within one hundred eighty days following their fiscal year end or within 10 days of receipt of those statements, whichever is earlier, directly to CMS. Entities may not report under GAAP for a period longer than 36 months.
- B. PACE Organizations, during their first three years of operation, will submit unaudited financial statements to include the balance sheet, income statement and statement of cash flows within 45 days of each quarter.

V. **Fiscal Soundness Reporting financial and Solvency Requirements data elements to be entered into HPMS – For Part D PDP Contracts / Direct Contract PDPs, MAOs, 1876 Cost Plans, Demonstration Plans and PACE Organizations:**

~~The following data is to be entered into HPMS. For Part D PDP Contracts, the following is to be entered at the Part D Contract level per the NAIC #. Each Contract NAIC# entity will be listed under each contract.~~

- A. Total assets as of the end of the quarterly reporting period identified above. This should be a currency field.

- B. Total liabilities as of the end of the quarterly reporting period identified above.
This should be a currency field.
- C. Cash from operations as of the end of the quarterly reporting period identified above. This should be a currency field.
- ~~Cash and short term investments as of the end of the reporting period identified above. This should be a currency field.~~
- ~~Current assets as of the end of the quarterly reporting period identified above. This should be a currency field.~~
- ~~Current liabilities as of the end of the quarterly reporting period identified above. This should be a currency field.~~
- ~~D. Total revenue as of the end of the quarterly reporting period identified above. This should be a currency field.~~
- ~~E. Total expenses as of the end of the quarterly reporting period identified above. This should be a currency field.~~
- ~~F. Administrative expense as of the end of the quarterly reporting period identified above. This should be a currency field. NOTE: Direct Contract PDPs are waived from this element~~
- ~~G. Net income as of the end of the quarterly reporting period identified above. This should be a currency field.~~
- H. Drug benefit expenses (excluding administrative expenses) as of the end of the quarterly reporting time period. Drug benefit expenses are paid claims costs which would be comprised of negotiated costs and dispensing fees less member share. This should be a currency field.
- ~~I. Drug benefit revenues as of the end of the quarterly reporting period. Drug benefit revenues would include premiums, CMS subsidies, rebates and other reinsurance. This should be a currency field.~~

PRA Disclosure Statement

According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is OMB# 0938-0469. The time required to complete this information collection is estimated to average (20 minutes) per response, including the time to review instructions, search existing data resources, gather the data needed, and complete and review the information collection. If you have comments concerning the accuracy of the time estimate(s) or suggestions for improving this form, please write to: CMS, 7500 Security Boulevard, Attn: PRA Reports Clearance Officer, Mail Stop C4-26-05, Baltimore, Maryland 21244-1850.