

Fiscal Soundness Reporting Requirements

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 will be responsible for reporting several data elements and documentation related to their fiscal soundness and other financial requirements. Documentation requirements specific to the various programs is prescribed in the sections below. Documentation required in Section I, II, III, IV will be uploaded in the Fiscal Soundness Module in Health Plan Management System (HPMS). Data elements required under Subsection V will be entered into the Fiscal Soundness Module in HPMS. Documentation is not mailed to CMS. Data will be used to monitor the financial condition of the entities contracting with CMS.

- Section I. Fiscal Soundness Reporting Requirements Documentation - Part D PDPs
- Section II. Fiscal Soundness Reporting Requirements Documentation – Direct Contract PDPs
- Section III. Fiscal Soundness Reporting Requirements Documentation – Medicare Advantage Organizations, 1876 Cost Plans and Demonstration Plans
- 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 - March 31	January 1 - June 30	January 1 - September 30	January 1 - December 31
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 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 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 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 or 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 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. .

- 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.
- D. Net income as of the end of the quarterly reporting period identified above. 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

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