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**Date:** June 27, 2016

**Subject:** Alternative Schedule for Payment of Charges for Reconciliation of the Cost-sharing Reduction Portion of Advance Payments for the 2014 and 2015 Benefit Years

**Question:** On June 17, 2016, CMS released an FAQ<sup>1</sup> providing information on the payment schedule for reconciliation of the cost-sharing reduction component of advance payments for issuers who meet certain requirements. The FAQ stated that to request such flexibility, an issuer must provide CMS with detailed financial statements and projections no later than 11:59 p.m. ET on Tuesday, July 5, 2016. What information must an issuer provide to request the flexibility on the payment schedule?

**Answer:** To request flexibility on the payment schedule for reconciliation of the cost-sharing reduction component of advance payments, an issuer must demonstrate that full payment will present a liquidity hardship, that the company expects to remain solvent through the end of 2016, and that the company does not have reasonable access to another source of funding. It must also provide the following financial data and attestation to CMS **no later than 11:59 p.m. ET on Tuesday, July 5, 2016**. The financial data and attestation should be submitted to [CSRrepayment@cms.hhs.gov](mailto:CSRrepayment@cms.hhs.gov). The company must also inform the State Department of Insurance in the state in which it is domiciled that it is requesting this flexibility.

**Financial Data:**

The issuer must submit a set of current, actuarially certified, pro forma financial statements and projections. The financial data must include the following information:

- *Monthly projection of cash balances.* This should correspond to Lines 1 and 5 from the most recent NAIC quarterly report filing “Asset” sheet regarding liquid investments Bonds and Cash.
- *Monthly projection of Risk-Based Capital Percentage (RBC%).* This should include:
  - Information corresponding to Line 33 of the most recent NAIC quarterly report filing “Liabilities, Capital, and Surplus” sheet regarding total capital and surplus.
  - Information corresponding to Line 15 on the “Five-Year Historical Data” sheet of the most recent NAIC annual filing regarding authorized control level risk-based capital. Note: When there is no material change in the expected insured population during the year, CMS requires only a single estimate corresponding to

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<sup>1</sup> Available at: <https://www.cms.gov/CCIIO/Resources/Regulations-and-Guidance/Downloads/CSRFAQ.pdf>.

the expected year-end Authorized Control Level value, rather than separate monthly estimates for the period.

- *Annual Projected Expenses.* This should include information corresponding to Lines 22 and 23 of the most recent NAIC quarterly report filing “Statement of Revenues and Expenses” sheet regarding increase in reserves for life and health contracts and total underwriting deductions.

The issuer should clearly identify data it believes is sensitive and confidential information that should be protected from disclosure.

Attestation:

The financial data must be accompanied by the following attestation, completed by an individual that is legally and financially able to obligate the issuer:

I attest that I am an individual that is legally and financially able to obligate [INSERT ISSUER NAME, HIOS ID]. On behalf of [INSERT ISSUER NAME, HIOS ID], I further attest that:

- Full payment of the reconciliation of the cost-sharing reduction component of advance payments for the 2014 and 2015 benefit years in August 2016 will present a liquidity hardship.
- The company expects to remain solvent through the end of 2016.
- The company has informed the State Department of Insurance in the state in which the company is domiciled that it is requesting flexibility on the payment schedule for reconciliation of the cost-sharing reduction component of advance payments.
- The company does not have reasonable access to another source of funding, such as through a corporate affiliate.
- The detailed financial data submitted with this attestation is complete, accurate, and reflect our company’s best estimates, following reasonable actuarial and financial diligence.
- I understand that by choosing an alternative payment schedule, the outstanding debt will be subject to interest at the rate provided for under 45 CFR 30.18.
- If the company becomes aware that any of the financial data submitted with this attestation is incorrect or invalid, it will promptly inform CMS.