

# Prescription Drug Plans

## Contract Year 2019 Fiscal Soundness Reporting Requirements

This document contains the Fiscal Soundness Reporting Requirements (FSRR) and associated due dates. All Prescription Drug Plan (PDP) Sponsors that have active (initial and renewing) contracts in Contract Year (CY) 2019 must comply with the FSRR. They must satisfy all applicable state licensure, state and CMS financial requirements and submit independently audited annual financial statements to CMS on an annual basis.

CMS monitors compliance with fiscal soundness requirements through audited annual financial statements of the organization's legal entity and other required documentation. The audited annual financial statements are due within 120 days of the contract's fiscal year-end or within 10 days of receipt of those statements, whichever is earlier unless an extension has been granted. They must be prepared in accordance with generally accepted accounting principles (GAAP), unless the domestic state's requirements differ. CMS may require organizations to provide additional information, such as business plans, financial projections with supporting assumptions. HPMS memorandums titled "Clarification of Fiscal Soundness Requirements and Monitoring" issued on November 17, 2015 and "Fiscal Soundness Requirements and Monitoring" issued on January 12, 2017 provide additional information on these requirements and can be found in the Fiscal Soundness Module (FSM) within the Health Plan Management System (HPMS) by navigating to [HPMS Homepage](#) Monitoring > Fiscal Soundness > Documentation > Document and Forms. Instructions regarding uploading your documentation are outlined in the Plan User Guide also located in HPMS's FSM or [CMS.gov Fiscal Soundness Reporting Requirements](#).

All FSRR requirements must be met by the legal entity unless the domestic state permits the organization to submit financial statements that include other lines of business. Organizations should refer to the HPMS memorandum titled "Annual Verification of Parent Organization and Legal Entity Name" issued on March 1, 2019 if updates to parent organization and/or legal name are needed.

In addition to the audited annual submission, PDP sponsors are required to submit quarterly financial statements with exception of quarters ending between October 1<sup>st</sup> and December 31<sup>st</sup>. Quarterly NAIC Health Blank form pages including Jurat, Assets, Liabilities, Capital and Surplus, Statement of Revenue and Expenses, Capital and Surplus Account, and Cash Flow. CMS will accept a PDF or zip file of the Health Blank form submitted to the state as required for licensed PDP contracts.

*Direct Contract PDPs* are also required to submit the following:

- Documentation with its audited annual submission, 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 for the organization).
- An ERISA Sec. 411(a) attestation with their annual submission.

- A copy of its credit rating (or, if they have no credit rating, a Dun & Bradstreet report) with its independently audited annual financial statement and each of its 3 quarterly submissions.

Table 1 below summarizes the submission guidelines. If the fiscal year-end does not fall at the calendar year-end, please refer to submission deadline tables at the end of this document.

**Table 1: Fiscal Soundness Submissions**

| <b>Submission Type</b>        | <b>Description</b>                        | <b>Submission Deadline</b>                 | <b>Requirement</b> |
|-------------------------------|---|--|--------------------|
| Audited Annual                | Closure of previous fiscal year           | Within 120 days after the fiscal year ends | All contracts      |
| Reporting Period Ending 03/31 | For quarters ending between 01/01 – 03/31 | Within 45 days after the quarter ends      | All contracts      |
| Reporting Period Ending 06/30 | For quarters ending between 04/01 – 06/30 | Within 45 days after the quarter ends      | All contracts      |
| Reporting Period Ending 09/30 | For quarters ending between 07/01 – 09/30 | Within 45 days after the quarters ends     | All contracts      |

**Fiscal Soundness Submissions for New Contracts**

New contracts are included in the FSM once the contract is effective. These organizations must submit their 12/31/18 fiscal year-end audited annual financial statements in HPMS for CY 2019. If the domestic state has a later due date than CMS, the organization can submit a request for an extension.

New contracts that do not have audited annual financial statements for the fiscal year-end prior to the first contract year (i.e., 12/31/18 audited financial statement for CY 2019) should submit the first available item from the list below and describe why there are no available audited annual financial statements.

1. Submit the parent organization’s most recent audited annual financial statements for the fiscal year-end prior to the first contract year (i.e., 12/31/18 audited financial statements for CY 2019). If these are not available, then
2. Submit the organization’s most recent unaudited annual financial statements for the fiscal year-end prior to the first contract year (i.e., 12/31/18 audited financial statements for CY 2019). If no unaudited financial statements are available, then
3. Submit the most recent quarterly NAIC Health Blank or other form of quarterly financial statements. If a quarterly NAIC Health Blank or other financial statements are not available, then

4. Submit a description on company letterhead stating there are no financial statements available for the period with an accompanying rationale (e.g., the organization was not yet operational).

**Entering Financial Data Elements into HPMS**

Organizations are required to enter the following elements from their corresponding financial statements. The appropriate number of zeros should be added for rounded numbers (e.g., add three zeros (000) if numbers are rounded to the closest thousand).

**Table 2: Data Entry**

| <b>Financial Data Element</b>                    | <b>PDPs</b> |
|--|-------------|
| Total Assets                                     | Yes         |
| Total Liabilities                                | Yes         |
| Net Income/(Net Loss) (current year-to-date)     | Yes         |
| Cash Flow From Operations (current year-to-date) | Yes         |

**Deadline Extension Requests**

If the state insurance fiscal soundness deadline falls after the CMS submission deadline, organizations may request an extension. Extension requests should be made prior to the fiscal soundness deadline to avoid potential compliance action. Organizations must document why an extension is needed (e.g., Annual Statement Filing Checklist and Instructions for Health Entities as required by the domestic state, or documentation showing that the domestic state has granted an extension). Extension requests for contracts with the same NAIC number should be submitted in one request covering all contracts. Extension requests for CY 2019 may be submitted after the FSM release in March 2019. Finally, an organization may designate an extension request as “perennial” to avoid making similar requests in the future. Plan users can submit an extension by navigating to [HPMS Homepage](#) > Monitoring > Fiscal Soundness > Extensions > Submission of Extension Requests.

**Technical Requirements**

To access the HPMS FSM, organizations must have a four character CMS User ID. Questions concerning access to HPMS may be submitted to [CMS HPMS Access \(CMSHPMS\\_Access@cms.hhs.gov\)](mailto:CMSHPMS_Access@cms.hhs.gov).

Please note, when uploading documents, HPMS cannot accept certain keyboard characters in the file name, such as pound or hashtag (#); semi-colon (;); percentage (%); plus (+); ampersand (&); or double periods (..). If these characters are included in the file name, the upload will fail. Upload files may be in .pdf, .doc, .docx, and .zip (zip files cannot contain invalid file types)

formats. File sizes may not exceed 10MB. New zip files will replace or delete previously uploaded files.

## **Resources**

For technical assistance with HPMS, please contact the [HPMS Help Desk \(hpms@cms.hhs.gov\)](mailto:hpms@cms.hhs.gov); 1-800-220-2028) or [Andrew Chu \(andrew.chu@cms.hhs.gov\)](mailto:andrew.chu@cms.hhs.gov).

For questions related to HPMS user access, please send email to [HPMS Access \(CMSHPMS\\_Access@cms.hhs.gov\)](mailto:CMSHPMS_Access@cms.hhs.gov).

For policy related questions, please send email to [Financial Review \(FinancialReview@cms.hhs.gov\)](mailto:FinancialReview@cms.hhs.gov).

## **Regulatory References**

42 CFR §423.4 Definitions

42 CFR §423.505(a)(b)(23) Contract provisions

42 CFR §423.514(a)(4)(b)(c) Validation of Part D reporting requirements

**PDP - CY 2019 Submission Deadlines**

| <b>PDP Fiscal Year End Dates</b> | <b>Audited Annual</b>  | <b>Period Ending 3/31</b>                             | <b>Period Ending 6/30</b> | <b>Period Ending 9/30</b>  |
|----------------------------------|--|---|---------------------------|----------------------------|
| <b>8/31/2018</b>                 | 8/31/18 Audited Annual by 4/15/19*<br>*After 2019 FSM release  | PE 2/28/19 due by 4/15/19*<br>*After 2019 FSM release | PE 5/31/19 due by 7/15/19 | PE 8/31/19 due by 10/15/19 |
| <b>9/30/2018</b>                 | 9/30/18 Audited Annual by 4/15/19*<br>*After 2019 FSM release  | PE 3/31/19 due by 5/15/19                             | PE 6/30/19 due by 8/15/19 | PE 9/30/19 due by 11/15/19 |
| <b>10/31/2018</b>                | 10/31/18 Audited Annual by 4/15/19*<br>*After 2019 FSM release | PE 1/31/19 due by 4/15/19*<br>*After 2019 FSM release | PE 4/30/19 due by 6/17/19 | PE 7/31/19 due by 9/16/19  |
| <b>11/30/2018</b>                | 11/30/18 Audited Annual by 4/15/19*<br>*After 2019 FSM release | PE 2/28/19 due by 4/15/19*<br>*After 2019 FSM release | PE 5/31/19 due by 7/15/19 | PE 8/31/19 due by 10/15/19 |
| <b>12/31/2018</b>                | 12/31/18 Audited Annual by 4/30/19*<br>*After 2019 FSM release | PE 3/31/19 due by 5/15/19                             | PE 6/30/19 due by 8/15/19 | PE 9/30/19 due by 11/15/19 |
| <b>1/31/2019</b>                 | 1/31/19 Audited Annual by 5/31/19                              | PE 1/31/19 due by 4/15/19*<br>*After 2019 FSM release | PE 4/30/19 due by 6/17/19 | PE 7/31/19 due by 9/16/19  |
| <b>2/28/2019</b>                 | 2/28/19 Audited Annual by 7/1/19                               | PE 2/28/19 due by 4/15/19*<br>*After 2019 FSM release | PE 5/31/19 due by 7/15/19 | PE 8/31/19 due by 10/15/19 |
| <b>3/31/2019</b>                 | 3/31/19 Audited Annual by 7/31/19                              | PE 3/31/19 due by 5/15/19                             | PE 6/30/19 due by 8/15/19 | PE 9/30/19 due by 11/15/19 |

| <b>PDP Fiscal Year End Dates</b> | <b>Audited Annual</b>              | <b>Period Ending 3/31</b>                             | <b>Period Ending 6/30</b> | <b>Period Ending 9/30</b>  |
|----------------------------------|------------------------------------|---|---------------------------|----------------------------|
| <b>4/30/2019</b>                 | 4/30/19 Audited Annual by 8/30/19  | PE 1/31/19 due by 4/15/19*<br>*After 2019 FSM release | PE 4/30/19 due by 6/17/19 | PE 7/31/19 due by 9/16/19  |
| <b>5/31/2019</b>                 | 5/31/19 Audited Annual by 9/30/19  | PE 2/28/19 due by 4/15/19*<br>*After 2019 FSM release | PE 5/31/19 due by 7/15/19 | PE 8/31/19 due by 10/15/19 |
| <b>6/30/2019</b>                 | 6/30/19 Audited Annual by 10/31/19 | PE 3/31/19 due by 5/15/19                             | PE 6/30/19 due by 8/15/19 | PE 9/30/19 due by 11/15/19 |
| <b>7/31/2019</b>                 | 7/31/19 Audited Annual by 12/2/19  | PE 1/31/19 due by 4/15/19*<br>*After 2019 FSM release | PE 4/30/19 due by 6/17/19 | PE 7/31/19 due by 9/16/19  |

**PDP - CY 2020 Submission Deadlines**

| <b>PDP Fiscal Year End Dates</b> | <b>Audited Annual</b>  | <b>Period Ending 3/31</b>                             | <b>Period Ending 6/30</b> | <b>Period Ending 9/30</b>  |
|----------------------------------|--|---|---------------------------|----------------------------|
| <b>8/31/2019</b>                 | 8/31/19 Audited Annual by 4/15/20*<br>*After 2020 FSM release  | PE 2/29/20 due by 4/15/20*<br>*After 2020 FSM release | PE 5/31/20 due by 7/15/20 | PE 8/31/20 due by 10/15/20 |
| <b>9/30/2019</b>                 | 9/30/19 Audited Annual by 4/15/20*<br>*After 2020 FSM release  | PE 3/31/20 due by 5/15/20                             | PE 6/30/20 due by 8/17/20 | PE 9/30/20 due by 11/16/20 |
| <b>10/31/2019</b>                | 10/31/19 Audited Annual by 4/15/20*<br>*After 2020 FSM release | PE 1/31/20 due by 4/15/20*<br>*After 2020 FSM release | PE 4/30/20 due by 6/15/20 | PE 7/31/20 due by 9/15/20  |
| <b>11/30/2019</b>                | 11/30/19 Audited Annual by 4/15/20*<br>*After 2020 FSM release | PE 2/29/20 due by 4/15/20*<br>*After 2020 FSM release | PE 5/31/20 due by 7/15/20 | PE 8/31/20 due by 10/15/20 |

| <b>PDP<br/>Fiscal Year<br/>End Dates</b> | <b>Audited Annual</b>  | <b>Period Ending<br/>3/31</b>                         | <b>Period Ending<br/>6/30</b> | <b>Period Ending<br/>9/30</b> |
|--|--|---|-------------------------------|-------------------------------|
| <b>12/31/2019</b>                        | 12/31/19 Audited Annual by 4/30/20*<br>*After 2020 FSM release | PE 3/31/20 due by 5/15/20                             | PE 6/30/20 due by 8/17/20     | PE 9/30/20 due by 11/16/20    |
| <b>1/31/2020</b>                         | 1/31/20 Audited Annual by 6/01/20                              | PE 1/31/20 due by 4/15/20*<br>*After 2020 FSM release | PE 4/30/20 due by 6/15/20     | PE 7/31/20 due by 9/15/20     |
| <b>2/28/2020</b>                         | 2/28/20 Audited Annual by 6/30/20                              | PE 2/29/20 due by 4/15/20*<br>*After 2020 FSM release | PE 5/31/20 due by 7/15/20     | PE 8/31/20 due by 10/15/20    |
| <b>3/31/2020</b>                         | 3/31/20 Audited Annual by 7/31/20                              | PE 3/31/20 due by 5/15/20                             | PE 6/30/20 due by 8/17/20     | PE 9/30/20 due by 11/16/20    |
| <b>4/30/2020</b>                         | 4/30/20 Audited Annual by 8/31/20                              | PE 1/31/20 due by 4/15/20*<br>*After 2020 FSM release | PE 4/30/20 due by 6/15/20     | PE 7/31/20 due by 9/15/20     |
| <b>5/31/2020</b>                         | 5/31/20 Audited Annual by 9/30/20                              | PE 2/29/20 due by 4/15/20*<br>*After 2020 FSM release | PE 5/31/20 due by 7/15/20     | PE 8/31/20 due by 10/15/20    |
| <b>6/30/2020</b>                         | 6/30/20 Audited Annual by 11/02/20                             | PE 3/31/20 due by 5/15/20                             | PE 6/30/20 due by 8/17/20     | PE 9/30/20 due by 11/16/20    |
| <b>7/31/2020</b>                         | 7/31/20 Audited Annual by 11/30/20                             | PE 1/31/20 due by 4/15/20*<br>*After 2020 FSM release | PE 4/30/20 due by 6/15/20     | PE 7/31/20 due by 9/15/20     |