

## CY 2015 Fiscal Soundness Reporting Requirements

CMS is responsible for reviewing and monitoring the fiscal soundness of organizations (see Appendix 1: Regulatory References) and the purpose of this document is to summarize the overall reporting process and define deadlines and information for each organization type. Since reporting requirements vary by organization type, this document is structured into the following categories based on information that applies to: (1) All Organizations; (2) MAOs, MMPs, and 1876 Cost Plans; (3) PDPs; and (4) PACE organizations. In addition, the document includes appendices that summarize regulatory references (Appendix 1) and frequently asked questions (Appendix 2: General FAQs and Appendix 3: PACE FAQs). Organizations should use this document in conjunction with other available documentation discussed below. Questions not addressed by available documentation can be emailed to: [Financialreview@cms.hhs.gov](mailto:Financialreview@cms.hhs.gov).

Medicare Advantage Organizations (MAOs), Medicare-Medicaid plans (MMPs), Programs of All Inclusive Care for the Elderly (PACE) organizations, 1876 Cost Plans and Prescription Drug Plans (PDPs), are to upload into the Health Plan Management System (HPMS) Fiscal Soundness Module a PDF or zip file of their previous year's (2014) independently audited financial statements. These statements must be prepared using statutory accounting principles (unless the Domestic State requires otherwise) and are due to CMS on or before April 30 of the current contract year unless an extension has been granted by CMS. PACE organizations are to submit independently audited financial statements prepared on an accrual basis and in accordance with generally accepted accounting principles, which are due to CMS 180 days after its fiscal year end date. In addition, some organizations may also be required or notified by CMS to submit quarterly statements in certain situations.

A new organization without any independently audited financial statements for the previous period should upload the independently audited financial statements of its parent organization if it has a parent. A new organization without any independently audited financial statements or parent organization should contact CMS at [FinancialReview@cms.hhs.gov](mailto:FinancialReview@cms.hhs.gov) and request guidance about what information to submit in lieu of the Contract Year 2015 Audited Annual submission. Please note that a new Organization without any independently audited financial statements or parent organization must submit quarterly financial statements for each quarter throughout the contract year.

### All Organizations

Organizations must submit all required financial statements and information through the Health Plan Management System (HPMS) Fiscal Soundness Module which is updated and released annually at the end of March. This module tracks, monitors, and serves as a data repository for current and historical financial information. To access the HPMS Fiscal Soundness Module, plan users must have a CMS HITS User ID and Internet access. Questions regarding connectivity or access to the appropriate information can be emailed to [HPMS\\_Access@cms.hhs.gov](mailto:HPMS_Access@cms.hhs.gov). Please note that all organizations are required to upload a PDF or zip file of their financial statements and no hardcopy documents will be accepted by CMS. Moreover, the PDF or zip file must include all pages including any associated letters, opinions, the signature page, etc.

Organizations are also responsible for accurately maintaining the names, telephone numbers, and email addresses of company personnel under the Contract Management section of HPMS. From a fiscal soundness perspective, the present Chief Financial Officer, Medicare Compliance Officer, and financial reporting contacts must be included in the event CMS needs to contact organizational personnel. In addition, the Accounting Fiscal Year End information in the Contract Management section of HPMS must be accurate.

To access the HPMS Fiscal Soundness Module, plan users must logon to HPMS and select "Fiscal Soundness" from the "Monitoring" section of the main menu toolbar. Once the Fiscal Soundness Start page

displays, the plan user will have the option to select navigation links from the Fiscal Soundness Secondary Menu. We encourage plan users to review all materials provided under the category “Documentation” and, in particular, the “Users Guide” is a valuable resource that provides step-by-step instructions for navigating the Fiscal Soundness Module for either new, updates, or resubmissions of financial information.

Organizations making a new submission through the Fiscal Soundness Module will be prompted to select a “Contract Type” (i.e., “PDP”, “Non-PDP”, or “Both”) which is determined by what contract(s) are included in the financial statement being submitted. Most licensed insurance companies have been issued a National Association of Insurance Commissioners (NAIC) number. CMS requires that all organizations enter the NAIC number in HPMS for each contract number as well as each parent organization. Organizations that do not have a NAIC number for the contract and/or parent organization must indicate that no NAIC number has been assigned. If a single financial statement covers multiple contract numbers, the financial report is to be submitted only once in accordance with the NAIC number including all of the covered contract numbers at that time. Organizations can satisfy this requirement by choosing either “PDP”, “Non-PDP”, or “Both” and this will allow organizations to submit a financial statement for a single contract or multiple contracts at the same time. For example:

- 1) If contracts H0000 and H9999 are covered by the same financial statement, they must be entered into HPMS at the same time. The “Type” will be “Non-PDP” because neither plan is a PDP.
- 2) If contracts H0000 and S9999 (PDP) are covered by the same financial statement, they must be entered into HPMS at the same time. The “Type” will be “Both” because one is a PDP and one is not a PDP.

Organizations are required to submit specific financial statements to CMS by established deadlines throughout the year (summarized later in this document). The HPMS Fiscal Solvency Module requires the plan user to identify the financial statement as one of the following “Submission Types”:

- Audited Annual – The audited annual financial statement covers the closure of the previous fiscal year.
- Reporting Period Ending 3/31 – For quarters ending between 1/1 - 3/31
- Reporting Period Ending 6/30 – For quarters ending between 4/1 - 6/30
- Reporting Period Ending 9/30 – For quarters ending between 7/1 - 9/30
- Reporting Period Ending 12/31 – For quarters ending between 10/1- 12/31 (PACE contracts only)

As part of filing the annual independently audited financial statements, the organization is required to enter four or five specified data elements from the corresponding statements into HPMS. The required data elements vary by organization type, but examples include Total Assets, Total Liabilities, and Net Income. The plan user must enter the specified data element numbers into the Fiscal Solvency Module as they appear on the financial statement being submitted. The appropriate number of zeroes should be added rounded numbers (e.g., add three zeroes (000) if numbers are rounded to the closest thousand). Plan users are also reminded to submit the correct information from the financial statements because the financial data elements will be verified by CMS. Errors identified during review will result in an email from CMS requesting a resubmission of corrected financial information. For example, a common error is that CMS requires “Total Cash Flow from Operations” and not any other Cash Flow total.

State insurance regulators may provide an organization with a deadline that is later than the CMS deadline to submit financial statements. With the exception of PACE organizations, CMS will accept a later filing date if the organization is able to provide documentation from the state substantiating the situation. Organizations can request the CMS extension by using the Submission of Extension Requests function in the HPMS Fiscal Soundness Module. The plan user will identify the contract(s), requested extension date, reason for the extension, and upload required support documentation and follow the instructions in the

Fiscal Soundness Module User Guide for submitting requests. All contracts included in a same NAIC number must be included in the extension request and multiple contracts covering multiple NAIC numbers may be submitted together. In addition, an organization is able to designate the request as “Perennial” and will not have to make similar extension requests in the future. Extension requests must be made in a timely manner to avoid compliance issues.

**MAO, MMP and 1876 Cost Plan Organizations**

As part of filing the annual independently audited financial statements, the organization is required to enter the following four data elements from the corresponding statements into the HPMS Fiscal Soundness Module (same elements as stand-alone PDPs):

1. Total Assets
2. Total Liabilities
3. Net Income (current year-to-date)
4. Cash Flow from Operations (current year-to-date)

Organizations are required to submit specific financial statements to CMS by the deadlines established in the table below. The “Audited Annual” financial statement must be submitted by organizations for each contract by April 30 unless an extension has been granted by CMS. CMS will notify organizations if quarterly reports must be submitted for certain contracts based on the deadlines below. A report for quarters ending between October 1 and December 31 is not required for any contract.

<b>Submission Type</b>	<b>Description</b>	<b>Submission Deadline</b>	<b>Requirement</b>
Audited Annual	Closure of previous fiscal year	April 30	All contracts
Reporting Period Ending 3/31	For quarters ending between 1/1 - 3/31	May 15	CMS identified contracts
Reporting Period Ending 6/30	For quarters ending between 4/1 - 6/30	August 15	CMS identified contracts
Reporting Period Ending 9/30	For quarters ending between 7/1 - 9/30	November 15	CMS identified contracts
Reporting Period Ending 12/31	For quarters ending between 10/1- 12/31	Not Applicable	Not Applicable

**Stand-alone PDP Organizations**

As part of filing the annual independently audited financial statements, the organization is required to enter the following four data elements from the corresponding statements into the HPMS Fiscal Soundness Module (same elements as MAO, MMP and 1876 Cost Plan Organizations).

1. Total Assets
2. Total Liabilities
3. Net Income (current year-to-date)
4. Cash Flow from Operations (current year-to-date)

Organizations are required to submit specific financial statements to CMS by the deadlines established in the table below. The “Audited Annual” financial statement must be submitted by organizations for each contract by April 30 unless an extension has been granted by CMS. In addition, all PDPs must submit quarterly reports based on the deadlines below. A report for quarters ending between October 1 and December 31 is not required for any contract.

<b>Submission Type</b>	<b>Description</b>	<b>Submission Deadline</b>	<b>Requirement</b>
Audited Annual	Closure of previous fiscal year	April 30	All contracts
Reporting Period Ending 3/31	For quarters ending between 1/1 - 3/31	May 15	All contracts
Reporting Period Ending 6/30	For quarters ending between 4/1 - 6/30	August 15	All contracts
Reporting Period Ending 9/30	For quarters ending between 7/1 - 9/30	November 15	All contracts
Reporting Period Ending 12/31	For quarters ending between 10/1- 12/31	Not Applicable	Not Applicable

All PDP contracts must submit the following (based on the deadlines in the table above):

- A copy of their independently audited financial statements (statutory or GAAP) within one hundred twenty days following their fiscal year end or within 10 days of receipt of those statements, whichever is earlier. Licensed entities may not report under GAAP for a period longer than 36 months.
- 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 in its entirety.

PDP organizations with any state licensure waivers must submit quarterly updates on the status of obtaining licensure for each waived state, as specified in the table above.

All PDP organizations must report to CMS annually, within 120 days of the end of the fiscal year, significant business transactions between the organization and a party in interest (42 CFR§ 423.514). Definitions for significant business transactions and a party in interest can be found in 42 CFR § 423.501 and documentation submitted must include the following:

- A description of the transaction or transactions taking place with the party in interest.
- Identification of the party in interest and an explanation of how that party meets the definition of a party in interest.
- The costs incurred during the fiscal year relating to the transactions between the party in interest and the organization 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.
- Combined financial statements for the organization and a party in interest if 35% or more of the costs of operation of the organization 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 PDP organization did not have significant business transactions with a party in interest as prescribed in CFR § 423.501, then the organization 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 CFR § 423.501.

Direct Contract PDPs must submit:

- A copy of their independently audited financial statements (statutory or GAAP) within one hundred twenty days following their fiscal year end or within 10 days of receipt of those statements, whichever is earlier.

- Quarterly un-audited financial statements (first, second, and third as specified in the table above), which convey the same information contained in the NAIC Health Blank form (the organization may complete the NAIC Health Blank pages as required for licensed PDP contracts).
- 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 for the organization).
- An ERISA Sec. 411(a) attestation directly to CMS by April 30th with their Annual submission.
- 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 Quarters ending January 31, or February 28, or March 31:	May 15th
For Quarters ending April 30, or May 31, or June 30:	Aug. 15th
For Quarters ending July 31, or August 31, or September 30:	Nov. 15th
Annual:	April 30th

## **PACE Organizations**

As part of filing the annual independently audited financial statements, the organization is required to enter the following four data elements from the corresponding statements into the HPMS Fiscal Soundness Module:

1. Total Assets
2. Total Liabilities (including subordinated debt), if applicable
3. Subordinated debt, if applicable
4. Net Income (current year-to-date)
5. Cash Flow from Operations (current year-to-date)

### Subordinated Debt

If subordinated debt is identified by the PACE organization on the balance sheet, it should be removed from the total PACE liabilities. Subordinated debt is defined by CMS as an unsecured debt whose repayment to its parent company ranks after all other debts have been paid when the subsidiary files for bankruptcy. PACE organizations that report subordinated debt must complete a “Subordinated Debt Arrangement Attestation” form and upload a signed version into the HPMS Fiscal Soundness Module and must be included with both annual and quarterly submissions. The Plan User Guide provides instructions on how to locate and submit this form.

### Reporting Requirements

Organizations are required to submit specific financial statements to CMS by the deadlines established in the table below (based on a Calendar Year reporting cycle). Organizations are not required to report quarterly, unless CMS notifies the organization and/or the organization is operating during its trial period which is explained below.

<b>Submission Type</b>	<b>Description</b>	<b>Submission Deadline</b>	<b>Requirement</b>
Audited Annual	Closure of previous fiscal year	April 30	All contracts
Reporting Period Ending 3/31	For quarters ending between 1/1 - 3/31	May 15	CMS identified contracts and trial period contracts

Reporting Period Ending 6/30	For quarters ending between 4/1 - 6/30	August 15	CMS identified contracts and trial period contracts
Reporting Period Ending 9/30	For quarters ending between 7/1 - 9/30	November 15	CMS identified contracts and trial period contracts
Reporting Period Ending 12/31	For quarters ending between 10/1- 12/31	February 15	CMS identified contracts and trial period contracts

### New PACE Organizations

New PACE organizations operate during a “trial period” which is defined as the first three contract years the organization operates under a program agreement with CMS. This trial period includes any contract year during which the entity operated under a PACE demonstration waiver program. PACE organization operating within the trial period must submit quarterly financial statements to CMS throughout the trial period within 45 days after the last day of each quarter of their fiscal year. The financial statements must include a balance sheet, income statement, and cash flow statement and have cumulative totals, not just totals for that particular quarter.

### Fiscal Year-End Reporting

Since many PACE organizations do not use standard calendar year financial reporting cycles, we have established the table below to determine your organization’s reporting schedule. The first column in the tables below is the fiscal year-end date for the organization and the other columns indicate deadlines to submit required financial statements based on the organization’s fiscal year-end.

**PACE Organization CY2015 Submission Deadlines**

<b>HPMS- Contract Year 2015</b>					
<b>PACE 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>Period Ending 12/31</b>
<b>07/31/2014</b>	7/31/14 Audited Annual by 3/31/2015	PE 1/31/15 due by 3/31/15	PE 4/30/15 due by 06/15/15	PE 7/31/15 due by 09/15/15	PE 10/31/15 due by 12/15/15
<b>8/31/2014</b>	8/31/14 Audited Annual by 3/31/2015	PE 2/28/15 due by 4/15/15	PE 5/31/15 due by 07/15/15	PE 8/31/15 due by 10/15/15	PE 11/30/15 due by 1/15/16
<b>09/30/2014</b>	9/30/14 Audited Annual 3/31/2015	PE 3/31/15 due by 5/15/15	PE 6/30/15 due by 08/15/15	PE 9/30/15 due by 11/15/15	PE 12/31/15 due by 2/15/16
<b>10/31/2014</b>	10/31/14 Audited Annual by 4/30/2015	PE 1/31/15 due by 3/31/15	PE 4/30/15 due by 06/15/15	PE 7/31/15 due by 09/15/15	PE 10/31/15 due by 12/15/15
<b>11/30/2014</b>	11/30/14 Audited Annual by 5/31/2015	PE 2/28/15 due by 4/15/15	PE 5/31/15 due by 07/15/15	PE 8/31/15 due by 10/15/15	PE 11/30/15 due by 1/15/16
<b>12/31/2014</b>	12/31/14 Audited Annual by 6/30/2015	PE 3/31/15 due by 5/15/15	PE 6/30/15 due by 08/15/15	PE 9/30/15 due by 11/15/15	PE 12/31/15 due by 2/15/16
<b>01/31/2015</b>	1/31/15 Audited Annual by 7/31/15	PE 1/31/15 due by 3/31/15	PE 4/30/15 due by 06/15/15	PE 7/31/15 due by 09/15/15	PE 10/31/15 due by 12/15/15
<b>2/28/2015</b>	2/28/15 Audited Annual by 8/31/15	PE 2/28/15 due by 4/15/15	PE 5/31/15 due by 07/15/15	PE 8/31/15 due by 10/15/15	PE 11/30/15 due by 1/15/16
<b>03/31/2015</b>	3/31/15 Audited Annual by 9/30/15	PE 3/31/15 due by 5/15/15	PE 6/30/15 due by 08/15/2015	PE 9/30/15 due by 11/15/15	PE 12/31/15 due by 2/15/16
<b>4/30/2015</b>	4/30/15 Audited Annual by 10/31/15	PE 1/31/15 due by 3/31/15	PE 4/30/15 due by 06/15/15	PE 7/31/15 due by 09/15/15	PE 10/31/15 due by 12/15/15
<b>05/31/2015</b>	5/31/15 Audited Annual by 11/30/15	PE 2/28/15 due by 4/15/15	PE 5/31/15 due by 07/15/15	PE 8/31/15 due by 10/15/15	PE 11/30/15 due by 1/15/2016
<b>06/30/2015</b>	6/30/15 Audited Annual by 12/31/15	PE 3/31/15 due by 5/15/15	PE 6/30/15 due by 08/15/15	PE 9/30/15 due by 11/15/15	PE 12/31/15 due by 2/15/16

**PACE Organization CY2016 Submission Deadlines**

<b>HPMS- Contract Year 2016</b>					
<b>PACE 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>Period Ending 12/31</b>
<b>07/31/2015</b>	7/31/15 Audited Annual by 3/31/2016	PE 1/31/16 due by 3/31/16	PE 4/30/16 due by 06/15/16	PE 7/31/16 due by 09/15/16	PE 10/31/16 due by 12/15/16
<b>8/31/2015</b>	8/31/15 Audited Annual by 3/31/2016	PE 2/28/16 due by 4/15/16	PE 5/31/16 due by 07/15/16	PE 8/31/16 due by 10/15/16	PE 11/30/16 due by 1/15/17
<b>09/30/2015</b>	9/30/15 Audited Annual 3/31/2016	PE 3/31/16 due by 5/15/16	PE 6/30/16 due by 08/15/16	PE 9/30/16 due by 11/15/16	PE 12/31/16 due by 2/15/17
<b>10/31/2015</b>	10/31/15 Audited Annual by 4/30/2016	PE 1/31/16 due by 3/31/16	PE 4/30/16 due by 06/15/16	PE 7/31/16 due by 09/15/16	PE 10/31/16 due by 12/15/16
<b>11/30/2015</b>	11/30/15 Audited Annual by 5/31/2016	PE 2/28/16 due by 4/15/16	PE 5/31/16 due by 07/15/16	PE 8/31/16 due by 10/15/16	PE 11/30/16 due by 1/15/17
<b>12/31/2015</b>	12/31/15 Audited Annual by 6/30/2016	PE 3/31/16 due by 5/15/16	PE 6/30/16 due by 08/15/16	PE 9/30/16 due by 11/15/16	PE 12/31/16 due by 2/15/17
<b>01/31/2016</b>	1/31/16 Audited Annual by 7/31/16	PE 1/31/16 due by 3/31/16	PE 4/30/16 due by 06/15/16	PE 7/31/16 due by 09/15/16	PE 10/31/16 due by 12/15/16
<b>2/28/2016</b>	2/28/16 Audited Annual by 8/31/16	PE 2/28/16 due by 4/15/16	PE 5/31/16 due by 07/15/16	PE 8/31/16 due by 10/15/16	PE 11/30/16 due by 1/15/17
<b>03/31/2016</b>	3/31/16 Audited Annual by 9/30/16	PE 3/31/16 due by 5/15/16	PE 6/30/16 due by 08/15/2016	PE 9/30/16 due by 11/15/16	PE 12/31/16 due by 2/15/17
<b>4/30/2016</b>	4/30/16 Audited Annual by 10/31/16	PE 1/31/16 due by 3/31/16	PE 4/30/16 due by 06/15/16	PE 7/31/16 due by 09/15/16	PE 10/31/16 due by 12/15/16
<b>05/31/2016</b>	5/31/16 Audited Annual by 11/30/16	PE 2/28/16 due by 4/15/16	PE 5/31/16 due by 07/15/16	PE 8/31/16 due by 10/15/16	PE 11/30/16 due by 1/15/2017
<b>06/30/2016</b>	6/30/16 Audited Annual by 12/31/16	PE 3/31/16 due by 5/15/16	PE 6/30/16 due by 08/15/16	PE 9/30/16 due by 11/15/16	PE 12/31/16 due by 2/15/17

## **APPENDIX 1: Regulatory References:**

### **MA, 1876 Cost Plan, and MMP Organizations**

42 CFR 422.2 Definitions

42 CFR 422.504(a)(14) Contract provisions

42 CFR 422.516(a)(5) Validation of Part C reporting requirements

### **PDP Organizations**

42 CFR 423.4 Definitions

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

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

### **PACE Organizations**

42 CFR 460.80(a) Fiscal soundness

42 CFR 460.200 (a) Maintenance of records and reporting of data

42 CFR 460.208 Financial statements

## **APPENDIX 2: General FAQs**

- Q1. Does my organization need to submit an independently audited financial statement if it has not previously contracted with CMS?
- A1. Yes, all new Medicare Advantage Organizations (MAOs), Medicare-Medicaid Plans (MMPs), 1876 Cost Plans, and Prescription Drug Plans (PDPs) must provide, through HPMS, the following financial information no later than April 30th:
- A new organization without any independently audited financial statements for the previous period should upload the independently audited financial statements of its parent organization if it has a parent.
  - A new organization without any independently audited financial statements or parent organization should contact CMS at [FinancialReview@cms.hhs.gov](mailto:FinancialReview@cms.hhs.gov) and request guidance about what to submit as the Contract Year 2015 Audited Annual submission. Furthermore, a new Organization without any independently audited financial statements or parent organization must submit the quarterly financial statements throughout at least the contract year.
- Q2. The figures used in our independently audited financial statements are rounded to the nearest thousand. Should I use this same rounding when I key in the financial data elements in HPMS?
- A2. When you transmit the audited figures that are rounded to the nearest thousand in the financial statements, please add the appropriated number of zeroes to the end of the rounded figures when you enter the figure on the data entry screen. For example, use the exact numbers that appear in the uploaded report plus the three zeroes (000) if the number is rounded to the nearest thousand.
- Q3. How do I contact CMS if I have general questions or questions about my organization's filing?
- A3. You may contact CMS by email at: [FinancialReview@cms.hhs.gov](mailto:FinancialReview@cms.hhs.gov) or contact the financial management specialist assigned to your plan as specified on the last page of the HPMS User Guide.
- Q4. Can I send my independently audited financial statements to CMS in a PDF by email?
- A4. No. CMS requires independently audited financial statements be submitted electronically into the fiscal soundness module within HPMS. You must upload your independently audited financial statements in a PDF or zip file. Moreover, the PDF must include all pages including any associated letters, opinions, the signature page, etc.
- Q5. Does CMS require new or renewing organizations to submit paper copies of annual or quarterly financial statements?
- A5. No. CMS requires a PDF or zip file of any financial statements be uploaded into HPMS. CMS does not accept paper reporting.
- Q6. Does each contract number (e.g., H or S number) under a multi-contract entity require a separate reporting?

- A6. No. If a single financial report covers multiple contract numbers, the financial report is to be submitted only once in accordance with the NAIC# including all of the covered contract numbers at that time.
- Q7. Should I include my organization's "H," "R" or "S" number on the independently audited financial statements?
- A7. Please include the appropriate contract numbers and the NAIC# on the cover page.
- Q8. What if I am unable to submit the independently audited financial statements to CMS by April 30<sup>th</sup>?
- A8. April 30<sup>th</sup> is an established deadline based on a 120-day reporting requirement that organizations with either Medicare health plans (excluding PACE organizations) and or Prescription Drug plans need to submit its independently audited financial statements. However, if your respective state has a different submittal date and you are able to officially demonstrate this, CMS will accept a later filing. However, you must submit an extension request using the Submission of Extension Requests function in the HPMS Fiscal Soundness Module. You will indicate the contract(s), requested extension date, reason for the extension and upload required support documentation. Extension requests for multiple contracts covering multiple NAIC numbers may be submitted together however all contracts under a single NAIC number must be included. Note: You are able to designate your request as Perennial and will not have to make similar extension requests in the future. Failure to submit on time without requesting an extension places your organization in non-compliance status.
- Q9. What should I do if I have financial concerns or issues with my State regarding inadequate State reserves, a corrective action plan, or special monitoring by the State regulator?
- A9. You should immediately contact the CMS financial management specialist assigned to your plan as specified on the last page of the Plan User Guide.
- Q10. If the Organization's State Department of Insurance allows independently audited financial statements to be submitted using GAAP or SAP format, which format should the Organization submit to CMS?
- A10. For organizations with either Medicare health plans (excluding PACE organizations) and or Prescription Drug plans, if the Organization's State Department of Insurance allows either format, CMS will accept the format that the State accepts.
- Q11. If the Organization has a fiscal year end that does not correspond to the calendar year end, when should the Organization submit its independently audited financial statements?
- A11. Organizations with either Medicare health plans (excluding PACE organizations) and or Prescription Drug plans should submit the latest independently audited financial statements 120 days after the end of their fiscal year).

### **APPENDIX 3: PACE FAQs**

- P-Q1. What type of financial recordkeeping must we maintain to support the financial statements sent to CMS?
- A1. A PACE organization must provide CMS with accurate financial reports using the accrual basis of accounting and verifiable by qualified independent auditors. The accounting recordkeeping must accurately document all financial documents, provide an audit trail to source documents, and be able to generate financial statements.
- P-Q2. Are our financial records subject to audit or inspection by CMS?
- A2. Yes, a PACE organization must permit CMS and the State administering agency to inspect any books and records of original entry that pertain to any aspect of services rendered. Onsite reviews of renewing organizations are conducted at least once every two years by CMS and state personnel. Organizations under the trial period have onsite reviews performed every year for the initial three years of the PACE program agreement.
- P-Q3. What is the trial period and is our organization subject to it?
- A3. The trial period is defined as the first three contract years a PACE organization operates under a program agreement with CMS. This includes any contract year during which the entity operated under a PACE demonstration waiver program.
- P-Q4. What are the financial reporting requirements while a company remains under the trial period?
- A4. A PACE organization must submit quarterly financial statements to CMS throughout the trial period within 45 days after the last day of each quarter of their fiscal year. The financial statements must include a balance sheet, income statement, and cash flow statement and have cumulative totals, not just totals for that particular quarter.
- P-Q5. If we are in the third year of the trial period, and have a fiscal year-end other than 12/31, when would the trial period come to an end?
- A5. The trial period stops at the end of the third calendar year following the signing of your contract with CMS. For example, if the effective date of your contract is 9/30/13 your company would continue to submit quarterly financial statements to CMS until 12/31/15. Thereafter, unless otherwise required by CMS, only annual audited financial reports would be filed with CMS as long as the fiscal soundness requirements are met.
- P-Q6. Our organization has an effective date of 03/01/15 and a fiscal year end of 6/30. If we did not have enrollment activity for several months, when should our initial quarterly financial statements be submitted to CMS?
- A6. Enrollment activity does not change the due dates for financial submissions. The initial quarterly financial statements should be submitted to CMS after the effective date of your organization's contract with CMS. This means your quarterly for the Reporting Period Ending 3/31 would be due to CMS by 5/15/15.
- P-Q7. What should we do if we cannot submit our financial information by the regulatory deadlines?

- A7. If you cannot file the financial information by the regulatory deadlines defined under CFR 460.208 (a), you must contact CMS before the prescribed due date. Failure to submit on time without notifying CMS places your company in non-compliance status.
- P-Q8. We are a new organization and do not have 12 months of financial information that would warrant the cost of an audit by an independent certified public accountant. How do we avoid violating fiscal soundness reporting requirements?
- A8. If you do not have a parent company, and operate without the financial backing of a larger organization, your organization can wait until you have at least 12 months of accumulated financial operations. For example, if your organization had an effective date of 05/01/14 with a fiscal year ending date of 09/30, CMS would not expect you to have an audit performed that would contain, as a maximum, only four months of data. Instead, notify the financial management specialist assigned to your organization or, to the CMS Financial Review mailbox at [FinancialReview@cms.hhs.gov](mailto:FinancialReview@cms.hhs.gov), to discuss your situation and the best approach to meet your fiscal soundness reporting requirements. If your organization was operational before signing a PACE contract with CMS, and had an audit completed, that independently audited financial statements would suffice the Fiscal Soundness Reporting Requirements.
- P-Q9. Our organization has its financial operations included as part of a consolidated audit of our parent company and its subsidiaries. Can we satisfy the fiscal soundness reporting requirements by submitting to CMS the consolidated independently audited financial statements?
- A9. Yes. Your organization would satisfy our reporting requirements by submitting the consolidated independently audited financial statements in a complete and timely manner. If you are not sure, please contact CMS for guidance.
- P-Q10. When our company submitted its application package for a PACE contract, we were required to submit an insolvency plan which had to be approved by CMS and the State administering agency. Must we notify CMS and the State if the insolvency plan changes?
- A10. Yes. Both the State and CMS will want to review any changes to the insolvency plan.
- P-Q11. The fiscal soundness module in HPMS requires our NAIC number. What is this number and do PACE organizations have one?
- A11. NAIC is the acronym for the National Association of Insurance Commissioners. It is a five-digit number used to identify Medicare Advantage organizations, PDPs, and other Medicare health plans. PACE organizations do not have an NAIC number. Instead, the H contract number is used for PACE identification and should be included in all correspondence (written and verbal) with CMS.
- P-Q12. What is subordinated debt?
- A12. Subordinated debt is unsecured debt, which refers to any type of debt or general obligation that is not collateralized by a lien on specific assets of the borrower in the case of a bankruptcy, liquidation or failure to meet the terms for repayment, whose repayment to its parent company or other lending entity ranks after all other debts have been paid when the subsidiary files for bankruptcy. It can also be defined as a loan that ranks below all other loans with regard to claims on assets or earnings.

P-Q13. How does CMS want us to report our subordinated debt arrangements?

A13. If subordinated debt was identified by the PACE organization on the balance sheet, it should be removed from the total PACE liabilities.

For CMS reporting purposes, the PACE Organization must upload a signed PACE organization Attestation of Subordinated Debt Arrangement for each financial reporting period. The Attestation can be found on any page in the Fiscal Soundness Module under the Fiscal Soundness dropdown as “Subordinated Debt Attestation Form”. The attestation must include the amount (whether it changes or not) and the account name the subordinated debt falls under. The form must be signed, scanned and uploaded with the financial upload.

March 2015