

# **Medicare Advantage, Medicare-Medicaid Plans, and Section 1876 Cost Plans**

## **Contract Year 2023 Fiscal Soundness Reporting Requirements**

This document contains the Fiscal Soundness Reporting Requirements (FSRR) and associated due dates. All Medicare Advantage Organizations (MAO), Medicare-Medicaid Plans (MMP), and Section 1876 Cost Plans that have active (initial and renewing) contracts in Contract Year (CY) 2023 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. Audited annual financial statements are due within 120 days of the contract's fiscal year-end unless an extension has been granted, and 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, and/or quarterly financial statements if not meeting fiscal soundness requirements. 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 the HPMS 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 February 23, 2023, if updates to parent organization and/or legal name are needed.

In addition to the audited annual submission, organizations are required to submit quarterly financial statements for their first contract year, or if the organization fails to meet CMS fiscal soundness requirements. 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	CMS identified contracts
Reporting Period Ending 06/30	For quarters ending between 04/01 – 06/30	Within 45 days after the quarter ends	CMS identified contracts
Reporting Period Ending 09/30	For quarters ending between 07/01 – 09/30	Within 45 days after the quarters ends	CMS identified contracts

**Fiscal Soundness Submissions for New Contracts**

New contracts are included in the FSM in the year for which the contract is effective. Therefore, new organizations must submit their 12/31/22 fiscal year-end audited annual financial statements in HPMS for CY 2023. 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., 12/31/22 audited financial statement for CY 2023) should submit the first available item from the list below and describe why there are no available audited annual financial statements (if applicable).

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., 12/31/22 audited financial statements for CY 2023). 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., 12/31/22 audited financial statements for CY 2023). 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).
5. If the new contract is exempt from submitting audited financial statements to its domestic state regulator(s), the organization must provide CMS with documentation from the state regulator(s) explaining this exemption. This documentation is uploaded into the fiscal soundness module within HPMS as “CY 2023 Audited Annual” submission type.

New contracts also must submit quarterly financial statements throughout the first year until CMS has reviewed the next audited financial statements. Organizations not meeting CMS’s fiscal soundness requirement after this review may remain on quarterly reporting for fiscal soundness monitoring. The quarterly financial statements must include a balance sheet, income statement, subordinated/guaranteed debt attestation form (if applicable, e.g. 1876 Cost Plans), and statement of cash flows (reporting year-to-date amounts).

### Entering Financial Data Elements into HPMS

Organizations are required to enter the following elements into HPMS 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>MAOs</b>	<b>MMPs</b>	<b>1876 Cost Plans</b>
Total Assets	Yes	Yes	Yes
Total Liabilities	Yes	Yes	Yes
Subordinated/Guaranteed Debt	No, not applicable	No, not applicable	*Yes, if applicable
Net Income/(Net Loss) (current year-to-date)	Yes	Yes	Yes
Cash Flow From Operations (current year-to-date)	Yes	Yes	Yes

\*Unsubordinated Liabilities Calculation for 1876 Cost Plans only.

The net worth of Section 1876 Cost Plans is calculated by subtracting total unsubordinated liabilities from total assets, as reported on the balance sheet for the legal entity.

*Subordinated debt* is defined by CMS as an unsecured debt whose repayment to its parent organization ranks after all other debts have been paid when the subsidiary files for bankruptcy. An example of subordinated debt is when a parent organization loans money to the plan to pay its debts with the condition that the plan only needs to repay the parent organization after all of its other liabilities have been satisfied.

*Guaranteed debt* is defined by CMS as secured debt in which another entity promises to pay a loan or other debt if the organization that borrowed the money fails to pay. An example of guaranteed debt is when the plan obtains a loan from a bank and another entity signs the guarantee of payment for all, or a portion, of the loan. In the event of bankruptcy or default, the other entity will make loan payments on behalf of the plan to ensure the debt is satisfied.

Plans must identify the subordinated/guaranteed debt portion of their reported total liabilities and submit an updated “Subordinated/Guaranteed Debt Attestation Form” when they submit their quarterly (if applicable) and audited annual financial statements. In addition, plans reporting guaranteed debt must submit in conjunction with their audited annual financial statements, the opinion of an independent auditor certifying the amount of guaranteed debt, and there are no repayment requirements by the plan in the event of default. CMS will not consider guaranteed

debt when calculating unsubordinated liabilities in the absence of the completed “Subordinated/Guaranteed Debt Attestation Form” and the opinion of an independent auditor.

## **Reporting Deadline Extension Requests**

If the state insurance regulator’s fiscal soundness reporting 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 CMS compliance actions. 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. A new contracting organization having the same NAIC# as an existing contracting organization with a perennial extension in the FSM is automatically granted a perennial extension (i.e., it is not necessary to submit an extension request to CMS for the new contracting organization in this situation).

Extension requests for CY 2023 may be submitted after the FSM release in March 2023. 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.

## **Other Reporting**

Beginning with CY 2023, MA organizations can notify CMS if the legal entity has filed for or is currently under bankruptcy proceedings by submitting this information in the HPMS Fiscal Soundness module by navigating to [HPMS Homepage](#) > Monitoring > Fiscal Soundness > Submission of Bankruptcy status.

## **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 20MB.

If uploading multiple documents (such as financial statements and other documentation, if applicable), the documents must first be compressed into a single zip file and then upload the zip file into the HPMS Fiscal Soundness Module. Newly uploaded files replace/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)).

## **MA and MMP Organizations Regulatory References**

42 CFR §422.2 Definitions

42 CFR §422.504(a)(14) Contract provisions

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

## **Section 1876 Cost Plans Regulatory References**

42 CFR §417.120 Fiscally sound operation and assumption of financial risk

42 CFR §417.126 Recordkeeping and reporting requirements

**MAO, MMP, and Section 1876 Cost Plan - CY 2023 Submission Deadlines**  
*(Quarterlies only need to be submitted if notified to submit by CMS)*

<b>Fiscal Year End</b>	<b>Audited Annual</b>	<b>Period Ending 3/31</b>	<b>Period Ending 6/30</b>	<b>Period Ending 9/30</b>
<b>08/31/2022</b>	PE 08/31/2022 due by 04/17/2023*	PE 02/28/2023 due by 04/17/2023	PE 05/31/2023 due by 07/17/2023	PE 08/31/2023 due by 10/16/2023
<b>09/30/2022</b>	PE 09/30/2022 due by 04/17/2023*	PE 03/31/2023 due by 05/15/2023	PE 06/30/2023 due by 08/15/2023	PE 09/30/2023 due by 11/15/2023
<b>10/31/2022</b>	PE 10/31/2022 due by 04/17/2023*	PE 01/31/2023 due by 04/17/2023*	PE 04/30/2023 due by 06/15/2023	PE 07/31/2023 due by 09/15/2023
<b>11/30/2022</b>	PE 11/30/2022 due by 04/17/2023*	PE 02/28/2023 due by 04/17/2023	PE 05/31/2023 due by 07/17/2023	PE 08/31/2023 due by 10/16/2023
<b>12/31/2022</b>	PE 12/31/2022 due by 05/01/2023	PE 03/31/2023 due by 05/15/2023	PE 06/30/2023 due by 08/15/2023	PE 09/30/2023 due by 11/15/2023
<b>01/31/2023</b>	PE 01/31/2023 due by 05/31/2023	PE 01/31/2023 due by 04/17/2023*	PE 04/30/2023 due by 06/15/2023	PE 07/31/2023 due by 09/15/2023
<b>02/28/2023</b>	PE 02/28/2023 due by 06/30/2023	PE 02/28/2023 due by 04/17/2023	PE 05/31/2023 due by 07/17/2023	PE 08/31/2023 due by 10/16/2023
<b>03/31/2023</b>	PE 03/31/2023 due by 07/31/2023	PE 03/31/2023 due by 05/15/2023	PE 06/30/2023 due by 08/15/2023	PE 09/30/2023 due by 11/15/2023
<b>04/30/2023</b>	PE 04/30/2023 due by 08/31/2023	PE 01/31/2023 due by 04/17/2023*	PE 04/30/2023 due by 06/15/2023	PE 07/31/2023 due by 09/15/2023

**MAO, MMP, and Section 1876 Cost Plan - CY 2023 Submission Deadlines**  
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<b>Fiscal Year End</b>	<b>Audited Annual</b>	<b>Period Ending 3/31</b>	<b>Period Ending 6/30</b>	<b>Period Ending 9/30</b>
<b>05/31/2023</b>	PE 05/31/2023 due by 10/02/2023	PE 02/28/2023 due by 04/17/2023	PE 05/31/2023 due by 07/17/2023	PE 08/31/2023 due by 10/16/2023
<b>06/30/2023</b>	PE 06/30/2023 due by 10/31/2023	PE 03/31/2023 due by 05/15/2023	PE 06/30/2023 due by 08/15/2023	PE 09/30/2023 due by 11/15/2023
<b>07/31/2023</b>	PE 07/31/2023 due by 11/30/2023	PE 01/31/2023 due by 04/17/2023*	PE 04/30/2023 due by 06/15/2023	PE 07/31/2023 due by 09/15/2023

**\*Submit after CY2023 HPMS Fiscal Soundness Module release**

**MAO, MMP, and Section 1876 Cost Plan - CY 2024 Submission Deadlines**  
*(Quarterlies only need to be submitted if notified to submit by CMS)*

<b>Fiscal Year End</b>	<b>Audited Annual</b>	<b>Period Ending 3/31</b>	<b>Period Ending 6/30</b>	<b>Period Ending 9/30</b>
<b>08/31/2023</b>	PE 08/31/2023 due by 04/15/2024**	PE 02/28/2024 due by 04/15/2024	PE 05/31/2024 due by 07/15/2024	PE 08/31/2024 due by 10/15/2024
<b>09/30/2023</b>	PE 09/30/2023 due by 04/15/2024**	PE 03/31/2024 due by 05/15/2024	PE 06/30/2024 due by 08/15/2024	PE 09/30/2024 due by 11/15/2024
<b>10/31/2023</b>	PE 10/31/2023 due by 04/15/2024**	PE 01/31/2024 due by 04/15/2024**	PE 04/30/2024 due by 06/17/2024	PE 07/31/2024 due by 09/16/2024
<b>11/30/2023</b>	PE 11/30/2023 due by 04/15/2024**	PE 02/28/2024 due by 04/15/2024	PE 05/31/2024 due by 07/15/2024	PE 08/31/2024 due by 10/15/2024
<b>12/31/2023</b>	PE 12/31/2023 due by 04/30/2024	PE 03/31/2024 due by 05/15/2024	PE 06/30/2024 due by 08/15/2024	PE 09/30/2024 due by 11/15/2024
<b>01/31/2024</b>	PE 01/31/2024 due by 05/31/2024	PE 01/31/2024 due by 04/15/2024**	PE 04/30/2024 due by 06/17/2024	PE 07/31/2024 due by 09/16/2024
<b>02/28/2024</b>	PE 02/28/2024 due by 07/01/2024	PE 02/28/2024 due by 04/15/2024	PE 05/31/2024 due by 07/15/2024	PE 08/31/2024 due by 10/15/2024
<b>03/31/2024</b>	PE 03/31/2024 due by 07/31/2024	PE 03/31/2024 due by 05/15/2024	PE 06/30/2024 due by 08/15/2024	PE 09/30/2024 due by 11/15/2024
<b>04/30/2024</b>	PE 04/30/2024 due by 09/03/2024	PE 01/31/2024 due by 04/15/2024**	PE 04/30/2024 due by 06/17/2024	PE 07/31/2024 due by 09/16/2024



**MAO, MMP, and Section 1876 Cost Plan - CY 2024 Submission Deadlines**  
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<b>Fiscal Year End</b>	<b>Audited Annual</b>	<b>Period Ending 3/31</b>	<b>Period Ending 6/30</b>	<b>Period Ending 9/30</b>
<b>05/31/2024</b>	PE 05/31/2024 due by 09/30/2024	PE 02/28/2024 due by 04/15/2024	PE 05/31/2024 due by 07/15/2024	PE 08/31/2024 due by 10/15/2024
<b>06/30/2024</b>	PE 06/30/2024 due by 10/31/2024	PE 03/31/2024 due by 05/15/2024	PE 06/30/2024 due by 08/15/2024	PE 09/30/2024 due by 11/15/2024
<b>07/31/2024</b>	PE 07/31/2024 due by 12/02/2024	PE 01/31/2024 due by 04/15/2024**	PE 04/30/2024 due by 06/17/2024	PE 07/31/2024 due by 09/16/2024

**\*\*Submit after CY2024 HPMS Fiscal Soundness Module release**