

Stand-alone Prescription Drug Plans

Contract Year 2023 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) 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. The audited annual financial statements are due within 120 days of the contract's fiscal year-end, 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 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, PDP sponsors are required to submit quarterly financial statements with exception of a quarter ending between October 1st and December 31st (i.e., 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

Submission Type	Description	Submission Deadline	Requirement
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 during the year in 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).

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

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

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 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. 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 for the new contracting organization in this situation).

Extension requests for CY 2023 may be submitted to CMS 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 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:CMS_HPMS_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 \(hpms@cms.hhs.gov; 1-800-220-2028\)](mailto:hpms@cms.hhs.gov) 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:HPMS_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 2023 Submission Deadlines

PDP Fiscal Year End	Audited Annual	Period Ending 3/31	Period Ending 6/30	Period Ending 9/30
08/31/2022	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
09/30/2022	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
10/31/2022	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
11/30/2022	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
12/31/2022	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
01/31/2023	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
02/28/2023	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
03/31/2023	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
04/30/2023	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

PDP - CY 2023 Submission Deadlines

PDP Fiscal Year End	Audited Annual	Period Ending 3/31	Period Ending 6/30	Period Ending 9/30
05/31/2023	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
06/30/2023	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
07/31/2023	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**

PDP - CY 2024 Submission Deadlines

PDP Fiscal Year End	Audited Annual	Period Ending 3/31	Period Ending 6/30	Period Ending 9/30
08/31/2023	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
09/30/2023	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
10/31/2023	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
11/30/2023	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
12/31/2023	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
01/31/2024	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
02/28/2024	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
03/31/2024	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
04/30/2024	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

PDP - CY 2024 Submission Deadlines

PDP Fiscal Year End	Audited Annual	Period Ending 3/31	Period Ending 6/30	Period Ending 9/30
05/31/2024	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
06/30/2024	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
07/31/2024	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**