

Fiscal Soundness Reporting Requirements:
Filing Instructions for Medicare Advantage Organizations, Medicare-Medicaid Capitated Financial Alignment Demonstrations, PACE Organizations, 1876 Cost Plans and Prescription Drug Plans

Medicare Advantage Organizations (MAOs), Medicare-Medicaid Capitated Financial Alignment Demonstrations (MMPs), PACE Organizations (PACE), 1876 Cost Plans (1876) and Prescription Drug Plans (PDPs) are to upload into the Health Plan Management System (HPMS) Fiscal Soundness Module a PDF file of their previous year's independently audited financial statements. Generally, these statements are to 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. PACE organizations are to submit financial statements prepared on the accrual basis and in accordance with generally accepted accounting principles.

As part of filing the annual statements, the plan sponsor is to enter the specified data elements from the corresponding statements into HPMS. The Fiscal Soundness Module is found in HPMS under "Monitoring".

All financial statements that cover multiple Organizations (where a single financial covers all of the entities) must be submitted at the same time.

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.

New Organizations with Less than Six months of Operation:

*If the new Organization has between four and six months of prior year operations and does not have independently audited financial statements for the previous period, it must upload into HPMS a PDF of its National Association of Insurance Commissioners (NAIC) **Annual** Health Blank as well as the financial data elements specified in the HPMS Fiscal Soundness Module.*

*If the new Organization has less than four months of prior year operations, it must upload into HPMS a PDF of its most recent **Quarterly** NAIC Health Blank as well as the specified financial data elements.*

FINANCIAL DATA ELEMENTS

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

If the new Organization has no operations at all before January 1 of the current contract year, it is required to upload into HPMS a PDF of its NAIC Quarterly Health Blank for the period ending March 31st of the current contract year. As a quarterly filing, this

information is due to CMS no later than May 15th, of the current contract year (45 days after the end of the first quarter). Furthermore, a new Organization must submit the quarterly NAIC Health Blanks throughout the entire contract year. Subsequent quarterly filings are due to CMS by (August 15, and November 15).

- Beginning with CY2013, the submission types are referred to as:
 - Audited Annual
 - Reporting period ending 3/31 (for quarters ending between 1/1 and 3/31)
 - Reporting period ending 6/30 (for quarters ending between 4/1 and 6/30)
 - Reporting period ending 9/31 (for quarters ending between 7/1 and 9/31)
 - Reporting period ending 12/31 (for quarters ending between 10/1 and 12/31)

Beginning with CY2014, PACE organizations that report Subordinated Debt must complete a “PACE Organization Attestation of Subordinated Debt Arrangement” form and upload a signed version with the financial upload. The Attestation form can be found on any page in the HPMS Fiscal Soundness Module under the Fiscal Soundness dropdown as “Subordinated Debt Attestation Form” and must be included with both annual and quarterly submissions.

NOTE: A table showing the specific due dates for the PACE Annual Audited submissions and for each quarterly submission is included in the Answer to Pace Question # 23. Due dates for PACE organizations are based in the Fiscal Year End Date.

Additional guidance in the form of Frequently Asked Questions is available below.

Regulatory Authority:

42 CFR 422.516(a)(5) Reporting Requirements

(a) *Required information.* Each MA organization must have an effective procedure to develop, compile, evaluate, and report to CMS, to its enrollees, and to the general public, at the times and in the manner that CMS requires, and while safeguarding the confidentiality of the doctor-patient relationship, statistics and other information with respect to the following:... (5) Information demonstrating that the MA organization has a fiscally sound operation, [must maintain a positive net worth (total assets exceed total liabilities)].

42 CFR 423.514 Reporting Requirements

(a) *Required information.* Each Part D plan sponsor must have an effective procedure to develop, compile, evaluate, and report to CMS, to its enrollees, and to the general public, at the times and in the manner that CMS requires, statistics indicating the following—

(1) The cost of its operations...

(4) Information demonstrating that the Part D plan sponsor has a fiscally sound operation. [must maintain a positive net worth (total assets exceed total liabilities)].

42 CFR 460.200 Reporting Requirements

(a) *General rule.* A PACE organization must collect data, maintain records, and submit reports as required by CMS and the State administering agency.

460.208 Financial statements.

(a) *General rule.* (1) Not later than 180 days after the organization's fiscal year ends, a PACE organization must submit a certified financial statement that includes appropriate footnotes.

(2) The financial statement must be certified by an independent certified public accountant.

(b) *Contents.* At a minimum, the certified financial statement must consist of the following:

(1) A certification statement.

(2) A balance sheet.

(3) A statement of revenues and expenses.

(4) A source and use of funds statement.

(c) *Quarterly financial statement*—(1) *During trial period.* A PACE organization must submit a quarterly financial statement throughout the trial period within 45 days after the last day of each quarter of the PACE organization's fiscal year.

(2) *After trial period.* If CMS or the State administering agency determines that an organization's performance requires more frequent monitoring and oversight due to concerns about fiscal soundness, CMS or the State administering agency may require a PACE organization to submit monthly or quarterly financial statements, or both.

Additional Guidance

- **Frequently Asked Questions and Answers - General**
- **Frequently Asked Questions and Answers – PACE Organizations**
- **Detailed Instructions - Prescription Drug Plans (PDPs)**

Frequently Asked Questions and Answers - General

- Q1. What types of organizations must report under Fiscal Soundness Reporting Requirements?
- A1. All new or renewing organizations that have a contract with CMS and are currently enrolling Medicare Beneficiaries must report. These include: Medicare Advantage Organizations, Medicare-Medicaid Capitated Financial Alignment Demonstration Plans (MMPs), as well as all 1876 Cost Plans, PACE organizations and Prescription Drug Plans (PDP) organizations.
- Q2. When are the independently audited financial statements due to CMS?
- A2. All renewing organizations with either Medicare health plans (excluding PACE organizations) and or Prescription Drug plans must provide CMS with their independently audited financial statements for the prior year,, and specified financial data elements (taken from the audited statements) in the Fiscal Soundness Module of the Health Plan Management System (HPMS) no later than April 30th, of the current contract year.
- Q3. Does my organization need to submit an independently audited financial statement if it has not previously contracted with CMS?
- A3. Yes, all new Medicare Advantage Organizations (MAOs), Medicare-Medicaid Capitated Financial Alignment Demonstrations (MMPs), 1876 Cost Plans (1876) and Prescription Drug Plans (PDPs) must provide, through HPMS, the following financial information no later than April 30th:
- If the new Organization has six months or more of operations (i.e., Commercial, Medicaid) in the prior year, it must upload into HPMS a PDF of its 12/31 independently audited financial statements for the prior year and the specified financial data elements.
 - If the new Organization has four to six months of operations and does not have independently audited financial statements for the prior year, the applicant must upload into HPMS a PDF of its National Association of Insurance Commissioners (NAIC) Annual Health Blank and the specified financial data elements.
 - If the new Organization has at least three months or fewer of operations, the applicant must upload into HPMS a PDF of its most recent Quarterly NAIC Health Blank and the specified financial data elements. CMS reserves the right to request additional financial information as needed.
- Q4. What are the financial data elements that CMS is requiring Organizations to submit?
- A4. Four (4) financial data elements will need to be keyed into the HPMS Fiscal Soundness Module. The module will show only the elements required to be entered from the independently audited financial statements or the Quarterly NAIC Health Blank. All data comes directly out of the financial report that is uploaded by the organization.

FINANCIAL DATA ELEMENTS

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

Make sure you 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.

- Q5. To whom do I send my independently audited financial statements?
- A5. All independently audited financial statements must be submitted in a PDF or zip file to the fiscal soundness module within HPMS.
- Q6. 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?
- A6. When you transmit the audited figures that are rounded to the nearest thousand in the financial statements, please add three zeroes (000) to the end of the rounded figures when you enter the figure on the data entry screen. Use the exact numbers that appear in the uploaded report, plus the three zeroes (000).
- Q7. How do I contact CMS if I have general questions or questions about my organization’s filing?
- A7. You may contact CMS by email at: 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.
- Q8. Can I send my independently audited financial statements to CMS in a PDF by email?
- A8. 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. Moreover, the PDF must include all pages including any associated letters, opinions, the signature page, etc.
- Q9. Does CMS require new or renewing organizations to submit paper copies of annual or quarterly financial statements?
- A9. No. CMS requires a PDF copy of any financial statements be uploaded to HPMS. CMS does not accept paper reporting.
- Q10. Will any of my organization’s financial information be made publicly available by CMS?
- A10. CMS does not publish or share proprietary information.
- Q11. Does each contract number (e.g., H or S number) under a multi-contract entity require a separate reporting?
- A11. No. If a single financial report covers multiple contract numbers, the financial report is to be submitted only once including all of the covered contract numbers at that time.

- Q12. Should I include my organization's "H," "R" or "S" number on the independently audited financial statements?
- A12. Please include the appropriate contract numbers and the NAIC# on the cover page.
- Q13. What if I am unable to submit the independently audited financial statements to CMS by April 30th?
- A13. April 30 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 plan around. 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: for CY 2013, you will be 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 company in non-compliance status.
- Q14. Is there an electronic financial reporting mailbox?
- A14. No. The filing of financial reports must be done through the fiscal soundness module within HPMS. However, all e-mail inquiries and correspondence should come to the CMS e-mail box at: Financialreview@cms.hhs.gov.
- Q15. 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?
- A15. You should immediately contact the financial management specialist assigned to your plan as specified on the last page of the User Guide.
- Q16. When will the fiscal soundness module in HPMS be released?
- A16. The fiscal soundness module in HPMS is scheduled to be released before the end of March for each contract year.
- Q17. 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?
- A17. 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.

- Q18. 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?
- A18. 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).
- Q19. What are the submission types and what are the appropriate due dates?
- A19. Beginning with CY 2013, the submission types are referred to as:
Audited Annual filings should be entered under “Audited Annual” regardless of the FYE date.
- Quarters ending January 31, or February 28, or March 31- submit as Reporting Period Ending 3/31
 - Quarters ending April 30, or May 31, or June 30 - submit as Reporting Period Ending 6/30
 - Quarters ending July 31, or August 31, or September 30 - submit as Reporting Period Ending 9/30
 - Quarters ending October 31, or November 30, or December 31-
submit as Reporting Period Ending 12/31

Frequently Asked Questions and Answers – PACE Organizations

P Q1. As a PACE organization, must we file financial statements with CMS?

A1. Yes, all new and renewing PACE organizations that have a contract with CMS and are currently serving Medicare/Medicaid participants must file financial statements prepared on the accrual basis, and in accordance with generally accepted accounting principles.

NOTE: The specific due dates for the PACE Annual Audited submissions and for each quarterly submission are shown in the Answer to Pace Question # 23. Due dates for PACE organizations are based in the Fiscal Year End Date.

P Q2. What does CMS do with the submitted financial information?

A2. CMS will take the financial material provided and ascertain if it meets the definition of fiscal solvency as defined under 42 CFR §460.80. An organization is considered fiscally sound if it has assets greater than unsubordinated liabilities (positive net worth), sufficient cash flow, and adequate liquidity to meet obligations as they become due, and a net operating surplus.

P Q3. What type of financial recordkeeping must we maintain to support the financial statements sent to CMS?

A3. 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 Q4. Are our financial records subject to audit or inspection by CMS?

A4. 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 Q5. As a renewing PACE organization, when is our audited financial report due to CMS?

A5. Federal regulations at 42 CFR §460.208 require that an organization must submit its independently audited financial statements (audit report) to CMS not later than 180 days after the fiscal year ends. The audit report must be certified by an independent certified public accountant and at a minimum consist of a certification statement, auditor notes, balance sheet, income statement, and a cash flow statement. For example, if your organization's fiscal year ended on June 30, 2014, the audit report would be due to CMS no later than December 31, 2014.

The specific due dates for the Annual Audited submission are shown in the Answer to Pace Question # 23. Due dates for PACE organizations are based on the organization's Fiscal Year End Date.

P Q6. Will a renewing PACE organization have to submit financial data after it has submitted its latest audited financial report to CMS?

A6. An organization may be asked to submit quarterly or monthly financial statements to CMS, if requested, due to fiscal soundness issues.

P Q7. What is the trial period and is our organization subject to it?

A7. 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 Q8. What are the financial reporting requirements while a company remains under the trial period?

A8. 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.

Beginning with CY 2013, the submission types are referred to as:

Audited Annual filings should be entered under “Audited Annual” regardless of the FYE date.

- Quarters ending January 31, or February 28, or March 31- submit as Reporting Period Ending 3/31
- Quarters ending April 30, or May 31, or June 30 - submit as Reporting Period Ending 6/30
- Quarters ending July 31, or August 31, or September 30 - submit as Reporting Period Ending 9/31
- Quarters ending October 31, or November 30, or December 31 – submit as Reporting Period Ending 12/31

The specific due dates for each quarterly submission are shown in the Answer to Pace Question # 23. Due dates for PACE organizations are based on the organization’s Fiscal Year End Date.

P Q9. 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?

A9. 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 Q10. Our organization has an effective date of 03/01/14 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?

A10. 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 5/15/14.

P Q11. Does CMS accept hardcopy documentation?

A11. No. PACE organizations are required to upload a PDF or zip file of their quarterly financial statements and annual audit reports to the fiscal soundness module within the Health Plan Management System (HPMS).

P Q12. In addition to the quarterly and annual financial statements, is there other information we must upload to the fiscal soundness module?

A12. Yes, in addition to the financial statements PACE organizations must upload five financial data elements (taken from the audited and quarterly financial statements) along with the financial statements. The fiscal soundness module will not accept the financial statements if the data elements are not uploaded at the same time.

PACE FINANCIAL DATA ELEMENTS

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)

Make sure you 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 the corrected financial information. For example, a common error is that CMS requires “Total Cash Flow from Operations” and not any other Cash Flow total.

P Q13. What should we do if we cannot submit our financial information by the regulatory deadlines?

A13. 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 Q14. 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?

A14. 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 05/01/13 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 to discuss your situation and the best approach to take to meet your fiscal reporting requirements. If your organization was operational before signing a PACE contract with CMS, and had an audit completed, that report would suffice the Fiscal Soundness Reporting Requirements.

P Q15. 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 audit report?

A15. Yes. Your organization would satisfy our reporting requirements by submitting the consolidated audit report in a complete and timely manner. If you are not sure, contact CMS for guidance.

P Q16. Besides uploading the financial statements within HPMS, are there other responsibilities we must adhere to with respect to the CMS data gathering system?

A16. Yes. CMS relies upon each organization to accurately maintain 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.

PACE organization reporting Subordinated Debt 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”.

P Q17. 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?

A17. Yes. Both the State and CMS will want to review any changes to the insolvency plan.

P Q18. The fiscal soundness module in HPMS requires our NAIC number. What is this number and do PACE organizations have one?

A18. 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 Q19. Will any of my organization’s financial information be made publicly available by CMS?

A19. Generally, CMS does not publish or release information deemed proprietary.

P Q20. Is there a primary CMS contact I can call or e-mail with questions on fiscal soundness?

A20. You may contact CMS by email at: FinancialReview@cms.hhs.gov .

P Q21. What is subordinated debt?

A21. 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 Q22. How does CMS want us to report our subordinated debt arrangements?

A22. 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.

P Q23. When are PACE financial reports due in HPMS?

A23. Due dates for PACE organizations are based on the organization’s Fiscal Year End Date.

See table starting on next page.

PACE Financial Filings Due Dates

The Tables below show when and where in HPMS PACE plans should submit their financial reports.

In the first column, find your organization’s Fiscal Year End date.

Each column to the right shows the correct “Period Ending” into which your submission should be made and the due date.

NOTE that some organizations will have their Quarterlies submitted under a different HPMS “Contract Year” than their Audited Annual.

| PACE Financial Filings Due Dates | <u>HPMS -- Contract Year 2013</u> | | | | <u>HPMS -- Contract Year 2014</u> |
|---|--|--------------------------------------|--------------------------------------|---------------------------------------|---|
| | <u>Period Ending 3/31</u> | <u>Period Ending 6/30</u> | <u>Period Ending 9/30</u> | <u>Period Ending 12/31</u> | <u>Audited Annual</u> |
| <u>Fiscal Year End</u> | | | | | |
| 07/31/2013 | PE 1/31/13 due by 3/15/13 | PE 4/30/13 due by 06/15/2013 | PE 7/31/13 due by 09/15/2013 | PE 10/31/13 due by 12/15/2013 | 7/31/13 Audited Annual by end of March 2014 |
| 08/31/2013 | PE 2/28/13 due by 4/15/13 | PE 5/31/13 due by 07/15/2013 | PE 8/31/13 due by 10/15/2013 | PE 11/30/13 due by 1/15/2014 | 8/31/13 Audited Annual by end of March 2014 |
| 09/30/2013 | PE 3/31/13 due by 5/15/13 | PE 6/30/13 due by 08/15/2013 | PE 9/30/13 due by 11/15/2013 | PE 12/30/13 due by 2/15/2014 | 9/30/13 Audited Annual by end of March 2014 |
| 10/31/2013 | PE 1/31/13 due by 3/15/13 | PE 4/30/13 due by 06/15/2013 | PE 7/31/13 due by 09/15/2013 | PE 10/31/13 due by 12/15/2013 | 10/31/13 Audited Annual by 4/30/2014 |
| 11/30/2013 | PE 2/28/13 due by 4/15/13 | PE 5/31/13 due by 07/15/2013 | PE 8/31/13 due by 10/15/2013 | PE 11/30/13 due by 1/15/2014 | 11/30/13 Audited Annual by 5/31/2014 |
| 12/31/2013 | PE 3/31/13 due by 5/15/13 | PE 6/30/13 due by 08/15/2013 | PE 9/30/13 due by 11/15/2013 | PE 12/30/13 due by 2/15/2014 | 12/31/13 Audited Annual by 6/30/14 |

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**PACE
Financial
Filings
Due Dates**

| HPMS -- Contract Year 2014 | | | | |
|-----------------------------------|---------------------------|---------------------------|---------------------------|----------------------------|
| <u>Audited Annual</u> | <u>Period Ending 3/31</u> | <u>Period Ending 6/30</u> | <u>Period Ending 9/30</u> | <u>Period Ending 12/31</u> |

Fiscal Year End

| | | | | | |
|-------------------|------------------------------|---------------------------------|------------------------------------|------------------------------------|-------------------------------------|
| 01/31/2014 | 1/31/14 AA by 7/31/14 | PE 1/31/14 due by 3/15/14 | PE 4/30/14 due by 06/15/2014 | PE 7/31/14 due by 09/15/2014 | PE 10/31/14 due by 12/15/2014 |
| 02/28/2014 | 2/28/14 AA by 8/31/14 | PE 2/28/14 due by 4/15/14 | PE 5/31/14 due by 07/15/2014 | PE 8/31/14 due by 10/15/2014 | PE 11/30/14 due by 1/15/2015 |
| 03/31/2014 | 3/31/14 AA by 9/30/14 | PE 3/31/14 due by 5/15/14 | PE 6/30/14 due by 08/15/2014 | PE 9/30/14 due by 11/15/2014 | PE 12/31/14 due by 2/15/2015 |
| 04/30/2014 | 4/30/14 AA by 10/31/14 | PE 1/31/14 due by 3/15/14 | PE 4/30/14 due by 06/15/2014 | PE 7/31/14 due by 09/15/2014 | PE 10/31/14 due by 12/15/2014 |
| 05/31/2014 | 5/31/14 AA by 11/30/14 | PE 2/28/14 due by 4/15/14 | PE 5/31/14 due by 07/15/2014 | PE 8/31/14 due by 10/15/2014 | PE 11/30/14 due by 1/15/2015 |
| 06/30/2014 | 6/30/14 AA by 12/31/14 | PE 3/31/14 due by 5/15/14 | PE 6/30/14 due by 08/15/2014 | PE 9/30/14 due by 11/15/2014 | PE 12/31/14 due by 2/15/2015 |

| HPMS -- Contract Year 2014 | | | | |
|-----------------------------------|---------------------------|---------------------------|----------------------------|-----------------------|
| <u>Period Ending 3/31</u> | <u>Period Ending 6/30</u> | <u>Period Ending 9/30</u> | <u>Period Ending 12/31</u> | <u>Audited Annual</u> |

| | | | | | |
|-------------------|---------------------------------|------------------------------------|------------------------------------|-------------------------------------|---|
| 07/31/2014 | PE 1/31/14 due by 3/15/14 | PE 4/30/14 due by 06/15/2014 | PE 7/31/14 due by 09/15/2014 | PE 10/31/14 due by 12/15/2014 | 7/31/14 Audited Annual by end of March 2015 |
| 08/31/2014 | PE 2/28/14 due by 4/15/14 | PE 5/31/14 due by 07/15/2014 | PE 8/31/14 due by 10/15/2014 | PE 11/30/14 due by 1/15/2015 | 8/31/14 Audited Annual by end of March 2015 |
| 09/30/2014 | PE 3/31/14 due by 5/15/14 | PE 6/30/14 due by 08/15/2014 | PE 9/30/14 due by 11/15/2014 | PE 12/31/14 due by 2/15/2015 | 9/30/14 Audited Annual by end of March 2015 |
| 10/31/2014 | PE 1/31/14 due by 3/15/14 | PE 4/30/14 due by 06/15/2014 | PE 7/31/14 due by 09/15/2014 | PE 10/31/14 due by 12/15/2014 | 10/31/14 Audited Annual by 4/30/15 |
| 11/30/2014 | PE 2/28/14 due by 4/15/14 | PE 5/31/14 due by 07/15/2014 | PE 8/31/14 due by 10/15/2014 | PE 11/30/14 due by 1/15/2015 | 11/30/14 Audited Annual by 5/31/15 |
| 12/31/2014 | PE 3/31/14 due by 5/15/14 | PE 6/30/14 due by 08/15/2014 | PE 9/30/14 due by 11/15/2014 | PE 12/31/14 due by 2/15/2015 | 12/31/14 Audited Annual by 6/30/15 |

| <u>HPMS -- Contract Year 2015</u> |
|---|
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|---|
| <u>Audited Annual</u> |
| 7/31/14 Audited Annual by end of March 2015 |
| 8/31/14 Audited Annual by end of March 2015 |
| 9/30/14 Audited Annual by end of March 2015 |
| 10/31/14 Audited Annual by 4/30/15 |
| 11/30/14 Audited Annual by 5/31/15 |
| 12/31/14 Audited Annual by 6/30/15 |

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**PACE
Financial
Filings
Due Dates**

| HPMS -- Contract Year 2015 | | | | |
|-----------------------------------|---------------------------|---------------------------|---------------------------|----------------------------|
| <u>Audited Annual</u> | <u>Period Ending 3/31</u> | <u>Period Ending 6/30</u> | <u>Period Ending 9/30</u> | <u>Period Ending 12/31</u> |

Fiscal Year End

| | | | | | |
|-------------------|------------------------------|---------------------------------|------------------------------------|------------------------------------|-------------------------------------|
| 01/31/2015 | 1/31/15 AA by 7/31/15 | PE 1/31/15 due by 3/15/15 | PE 4/30/15 due by 06/15/2015 | PE 7/31/15 due by 09/15/2015 | PE 10/31/15 due by 12/15/2015 |
| 02/28/2015 | 2/28/15 AA by 8/31/15 | PE 2/28/15 due by 4/15/15 | PE 5/31/15 due by 07/15/2015 | PE 8/31/15 due by 10/15/2015 | PE 11/30/15 due by 1/15/2016 |
| 03/31/2015 | 3/31/15 AA 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 11/15/2015 | PE 12/31/15 due by 2/15/2016 |
| 04/30/2015 | 4/30/15 AA by 10/31/15 | PE 1/31/15 due by 3/15/15 | PE 4/30/15 due by 06/15/2015 | PE 7/31/15 due by 09/15/2015 | PE 10/31/15 due by 12/15/2015 |
| 05/31/2015 | 5/31/15 AA by 11/30/15 | PE 2/28/15 due by 4/15/15 | PE 5/31/15 due by 07/15/2015 | PE 8/31/15 due by 10/15/2015 | PE 11/30/15 due by 1/15/2016 |
| 06/30/2015 | 6/30/15 AA by 12/31/15 | PE 3/31/15 due by 5/15/15 | PE 6/30/15 due by 08/15/2015 | PE 9/30/15 due by 11/15/2015 | PE 12/31/15 due by 2/15/2016 |

| HPMS -- Contract Year 2015 | | | | |
|-----------------------------------|---------------------------|---------------------------|---------------------------|----------------------------|
| | <u>Period Ending 3/31</u> | <u>Period Ending 6/30</u> | <u>Period Ending 9/30</u> | <u>Period Ending 12/31</u> |

| | | | | |
|-------------------|---------------------------------|------------------------------------|------------------------------------|-------------------------------------|
| 07/31/2015 | PE 1/31/15 due by 3/15/15 | PE 4/30/15 due by 06/15/2015 | PE 7/31/15 due by 09/15/2015 | PE 10/31/15 due by 12/15/2015 |
| 08/31/2015 | PE 2/28/15 due by 4/15/15 | PE 5/31/15 due by 07/15/2015 | PE 8/31/15 due by 10/15/2015 | PE 11/30/15 due by 1/15/2016 |
| 09/30/2015 | PE 3/31/15 due by 5/15/15 | PE 6/30/15 due by 08/15/2015 | PE 9/30/15 due by 11/15/2015 | PE 12/30/15 due by 2/15/2016 |
| 10/31/2015 | PE 1/31/15 due by 3/15/15 | PE 4/30/15 due by 06/15/2015 | PE 7/31/15 due by 09/15/2015 | PE 10/31/15 due by 12/15/2015 |
| 11/30/2015 | PE 2/28/15 due by 4/15/15 | PE 5/31/15 due by 07/15/2015 | PE 8/31/15 due by 10/15/2015 | PE 11/30/15 due by 1/15/2016 |
| 12/31/2015 | PE 3/31/15 due by 5/15/15 | PE 6/30/15 due by 08/15/2015 | PE 9/30/15 due by 11/15/2015 | PE 12/30/15 due by 2/15/2016 |

| HPMS -- Contract Year 2016 | |
|---|--|
| Audited Annual | |
| 7/31/15 Audited Annual by end of March 2016 | |
| 8/31/15 Audited Annual by end of March 2016 | |
| 9/30/15 Audited Annual by end of March 2016 | |
| 10/31/15 Audited Annual by 4/30/16 | |
| 11/30/15 Audited Annual by 5/31/16 | |
| 12/31/15 Audited Annual by 6/30/16 | |

Detailed Instructions - Prescription Drug Plans (PDPs)

Reporting timeline:

| | <u>Reporting Period Ending 3/31 (YTD)</u> | <u>Reporting Period Ending 6/30 (YTD)</u> | <u>Reporting Period Ending 9/31 (YTD)</u> | Annual |
|---------------------------------|--|--|---|---|
| Reporting Period | Quarters ending January 31, or February 28, or March 31 | Quarters ending April 30, or May 31, or June 30 | Quarters ending October 31, or November 30, or December 31 | January 1 - December 31 (or the PDP's official fiscal year.) |
| Data due to CMS/HPMS | May 15 | August 15 | November 15 | 120 days after the end of the calendar year or within 10 days of the receipt of the Annual Audited F/S whichever is earlier. |

I. Fiscal Soundness Reporting Requirements Documentation for Part D PDP Contracts:

A. According to the quarterly time periods specified above, for quarters 1 – 3 only, Part D PDP Contracts that are licensed will submit the following completed Health Blank form pages directly to CMS:

- Jurat;
- Assets;
- Liabilities, Capital and Surplus;
- Statement of Revenue and Expenses;
- Capital and Surplus Account; and
- Cash Flow;

Note: CMS will accept a copy of the Health Blank form submitted to the state in its entirety.

B. According to the quarterly time periods specified above, non-licensed Part D PDP Contracts will submit un-audited financial statements, which convey the same information contained in the Health Blank form, directly to CMS. An alternative for non-licensed Part D PDP Contracts would be to complete the Health Blank pages as prescribed in A. above.

C. According to the quarterly time periods specified above, non-licensed Part D PDP Contracts will submit documentation showing that an insolvency deposit of \$100,000 is being held in accordance with CMS requirements by a qualified financial institution.

D. According to the quarterly time periods specified above, Part D PDP Sponsors not licensed in any state must submit documentation that demonstrates they possess the allowable sources of funding to cover projected losses for the greater of 7.5% of the aggregated projected target amount for a given year or resources to cover 100% of any projected losses in a given year. This documentation should include a worksheet indicating how they arrived at the aggregated projected target amount. Pro-forma financial statements including the balance sheet, income statement and statement of cash flows projecting through the next 12 months by quarter. Enrollment projections through the next 12 months by quarter. Guarantees, letters of credit and other documents essential to demonstrating that the funding for projected losses requirement has been met must also be included.

- E. All Part D PDP contracts will submit a copy of their independently audited financial statements (which are statutory based or GAAP based) within one hundred twenty days following their fiscal year end or within 10 days of receipt of those statements, whichever is earlier directly to CMS. Licensed entities may not report under GAAP for a period longer than 36 months.
- F. All non-licensed Part D PDP Contracts will submit a copy of an Actuarial Opinion by a qualified actuary within one hundred twenty days following their fiscal year end directly to CMS. The opinion should address the assumptions and methods used in determining loss revenues, actuarial liabilities, and related items.
- G. According to the quarterly time periods specified above, Part D PDP sponsors with any state licensure waivers must submit an update on the status of obtaining licensure for each waived state.
- H. Per 42 CFR§ 423.514 each Part D sponsor must report to CMS annually, within 120 days of the end of the fiscal year, significant business transactions, between the Part D sponsor and a party in interest. Definitions for significant business transactions and a party in interest can be found in § 423.501.

Documentation submitted should include the following:

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

II. Fiscal Soundness Reporting Requirements Documentation for Direct Contract PDPs:

- A. According to the quarterly time periods specified above, Direct Contract PDPs will submit unaudited financial statements directly to CMS.
- B. According to the quarterly time periods specified above, Direct Contract PDPs will submit 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 with respect to the sponsor).
- C. Direct Contract PDPs will submit a copy of their independently audited financial statements within one hundred twenty days following their fiscal year end or within 10 days of receipt of those statements, whichever is earlier directly to CMS.
- D. All Direct Contract PDPs will submit 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 15 th |
| For Quarters ending April 30, or May 31, or June 30: | Aug. 15 th |
| For Quarters ending July 31, or August 31, or September 30: | Nov. 15 th |
| Annual: | April 30 th |

All Direct Contract PDPs will submit an ERISA Sec. 411(a) attestation directly to CMS by April 30th with their Annual submission.