

CY 2017 Fiscal Soundness Reporting Requirements

CMS is responsible for reviewing and monitoring the fiscal soundness of organizations. 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 it applies to: (1) All Organizations; (2) Medicare Advantage Organizations (MAO), Medicare-Medicaid plans (MMP), Section 1876 Cost Plans; (3) Prescription Drug Plans (PDP); and (4) Programs of All Inclusive Care for the Elderly (PACE) organizations. Questions not addressed by available documentation can be emailed to: Financialreview@cms.hhs.gov.

For further guidance, please refer to the HPMS memoranda titled “Clarification of Fiscal Soundness Requirements” (issued November 17, 2015) and “Fiscal Soundness Requirements and Monitoring” (issued January 12, 2017). These memoranda can be located under “Documentation and Forms” in the Health Plan Management System (HPMS) Fiscal Soundness Module and at <https://www.cms.gov/Medicare/Health-Plans/HealthPlansGenInfo/FSRR.html>.

All Organizations

CMS contracts with legal entities whose financial statements are evaluated on their own merit. All organizations must submit audited annual financial statements and some organizations may also be required or notified by CMS to submit quarterly statements in certain situations. If the Domestic State permits organizations to submit financial statements that include other lines of business with the legal entity, CMS will accept these financial statements. However, the organization’s resources included in the financial statements submitted must support the line of business contracted with CMS.

CMS utilizes the HPMS Fiscal Soundness Module to track, monitor, and serve as a data repository for current and historical financial information. Organizations must submit all required financial statements and information through the HPMS Fiscal Soundness Module. To access the HPMS Fiscal Soundness Module, plan users must have a four digit CMS User ID and Internet access. Questions regarding connectivity or access to the appropriate information can be emailed to HPMS_Access@cms.hhs.gov. For more information on how to obtain a four digit CMS User ID, please visit <https://www.cms.gov/Research-Statistics-Data-and-Systems/Computer-Data-and-Systems/HPMS/Overview.html>.

The Fiscal Soundness Module is updated and released annually at the end of March, in preparation for organizations to upload the previous year’s (2016) audited annual financial statements into the HPMS (i.e., PDF or zip files). Audited annual financial statements from MAOs, MMPs, Section 1876 Cost Plans, and PDPs must be prepared using statutory accounting principles or generally accepted accounting principles (unless the Domestic State requires otherwise) and are due to CMS no later than 120 days after the organization’s fiscal year ends. Organizations with a calendar fiscal year-end (i.e., 12/31) should submit audited annual financial statements by April 30th of the current contract year unless an extension has been granted by CMS. PACE organizations are to submit audited annual 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.

NOTE: MAOs with fiscal year-end dates of 9/30 or 10/31 and having audited annual financial statements due to CMS in 120 days (i.e., due dates of 1/31 and 2/28 respectively) will have to wait to submit their audited annual financial statements until the end of March when the updated Fiscal Soundness Module is released.

Organizations may reference the HPMS memorandum titled “Annual Verification of Parent Organization and Legal Entity Name” (issued February 17, 2017) for instructions regarding updates to parent organization and/or legal entity names. This memo is sent to organizations annually by CMS and organizations are instructed to verify and update their information in the HPMS system.

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 current 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 from the “Monitoring” section of the main menu toolbar select “Fiscal Soundness” (Navigation path: HPMS > Monitoring > Fiscal Soundness). 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 “Documents and Forms” and, in particular, the “Plan User Guide” is a valuable resource that provides step-by-step instructions for navigating the Fiscal Soundness Module for new submissions, updates, and 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 for 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 as described in the chart below.

Contract Type	Actions
PDP	Select for Single or NAIC groups that only include PDP Contracts. Example: Contract S8888 is a single PDP contract. The 'Type' will be 'PDP' because the contract is only a PDP plan.
Non-PDP	Select for Single or NAIC groups that only include Non-PDP Contracts. Example: Contracts H0000 and H9999 are within same NAIC grouping. The 'Type' will be 'Non-PDP' because neither plan is a PDP.
Both	Select for NAIC groups that contain both PDP and Non-PDP Contracts. Example A: Contracts H0000 and S9999 (PDP) are within the same NAIC grouping. The 'Type' will be 'Both' because one is a PDP and one is a Non-PDP. Example B: Contracts H0000 and S9999 (PDP) are within same NAIC grouping. H0000 is not required to submit quarterly. The 'Type' will be 'Both'.

Organizations are required to submit specific financial statements to CMS by established deadlines throughout the year (summarized later in this document). The HPMS Fiscal Soundness Module requires the plan user to identify the financial statement as one of the following “Submission Types” (Note: All quarterly financial statements must be based on current year-to-date information):

- Audited Annual – The audited annual financial statements cover 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 audited annual 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 Soundness Module as they appear on the financial statement being submitted. The appropriate number of zeroes should be added for 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 number.

All organizations are required to upload a PDF or zip file of their financial statements and include all supporting documentation, such as any associated letters, opinions, signature page, and Subordinated/Guaranteed Debt Form (if applicable). No hardcopy documents will be accepted by CMS.

State insurance regulators may provide an organization with a deadline that is later than the CMS deadline to submit financial statements. CMS will accept a later filing date if an organization is able to provide/upload appropriate documentation (i.e., Annual Statement Filing Checklist and Instructions for Health Entities as required by its Domestic State). Organizations can request a CMS extension by using the “Submission of Extension Request” function in the HPMS Fiscal Soundness Module (Navigation path: HPMS > Monitoring > Fiscal Soundness > Submission of Extension Requests). The plan user will identify the contract(s), input the requested extension date, provide a reason for the extension, upload the required supporting documentation as described above, and follow the instructions in the Fiscal Soundness Module User Guide for submitting extension requests. All contracts included in the same NAIC number must be included in the extension request and multiple contracts covering multiple NAIC numbers may be submitted together. Extension requests must be made in a timely manner to avoid compliance issues. In addition, an organization is able to designate the request as “Perennial” and will not have to make similar extension requests in the future.

MAO, MMP and Section 1876 Cost Plan Organizations

As part of filing the audited annual financial statements, the organization is required to enter the following financial data elements from the corresponding financial statements into the HPMS Fiscal Soundness Module. Please note that MAOs and MMPs enter the same elements as stand-alone PDPs.

Data Element	MAOs & MMPs	Section 1876 Cost Plans
Total Assets	Yes	Yes
Total Liabilities	Yes	Yes, including subordinated/guaranteed debt, if applicable
Subordinated/Guaranteed Debt	No, not applicable	Yes, if applicable*
Net Income (current year-to-date)	Yes	Yes
Cash Flow from Operations (current year-to-date)	Yes	Yes

** Unsubordinated Liabilities Calculation for Section 1876 Cost Plans Only*

CMS calculates the net worth of Section 1876 Cost Plans by subtracting total unsubordinated liabilities from total assets, as reported on the balance sheet for the legal entity. Beginning with this release (contract year 2017) of the Fiscal Soundness Reporting Requirements and HPMS Fiscal Soundness Module, CMS will consider subordinated and guaranteed debt when calculating total unsubordinated liabilities.

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 the parent organization loans money to the Section 1876 Cost Plan to pay its debts. The Section 1876 Cost 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 Section 1876 Cost Plan obtains a loan from a bank and another entity signs on to guarantee payment of all, or a portion of, the loan. In the event of bankruptcy or default, the other entity will make payments on the loan on behalf of the Section 1876 Cost Plan to ensure the debt is satisfied.

Section 1876 Cost Plans must identify the subordinated and/or guaranteed debt portion of their reported total liabilities and submit the updated “Subordinated/Guaranteed Debt Attestation Form” available in the Fiscal Soundness Module within HPMS with both quarterly (if applicable) and audited annual financial statements. In addition, organizations 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 that there are no repayment requirements by the Section 1876 Cost 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.

New MAO, MMP, and Section 1876 Cost Plan organizations that do not have audited annual financial statements for the fiscal year ending prior to the start of their first contract year (i.e., an audited 12/31/2016 financial statement for CMS contract year 2017) should submit the first item available from the list below:

1. If the organization has a parent organization, it must submit the parent’s most recent audited annual financial statement for the fiscal year ending prior to the start of their first contract year (i.e., an audited fiscal year-end 12/31/2016 for CMS contract year 2017). If not, then
2. The organization’s most recent unaudited annual financial statement for the fiscal year ending prior to the start of their first contract year (i.e., an unaudited fiscal year end 12/31/2016 for CMS contract year 2017). If the state has not required submission of an unaudited annual financial, and the organization does not have one, then
3. The most recent quarterly NAIC health blank or other form of quarterly financial statements if the quarterly NAIC health blank is not required by the state (i.e., period ending 12/31/2016). If the state has not required submission of a 12/31 quarterly financial, and the organization does not have one, then
4. The period ending 3/31 quarterly NAIC health blank or other form of quarterly financial statements if the quarterly NAIC health blank is not required by the state.

All new organizations will be placed on quarterly financial reporting throughout the first contract year, at least until the CMS review of the organization’s submission of its next audited annual financial statements. 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 the organization for each contract by April 30th unless an extension has been granted and approved 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 these types of contracts.

Submission Deadlines

Submission Type	Description	Submission Deadline	Requirement
Audited Annual	Closure of previous fiscal year	120 days after the Fiscal Year-Ends	All contracts
Reporting Period Ending 03/31	For quarters ending between 01/1 - 3/31	May 15	CMS identified contracts
Reporting Period Ending 06/30	For quarters ending between 04/1 - 6/30	August 15	CMS identified contracts
Reporting Period Ending 09/30	For quarters ending between 07/1 - 9/30	November 15	CMS identified contracts
Reporting Period Ending 12/31	For quarters ending between 10/1 - 12/31	Not Applicable	Not Applicable

Fiscal Year-End Reporting

Since some MAO, MMP, and Section 1876 Cost Plan 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. The HPMS Fiscal Soundness Module is referred to as "FSM" in the table.

MAO, MMP, Section 1876 Cost Plan, and PDP CY2017 Submission Deadlines
(Quarterlies only need to be submitted if notified to submit by CMS)

Non-PACE Fiscal Year-End Dates	Audited Annual	Period Ending 3/31	Period Ending 6/30	Period Ending 9/30
08/31/2016	08/31/16 Audited Annual by 03/31/17* *After 2017 FSM release	PE 02/28/17 due by 04/17/17	PE 05/31/17 due by 07/17/17	PE 08/31/17 due by 10/16/17
09/30/2016	09/30/16 Audited Annual by 03/31/17* *After 2017 FSM release	PE 03/31/17 due by 05/15/17	PE 06/30/17 due by 08/15/17	PE 09/30/17 due by 11/15/17
10/31/2016	10/31/16 Audited Annual by 03/31/17* *After 2017 FSM release	PE 01/31/17 due by 03/31/17* *After 2017 FSM release	PE 04/30/17 due by 06/15/17	PE 07/31/17 due by 09/15/17
11/30/2016	11/30/16 Audited Annual by 03/31/17* *After 2017 FSM release	PE 02/28/17 due by 04/17/17	PE 05/31/17 due by 07/17/17	PE 08/31/17 due by 10/16/17
12/31/2016	12/31/16 Audited Annual by 05/01/17* *After 2017 FSM release	PE 03/31/17 due by 05/15/17	PE 06/30/17 due by 08/15/17	PE 09/30/17 due by 11/15/17
01/31/2017	01/31/17 Audited Annual by 05/31/17	PE 01/31/17 due by 03/31/17* *After 2017 FSM release	PE 04/30/17 due by 06/15/17	PE 07/31/17 due by 09/15/17
02/28/2017	02/28/17 Audited Annual by 06/30/17	PE 02/28/17 due by 04/17/17	PE 05/31/17 due by 07/17/17	PE 08/31/17 due by 10/16/17
03/31/2017	03/31/17 Audited Annual by 07/31/17	PE 03/31/17 due by 05/15/17	PE 06/30/17 due by 08/15/17	PE 09/30/17 due by 11/15/17
04/30/2017	04/30/17 Audited Annual by 08/31/17	PE 01/31/17 due by 03/31/17* *After 2017 FSM release	PE 04/30/17 due by 06/15/17	PE 07/31/17 due by 09/15/17

MAO, MMP, Section 1876 Cost Plan, and PDP CY2017 Submission Deadlines
(Quarterlies only need to be submitted if notified to submit by CMS)

Non-PACE Fiscal Year-End Dates	Audited Annual	Period Ending 3/31	Period Ending 6/30	Period Ending 9/30
05/31/2017	05/31/17 Audited Annual by 10/02/17	PE 02/28/17 due by 04/17/17	PE 05/31/17 due by 07/17/17	PE 08/31/17 due by 10/16/17
06/30/2017	06/30/17 Audited Annual by 10/31/17	PE 03/31/17 due by 05/15/17	PE 06/30/17 due by 08/15/17	PE 09/30/17 due by 11/15/17
07/31/2017	07/31/17 Audited Annual by 11/30/17	PE 01/31/17 due by 03/31/17* *After 2017 FSM release	PE 04/30/17 due by 06/15/17	PE 07/31/17 due by 09/15/17

MAO, MMP, Section 1876 Cost Plan, and PDP CY2018 Submission Deadlines
(Quarterlies only need to be submitted if notified to submit by CMS)

Non-PACE Fiscal Year-End Dates	Audited Annual	Period Ending 3/31	Period Ending 6/30	Period Ending 9/30
08/31/2017	08/31/17 Audited Annual by 03/31/18* *After 2018 FSM release	PE 02/28/18 due by 04/16/18	PE 05/31/18 due by 07/16/18	PE 08/31/18 due by 10/15/18
09/30/2017	09/30/17 Audited Annual by 03/31/18* *After 2018 FSM release	PE 03/31/18 due by 05/15/18	PE 06/30/18 due by 08/15/18	PE 09/30/18 due by 11/15/18
10/31/2017	10/31/17 Audited Annual by 03/31/18* *After 2018 FSM release	PE 01/31/18 due by 03/31/18* *After 2018 FSM release	PE 04/30/18 due by 06/15/18	PE 07/31/18 due by 09/17/18
11/30/2017	11/30/17 Audited Annual by 03/31/18* *After 2018 FSM release	PE 02/28/18 due by 04/16/18	PE 05/31/18 due by 07/16/18	PE 08/31/18 due by 10/15/18
12/31/2017	12/31/17 Audited Annual by 04/30/18* *After 2018 FSM release	PE 03/31/18 due by 05/15/18	PE 06/30/18 due by 08/15/18	PE 09/30/18 due by 11/15/18
01/31/2018	01/31/18 Audited Annual by 05/31/18	PE 01/31/18 due by 03/31/18* *After 2018 FSM release	PE 04/30/18 due by 06/15/18	PE 07/31/18 due by 09/17/18
02/28/2018	02/28/18 Audited Annual by 06/30/18	PE 02/28/18 due by 04/16/18	PE 05/31/18 due by 07/16/18	PE 08/31/18 due by 10/15/18
03/31/2018	03/31/18 Audited Annual by 07/31/18	PE 03/31/18 due by 05/15/18	PE 06/30/18 due by 08/15/18	PE 09/30/18 due by 11/15/18
04/30/2018	04/30/18 Audited Annual by 08/31/18	PE 01/31/18 due by 03/31/18* *After 2018 FSM release	PE 04/30/18 due by 06/15/18	PE 07/31/18 due by 09/17/18
05/31/2018	05/31/18 Audited Annual by 10/01/18	PE 02/28/18 due by 04/16/18	PE 05/31/18 due by 07/16/18	PE 08/31/18 due by 10/15/18

MAO, MMP, Section 1876 Cost Plan, and PDP CY2018 Submission Deadlines
(Quarterlies only need to be submitted if notified to submit by CMS)

Non-PACE Fiscal Year-End Dates	Audited Annual	Period Ending 3/31	Period Ending 6/30	Period Ending 9/30
06/30/2018	06/30/18 Audited Annual by 10/31/18	PE 03/31/18 due by 05/15/18	PE 06/30/18 due by 08/15/18	PE 09/30/18 due by 11/15/18
07/31/2018	07/31/18 Audited Annual by 11/30/18	PE 01/31/18 due by 03/31/18* *After 2018 FSM release	PE 04/30/18 due by 06/15/18	PE 07/31/18 due by 09/17/18

Stand-alone PDP Organizations

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

- Total Assets
- Total Liabilities
- Net Income (current year-to-date)
- 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 statements must be submitted by organizations for each contract by April 30th 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.

Submission Type	Description	Submission Deadline	Requirement
Audited Annual	Closure of previous fiscal year	120 days after the Fiscal Year-Ends	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 audited annual financial statements (statutory or GAAP) within 120 days following their fiscal year-end or within 10 days of receipt of those statements, whichever is earlier unless an extension has been granted by CMS. 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 audited annual financial statements (statutory or GAAP) within 120 days following their fiscal year-end or within 10 days of receipt of those statements, whichever is earlier unless an extension has been granted by CMS.
- Quarterly unaudited 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 its 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 audited annual financial statements, the organization is required to enter the following five data elements from the corresponding statements into the HPMS Fiscal Soundness Module:

- Total Assets
- Total Liabilities (including subordinated/guaranteed debt, if applicable)
- Subordinated/guaranteed debt, if applicable
- Net Income (current year-to-date)
- Cash Flow from Operations (current year-to-date)

Unsubordinated Liabilities Calculation

CMS calculates the net worth of PACE organizations by subtracting total unsubordinated liabilities from total assets, as reported on the balance sheet for the legal entity. Beginning with this release (contract year 2017) of the Fiscal Soundness Reporting Requirements and HPMS Fiscal Soundness Module, CMS will consider subordinated and guaranteed debt when calculating total unsubordinated liabilities.

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 the parent organization loans money to the PACE organization to pay its debts. The PACE organization 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 PACE organization obtains a loan from a bank and another entity signs on to guarantee payment of all, or a portion of, the loan. In the event of bankruptcy or default, the other entity will make payments

on the loan on behalf of the PACE organization to ensure the debt is satisfied.

PACE organizations must identify the subordinated and/or guaranteed debt portion of their reported total liabilities and submit the updated “Subordinated/Guaranteed Debt Attestation Form” available in the Fiscal Soundness Module within HPMS with both quarterly (if applicable) and audited annual financial statements. In addition, organizations 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 that there are no repayment requirements by the PACE organization 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 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.

Submission Type	Description	Submission Deadline	Requirement
Audited Annual	Closure of previous fiscal year	180 days after Fiscal Year-Ends	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

All fiscal soundness requirements must be met by the individual PACE legal entity, not the parent organization, and any substitutions are unallowable. If the PACE organization is a line of business of the parent organization, and audited annual financial statements are not available at the PACE legal entity level, audited annual financial statements may be provided for the parent organization. However, the PACE organization must report the required financial data elements: Assets, Liabilities, Subordinated/Guaranteed Debt (if applicable), Net Income/Loss, and Cash Flow from Operations and provide supporting annual financial statements for the corresponding period at the PACE legal entity level.

NOTE: Organizations may reference the HPMS memorandum titled “Annual Verification of Parent Organization and Legal Entity Name” (issued February 17, 2017) for instructions regarding updates to parent organization and/or legal entity names.

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. For purposes of fiscal soundness, the trial period ends when CMS has reviewed audited annual financial statements covering three full 12-month financial reporting periods. A 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, Subordinated/Guaranteed Debt Attestation form (if applicable), 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. The HPMS Fiscal Soundness Module is referred to as "FSM" in the table.

PACE Organization CY2017 Submission Deadlines
HPMS -- Contract Year 2017

PACE Fiscal Year-End Dates	Audited Annual	Period Ending 3/31	Period Ending 6/30	Period Ending 9/30	Period Ending 12/31
07/31/2016	07/31/16 Audited Annual by 03/31/17* *After 2017 FSM release	PE 01/31/17 due by 03/31/17* *After 2017 FSM release	PE 04/30/17 due by 06/15/17	PE 07/31/17 due by 09/15/17	PE 10/31/17 due by 12/15/17
08/31/2016	08/31/16 Audited Annual by 03/31/17* *After 2017 FSM release	PE 02/28/17 due by 04/17/17	PE 05/31/17 due by 07/17/17	PE 08/31/17 due by 10/16/17	PE 11/30/17 due by 01/15/18
09/30/2016	09/30/16 Audited Annual by 03/31/17* *After 2017 FSM release	PE 03/31/17 due by 05/15/17	PE 06/30/17 due by 08/15/17	PE 09/30/17 due by 11/15/17	PE 12/31/17 due by 02/15/18
10/31/2016	10/31/16 Audited Annual by 05/01/2017	PE 01/31/17 due by 03/31/17* *After 2017 FSM release	PE 04/30/17 due by 06/15/17	PE 07/31/17 due by 09/15/17	PE 10/31/17 due by 12/15/17
11/30/2016	11/30/16 Audited Annual by 05/31/2017	PE 02/28/17 due by 04/17/17	PE 05/31/17 due by 07/17/17	PE 08/31/17 due by 10/16/17	PE 11/30/17 due by 01/15/18
12/31/2016	12/31/16 Audited Annual by 06/30/17	PE 03/31/17 due by 05/15/17	PE 06/30/17 due by 08/15/17	PE 09/30/17 due by 11/15/17	PE 12/31/17 due by 02/15/18
01/31/2017	01/31/17 Audited Annual by 07/31/17	PE 01/31/17 due by 03/31/17* *After 2017 FSM release	PE 04/30/17 due by 06/15/17	PE 07/31/17 due by 09/15/17	PE 10/31/17 due by 12/15/17
02/28/2017	02/28/17 Audited Annual by 08/31/17	PE 02/28/17 due by 04/17/17	PE 05/31/17 due by 07/17/17	PE 08/31/17 due by 10/16/17	PE 11/30/17 due by 01/15/18

PACE Organization CY2017 Submission Deadlines
HPMS -- Contract Year 2017

PACE Fiscal Year-End Dates	Audited Annual	Period Ending 3/31	Period Ending 6/30	Period Ending 9/30	Period Ending 12/31
03/31/2017	03/31/17 Audited Annual by 10/02/17	PE 03/31/17 due by 05/17/17	PE 6/30/17 due by 08/15/17	PE 9/30/17 due by 11/15/17	PE 12/31/17 due by 2/15/18
04/30/2017	04/30/17 Audited Annual by 10/31/17	PE 01/31/17 due by 03/31/17* *After 2017 FSM release	PE 04/30/17 due by 06/15/17	PE 07/31/17 due by 09/15/17	PE 10/31/17 due by 12/15/17
05/31/2017	05/31/17 Audited Annual by 11/30/17	PE 02/28/17 due by 04/17/17	PE 05/31/17 due by 07/17/17	PE 08/31/17 due by 10/16/17	PE 11/30/17 due by 01/15/18
06/30/2017	06/30/17 Audited Annual by 12/31/17	PE 03/31/17 due by 05/17/17	PE 06/30/17 due by 08/15/17	PE 09/30/17 due by 11/15/17	PE 12/31/17 due by 02/15/18

PACE Organization CY2018 Submission Deadlines

HPMS -- Contract Year 2018

PACE Fiscal Year End Dates	Audited Annual	Period Ending 3/31	Period Ending 6/30	Period Ending 9/30	Period Ending 12/31
07/31/2017	07/31/17 Audited Annual by 03/31/18* *After 2018 FSM release	PE 01/31/18 due by 03/31/18* *After 2018 FSM release	PE 04/30/18 due by 06/15/18	PE 07/31/18 due by 09/17/18	PE 10/31/18 due by 12/17/18
08/31/2017	08/31/17 Audited Annual by 03/31/18* *After 2018 FSM release	PE 02/28/18 due by 04/16/18	PE 05/31/18 due by 07/16/18	PE 08/31/18 due by 10/15/18	PE 11/30/18 due by 01/15/19
09/30/2017	09/30/17 Audited Annual by 03/31/18* *After 2018 FSM release	PE 03/31/18 due by 05/15/18	PE 06/30/18 due by 08/15/18	PE 09/30/18 due by 11/15/18	PE 12/30/18 due by 02/15/19
10/31/2017	10/31/17 Audited Annual by 04/30/2018	PE 01/31/18 due by 03/31/18* *After 2018 FSM release	PE 04/30/18 due by 06/15/18	PE 07/31/18 due by 09/17/18	PE 10/31/18 due by 12/17/18
11/30/2017	11/30/17 Audited Annual by 05/31/2018	PE 02/28/18 due by 04/16/18	PE 05/31/18 due by 07/16/18	PE 08/31/18 due by 10/15/18	PE 11/30/18 due by 01/15/19
12/31/2017	12/31/17 Audited Annual by 06/30/18	PE 03/31/18 due by 05/15/18	PE 06/30/18 due by 08/15/18	PE 09/30/18 due by 11/15/18	PE 12/31/18 due by 02/15/19
01/31/2018	01/31/18 Audited Annual by 07/31/18	PE 01/31/18 due by 03/31/18* *After 2018 FSM release	PE 04/30/18 due by 06/15/18	PE 07/31/18 due by 09/17/18	PE 10/31/18 due by 12/17/18
02/28/2018	02/28/18 Audited Annual by 08/31/18	PE 02/28/18 due by 04/16/18	PE 05/31/18 due by 07/16/18	PE 08/31/18 due by 10/15/18	PE 11/30/18 due by 01/15/19

PACE Organization CY2018 Submission Deadlines

HPMS -- Contract Year 2018

PACE Fiscal Year End Dates	Audited Annual	Period Ending 3/31	Period Ending 6/30	Period Ending 9/30	Period Ending 12/31
03/31/2018	03/31/18 Audited Annual by 10/01/18	PE 03/31/18 due by 05/15/18	PE 06/30/18 due by 08/15/18	PE 09/30/18 due by 11/15/18	PE 12/31/18 due by 02/15/19
04/30/2018	04/30/18 Audited Annual by 10/31/18	PE 01/31/18 due by 03/31/18* *After 2018 FSM release	PE 04/30/18 due by 06/15/18	PE 07/31/18 due by 09/17/18	PE 10/31/18 due by 12/17/18
05/31/2018	05/31/18 Audited Annual by 11/30/18	PE 02/28/18 due by 04/16/18	PE 05/31/18 due by 07/16/18	PE 08/31/18 due by 10/15/18	PE 11/30/18 due by 01/15/19
06/30/2018	06/30/18 Audited Annual by 12/31/18	PE 03/31/18 due by 05/15/18	PE 06/30/18 due by 08/15/18	PE 09/30/18 due by 11/15/18	PE 12/31/18 due by 02/15/19

APPENDIX 1: Regulatory References

MA 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

Section 1876 Cost Plans

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

42 CFR §417.126 Recordkeeping and 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