

Programs of All-Inclusive Care for the Elderly (PACE)

Contract Year 2018 Fiscal Soundness Reporting Requirements

This document contains the Fiscal Soundness Reporting Requirements (FSRR) and associated due dates. All Programs of All-Inclusive Care for the Elderly (PACE) organizations that have active contracts in Contract Year (CY) 2018 must comply with the FSRR. They must satisfy all applicable state licensure, state and CMS financial requirements and submit independently audited annual financial statements to CMS on an annual basis.

CMS monitors compliance with fiscal soundness requirements through audited annual financial statements of the organization's legal entity and other required documentation. Audited annual financial statements are due within 180 days of the contract's fiscal year-end unless an extension has been granted, and they must be prepared in accordance with generally accepted accounting principles (GAAP), unless the domestic state's requirements differ. CMS may require PACE organizations to provide additional information, such as business plans, financial projections with supporting assumptions, and/or quarterly financial statements if not meeting fiscal soundness requirements. HPMS memorandums titled "Clarification of Fiscal Soundness Requirements and Monitoring" issued on November 17, 2015 and "Fiscal Soundness Requirements and Monitoring" issued on January 12, 2017 provide additional information on these requirements and can be found in the Fiscal Soundness Module (FSM) within the Health Plan Management System (HPMS) by navigating to [HPMS Homepage](#) > Monitoring > Fiscal Soundness > Documentation > Document and Forms. Instructions regarding uploading your documentation are outlined in the Plan User Guide also located in HPMS's FSM.

All FSRR requirements must be met by the PACE legal entity, not the parent organization, and any substitutions are unallowable. If the PACE organization is considered a line of business within the parent organization, and audited annual financial statements are not available at the PACE legal entity level, then audited annual financial statements may be provided for the parent organization. However, the PACE organization reports the following required financial data elements in HPMS: 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. Organizations should refer to the HPMS memorandum titled "Annual Verification of Parent Organization and Legal Entity Name" issued on February 23, 2018 if updates to parent organization and/or legal name are needed.

In addition to the audited annual submission, PACE organizations are required to submit quarterly financial statements if within the trial period, or if the organization fails to meet CMS fiscal soundness requirements. Table 1 includes the submission guidelines for PACE. 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 180 days after the fiscal year ends	CMS identified contracts & Trial Period contracts
Reporting Period Ending 03/31	For quarters ending between 01/01 – 03/31	Within 45 days after the quarter ends	CMS identified contracts & Trial Period contracts
Reporting Period Ending 06/30	For quarters ending between 04/01 – 06/30	Within 45 days after the quarter ends	CMS identified contracts & Trial Period contracts
Reporting Period Ending 09/30	For quarters ending between 07/01 – 09/30	Within 45 days after the quarters ends	CMS identified contracts & Trial Period contracts
Reporting Period Ending 12/31	For quarters ending between 10/01 – 12/31	Within 45 days after the quarter ends	CMS identified contracts & Trial Period contracts

Submissions for New Contracts

New contracts are included in the FSM once the contract is effective. These organizations must submit their 12/31/17 fiscal year-end audited annual financial statements in HPMS for CY 2018. 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., 12/31/17 audited financial statement for CY 2018) should submit the first available item from the list below and describe why there are no available audited annual financial statements.

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., 12/31/17 audited financial statements for CY 2018). If these are not available, then
2. Submit the PACE organization's most recent unaudited annual financial statements for the fiscal year-end prior to the first contract year (i.e., 12/31/17 audited financial statements for CY 2018). If no unaudited financial statements are available, then
3. 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).

New contracts also must submit quarterly financial statements during the 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 3 full 12-month financial reporting periods. During the trial period, organizations also must submit 4 quarterly financial statements each year which are due within 45 days after the reporting period ends. The quarterly financial statements must include a balance sheet, income statement, subordinated/guaranteed debt attestation form (if applicable), and statement of cash flows (reporting year-to-date amounts).

Entering Financial Data Elements into HPMS

PACE organizations are required to enter the following elements 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	PACE
Total Assets	Yes
Total Liabilities	Yes
Subordinated/Guaranteed Debt	*Yes, if applicable
Net Income/(Net Loss) (current year-to-date)	Yes
Cash Flow From Operations (current year-to-date)	Yes

*Unsubordinated Liabilities Calculation

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

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

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

Plans must identify the subordinated/guaranteed debt portion of their reported total liabilities and submit an updated “Subordinated/Guaranteed Debt Attestation Form” when they submit their quarterly (if applicable) and audited annual financial statement. In addition, plans reporting

guaranteed debt must submit in conjunction with their audited annual financial statements, the opinion of an independent auditor certifying the amount of guaranteed debt, and there are no repayment requirements by the plan in the event of default. CMS will not consider guaranteed debt when calculating unsubordinated liabilities in the absence of the completed “Subordinated/Guaranteed Debt Attestation Form” and the opinion of an independent auditor.

Deadline Extension Requests

If the state insurance fiscal soundness 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. Extension requests for CY 2018 may be submitted after the FSM release in March 2018. 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.

Technical Requirements

To access the HPMS FSM, organizations must have a 4 character CMS User ID. Questions concerning access to HPMS may be submitted to [CMS HPMS Access](#) (CMSHPMS_Access@cms.hhs.gov).

Please note, when uploading documents, HPMS cannot accept certain keyboard characters in the file name, such as pound or hashtag (#); semi-colon (;); percentage (%); plus (+); ampersand (&); or double periods (..). If these characters are included in the file name, the upload will fail. Upload files may be in .pdf, .doc, .docx, and .zip (zip files cannot contain invalid file types) formats. File sizes may not exceed 10MB. New zip files will replace or delete previously uploaded files.

Resources

For technical assistance with HPMS, please contact the [HPMS Help Desk](#) (hpms@cms.hhs.gov; 1-800-220-2028) or [Andrew Chu](#) (andrew.chu@cms.hhs.gov).

For questions related to HPMS user access, please send email to [HPMS Access](#) (CMSHPMS_Access@cms.hhs.gov).

For policy related questions, please send email to [Financial Review](#) (FinancialReview@cms.hhs.gov).

Regulatory References

- 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

PACE Organization CY 2018 Submission Deadlines

PACE Fiscal Year End Dates	Audited Annual	Period Ending 3/31	Period Ending 6/30	Period Ending 9/30	Period Ending 12/31
7/31/2017	7/31/17 Audited Annual by 4/16/2018* *After 2018 FSM release	PE 1/31/18 due by 4/16/18* *After 2018 FSM release	PE 4/30/18 due by 6/15/18	PE 7/31/18 due by 9/17/18	PE 10/31/18 due by 12/17/18
8/31/2017	8/31/17 Audited Annual by 4/16/2018* *After 2018 FSM release	PE 2/28/18 due by 4/16/18	PE 5/31/18 due by 7/16/2018	PE 8/31/18 due by 10/15/18	PE 11/30/18 due by 1/15/19
9/30/2017	9/30/17 Audited Annual by 4/16/2018* *After 2018 FSM release	PE 3/31/18 due by 5/15/18	PE 6/30/18 due by 8/15/18	PE 9/30/18 due by 11/15/18	PE 12/31/18 due by 2/15/19
10/31/2017	10/31/17 Audited Annual by 4/30/2018	PE 1/31/18 due by 4/16/18* *After 2018 FSM release	PE 4/30/18 due by 6/15/18	PE 7/31/18 due by 9/17/18	PE 10/31/18 due by 12/17/18
11/30/2017	11/30/17 Audited Annual by 5/31/2018	PE 2/28/18 due by 4/16/18	PE 5/31/18 due by 7/16/2018	PE 8/31/18 due by 10/15/18	PE 11/30/18 due by 1/15/19
12/31/2017	12/31/17 Audited Annual by 7/2/2018	PE 3/31/18 due by 5/15/18	PE 6/30/18 due by 8/15/18	PE 9/30/18 due by 11/15/18	PE 12/31/18 due by 2/15/19
1/31/2018	1/31/18 Audited Annual by 7/31/18	PE 1/31/18 due by 4/16/18* *After 2018 FSM release	PE 4/30/18 due by 6/15/18	PE 7/31/18 due by 9/17/18	PE 10/31/18 due by 12/17/18
2/28/2018	2/28/18 Audited Annual by 8/31/18	PE 2/28/18 due by 4/16/18	PE 5/31/18 due by 7/16/2018	PE 8/31/18 due by 10/15/18	PE 11/30/18 due by 1/15/19
3/31/2018	3/31/18 Audited Annual by 10/1/18	PE 3/31/18 due by 5/15/18	PE 6/30/18 due by 8/15/18	PE 9/30/18 due by 11/15/18	PE 12/31/18 due by 2/15/19

PACE Fiscal Year End Dates	Audited Annual	Period Ending 3/31	Period Ending 6/30	Period Ending 9/30	Period Ending 12/31
4/30/2018	4/30/2018 Audited Annual by 10/31/18	PE 1/31/18 due by 4/16/18* *After 2018 FSM release	PE 4/30/18 due by 6/15/18	PE 7/31/18 due by 9/17/18	PE 10/31/18 due by 12/17/18
5/31/2018	5/31/2018 Audited Annual by 11/30/18	PE 2/28/18 due by 4/16/18	PE 5/31/18 due by 7/16/2018	PE 8/31/18 due by 10/15/18	PE 11/30/18 due by 1/15/19
6/30/2018	6/30/2018 Audited Annual by 12/31/18	PE 3/31/18 due by 5/15/18	PE 6/30/18 due by 8/15/18	PE 9/30/18 due by 11/15/18	PE 12/31/18 due by 2/15/19

PACE Organization CY 2019 Submission Deadlines

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7/31/2018	7/31/18 Audited Annual by 4/15/2019* *After 2019 FSM release	PE 1/31/19 due by 4/15/19* *After 2019 FSM release	PE 4/30/19 due by 6/17/19	PE 7/31/19 due by 9/16/19	PE 10/31/19 due by 12/16/19
8/31/2018	8/31/18 Audited Annual by 4/15/2019* *After 2019 FSM release	PE 2/28/19 due by 4/16/19	PE 5/31/19 due by 7/15/2019	PE 8/31/19 due by 10/15/19	PE 11/30/19 due by 1/15/20
9/30/2018	9/30/18 Audited Annual by 4/15/2019* *After 2019 FSM release	PE 3/31/19 due by 5/15/19	PE 6/30/19 due by 8/15/19	PE 9/30/19 due by 11/15/19	PE 12/31/19 due by 2/18/20
10/31/2018	10/31/18 Audited Annual by 4/30/2019	PE 1/31/19 due by 4/15/19* *After 2019 FSM release	PE 4/30/19 due by 6/17/19	PE 7/31/19 due by 9/16/19	PE 10/31/19 due by 12/16/19
11/30/2018	11/30/18 Audited Annual by 5/31/2019	PE 2/28/19 due by 4/16/19	PE 5/31/19 due by 7/15/2019	PE 8/31/19 due by 10/15/19	PE 11/30/19 due by 1/15/20

PACE Fiscal Year End Dates	Audited Annual	Period Ending 3/31	Period Ending 6/30	Period Ending 9/30	Period Ending 12/31
12/31/2018	12/31/18 Audited Annual by 7/1/2019	PE 3/31/19 due by 5/15/19	PE 6/30/19 due by 8/15/19	PE 9/30/19 due by 11/15/19	PE 12/31/19 due by 2/18/20
1/31/2019	1/31/19 Audited Annual by 7/31/19	PE 1/31/19 due by 4/1/19* *After 2019 FSM release	PE 4/30/19 due by 6/17/19	PE 7/31/19 due by 9/16/19	PE 10/31/19 due by 12/16/19
2/28/2019	2/28/19 Audited Annual by 9/3/19	PE 2/28/19 due by 4/16/19	PE 5/31/19 due by 7/15/2019	PE 8/31/19 due by 10/15/19	PE 11/30/19 due by 1/15/20
3/31/2019	3/31/19 Audited Annual by 9/30/19	PE 3/31/19 due by 5/15/19	PE 6/30/19 due by 8/15/19	PE 9/30/19 due by 11/15/19	PE 12/31/19 due by 2/18/20
4/30/2019	4/30/2019 Audited Annual by 10/31/19	PE 1/31/19 due by 4/1/19* *After 2019 FSM release	PE 4/30/19 due by 6/17/19	PE 7/31/19 due by 9/16/19	PE 10/31/19 due by 12/16/19
5/31/2019	5/31/2019 Audited Annual by 12/2/19	PE 2/28/19 due by 4/16/19	PE 5/31/19 due by 7/15/2019	PE 8/31/19 due by 10/15/19	PE 11/30/19 due by 1/15/20
6/30/2019	6/30/2019 Audited Annual by 12/31/19	PE 3/31/19 due by 5/15/19	PE 6/30/19 due by 8/15/19	PE 9/30/19 due by 11/15/19	PE 12/31/19 due by 2/18/20