

Fiscal Soundness Reporting Requirements (FSRR)

Division of Finance & Benefits
Medicare Drug & Health Plan Contract
Administration Group
Center for Drug & Health Plan Choice

FSRR

- The Division of Finance & Benefits (DFB), in the Medicare Drug & Health Plan Contract Administration Group, reviews and evaluates all current Medicare Advantage (MA) organization's (Part C, D, 1876 Cost, and PACE) annual audited financial statements and related financial information to ensure they are maintaining a fiscally sound organization.

FSRR (continued)

- In accordance with CFR 422.516 (a)(5), the MA organization must provide information demonstrating that they are maintaining a fiscally sound organization.
- Specifically, a fiscally sound organization will maintain:
 - 1) Net worth (reserves) that meets the State's minimum regulatory reserves requirement. The Organization must demonstrate this through the most recent balance sheet,
 - 2) Sufficient cash flow and adequate liquidity to meet obligations as they become due, and
 - 3) Net income

FSRR (continued)

- The Organization must attest that it is in compliance with all State requirements and is not under any type of supervision, corrective action plan, or special monitoring by the State regulator.
- Further, the Organization must also include the following statement signed by the organization's CEO or CFO:

"I attest (name of the Organization) is in compliance with all State requirements and is not under any type of supervision, corrective action plan, or special monitoring by the State regulator. Further, (name of the Organization) will promptly inform CMS if there is any change in the oversight or financial status of the organization."

FSRR (continued)

- If the Organization is not in compliance with all State requirements and/or is under any type of supervision, corrective action plan, or special monitoring by the State regulator, then the applicant must provide to CMS in writing a detailed discussion of the State's reasons for the increased oversight and what measures the applicant is undertaking to address the deficiencies.
- That information must be sent to the CMS mailbox: FinancialReview@cms.hhs.gov.

FSRR: Renewing Organizations

- CMS verifies the fiscal soundness of an Organization through the following filing requirements:
- All renewing MA organizations in 2009 must provide CMS with their independently audited financial statements for year ending December 31, 2008 and 13 financial data elements (taken from the audited statements).
- This filing as well as all other financial information must be submitted through the Health Plan Management System (HPMS) no later than April 30, 2009 (Any future requested quarterly information is due no later than 45 days after the end of the respective quarter).

FSRR: New Organizations

- All new organizations in CY 2009 must provide the following financial information no later than April 30, 2009:
- If the new organization has six months or more of operations in 2008 (i.e., Commercial, Medicaid) in the prior year, it must provide a PDF of its 12/31/2008 independently audited financial statements as well as the 13 financial data elements into the HPMS Fiscal Soundness Module.

FSRR: New Organizations (continued)

- If the new Organization has between four and six months of operations in 2008, the MA organization must upload into HPMS a PDF of its National Association of Insurance Commissioners (NAIC) **Annual** Health Blank as well as the 13 financial data elements (This filing is due to CMS no later than April 30, 2009).

FSRR: New Organizations (continued)

- If the new Organization has less than four months of operations in 2008, the MA organization must upload into HPMS a PDF of its most recent Quarterly NAIC Health Blank as well as the 13 financial data elements. As a quarterly filing, this information would be due to CMS no later than April 30, 2009 (or 45 days after the end of the first quarter).
- Further, as a new Organization in 2009, it must submit the quarterly NAIC Health Blank (PACE is not required to submit the Health Blank) through 2009. Each quarterly filing is due to CMS no later than 45 days after the quarter ends.

FSRR: New Organizations (continued)

- If the Organization is not fiscally sound at the time of the review, CMS will request the annual audited statements for the parent or any other guaranteeing organization that is assuring the Organization will remain fiscally sound.
- These financial statements must be accompanied by an official agreement between the two parties clearly stating this obligation. Or a financial plan may be requested of the Organization demonstrating how it would reach break-even.

Financial Plan

- A financial plan is a 3 year projection of an organization's financial statements—using statutory accounting methodology (balance sheet, income statement, and statement of cash flow) accompanied by descriptive and verifiable assumptions, and a projected date of break-even.
- Descriptive: an analyst should be able to reach the same numbers using the assumptions alone.
- Verifiable: there is source data included with the financial plan to support the numbers used to develop the projections.

Financial Plan (continued)

- Break-even is defined as two successive quarters of net income.
- An MA organization could be asked by CMS to submit a financial plan for several reasons:
 - (i) financial distress,
 - (ii) two successive years of net loss, and/or
 - (iii) a state administered corrective action plan as a result of fiscal soundness shortfalls such as not meeting minimum reserve requirements.

What is a National Association of Insurance Commissioners (NAIC) Health Blank?

- An NAIC health blank is a detailed financial report format—which is prepared using Statutory Accounting principles — required by the MA organization's State Department of Insurance.
- It includes the organization's balance sheet, income statement, statement of cash flow, premiums and investments schedules, claims information, etc.
- Please contact your State Department of Insurance for further information.

Statutory Accounting vs. Generally Accepted Accounting Principles

- All renewing MA organizations in 2009 must submit their independently audited financial statements using Statutory Accounting Principles (SAP) format. SAP is more common within the industry and most states require it. If your State only requires financial statements prepared using Generally Accepted Accounting Principles (GAAP), CMS will accept them.

Statutory Accounting vs. Generally Accepted Accounting Principles (continued)

- Instructions for preparing SAP financial statements can be found several ways: contact your company's state of domicile Insurance Department, or contact the National Association of Insurance Commissioners (NAIC) or access the NAIC website, www.naic.org. (This site can be used to address numerous insurance accounting issues).

The 13 Required Financial Data Elements

- As stated previously CMS is also requiring the following 13 data elements for the 2009 FSRR:

FSRR Data Elements	<u>2008</u>
1. Net Worth	
2. Total Assets	
3. Cash & Short – Term Investments	
4. Long Term Liquid Investments (Bonds)	
5. Total Liabilities	
6. Total Claims	
7. Total Revenue	
8. Total Expenses	
9. Total Medical and Hospital Expenses	
10. Total Administrative Expenses	
11. Net Income	
12. Cash Flow from Operations	
13. Total Member Months	

FSRR 2009 Filing Reminders

- Do not enter abbreviated numbers in this module. You must enter the complete value of the number. For example, if the total assets are \$8,250,000 – but are presented in thousands (000s) in the financial statements (\$8,250) you must enter the complete amount. See the example to the right:

FSRR Data Elements	<u>2008</u>
1. Net Worth	
2. Total Assets	\$8,250,000
3. Cash & Short –Term Investments	
4. Long Term Liquid Investments (Bonds)	

Part D FSRR Submission

- Prescription Drug Plans (PDPs) are also required to meet financial reporting requirements.
- PDPs are required to submit documentation on quarterly basis.
- Beginning in 2009, the PDP submissions will be done through the fiscal soundness module in HPMS.
 - This is a big change because previously PDPs had to submit their annual and quarterly reports in hard copy and enter 13 data elements into HPMS.
 - Now everything will be done through HPMS.

FSRR 2009 Filing Reminders

- Ensure the 13 data elements that are directly entered into HPMS replicate the corresponding elements in the primary financial statements.
- Do not use reconciled figures from the notes.
- Attest to the accuracy of the data elements.
- Any errors discovered in the data validation triggers a re-submission of the corrected FSRR data elements.

FSRR Reminders (continued)

- April 30th is a mandatory reporting deadline.
- Extensions to the April 30, 2009 FSRR will only be granted to Organizations whose states do not require the audited financial until a later date.
- CMS does not accept paper reporting. However, during the course of a fiscal soundness review, CMS may request your organization submit electronically to the financial analyst other relevant financial information which could include quarterly reports.
- As a rule, CMS does not publish or share proprietary information (except for financial data which is publicly available).

FSRR: Consolidated Filings

- Organizations must provide audited financial statements for each contract unless it is part of a consolidated audit report or part of a larger organization.
- For consolidated filings, the Organization must include all the contract numbers supported by the consolidated filing (The “H” and “R” numbers).
- “H” numbers are Medicare Advantage contract numbers assigned to HMOs, PFFS plans, 1876 Cost plans, PACE organizations, and PPOs.
- “R” numbers are MA contract numbers assigned specifically to Regional PPOs on the cover sheet of the respective consolidated independently audited financial statements as well as any correspondence sent to CMS.

FSRR: Consolidated Filings (continued)

- All e-mail sent to CMS regarding the FSRR must include the name and contract number of the Organization in the subject line.
- If the audit report represents a consolidation of several contracts, please indicate on the cover of the report the various H or R numbers included within the report. CMS cannot process financial reports that do not have an H or R number associated with them.

Program of All-Inclusive Care for the Elderly (PACE) Organizations Financial Reporting Requirements

- Section 460.208 of the Code of Federal Regulations requires a PACE organization to submit to CMS independently audited financial statements that include appropriate footnotes.
- The financial statements must be prepared by an independent certified public accountant and must be submitted to CMS no later than 180 days after the organization's fiscal year end. For example, if the fiscal year end is 9/30/08, a certified audit report must be submitted to CMS no later than 4/01/09.

Financial Reporting Requirements for PACE Organizations

- At a minimum, the certified financial statements must consist of: (1) a certification statement, (2) a balance sheet, (3) a statement of revenues and expenses, and (4) a source and use of funds statement.
- Quarterly financial statements are due within 45 days after the last day of each quarter of the fiscal year. This requirement pertains to organizations under a trial period.

Financial Reporting Requirements for PACE Organizations

- A trial period is defined as the first three contract years a PACE organization operates under a PACE program agreement.
- The trial period ends 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 with CMS is 9/30/05 your organization would continue to submit quarterly financial statements to CMS until 12/31/08.
- All quarterly financial information and audit reports must be electronically uploaded to a fiscal soundness module within the Health Plan Management System.

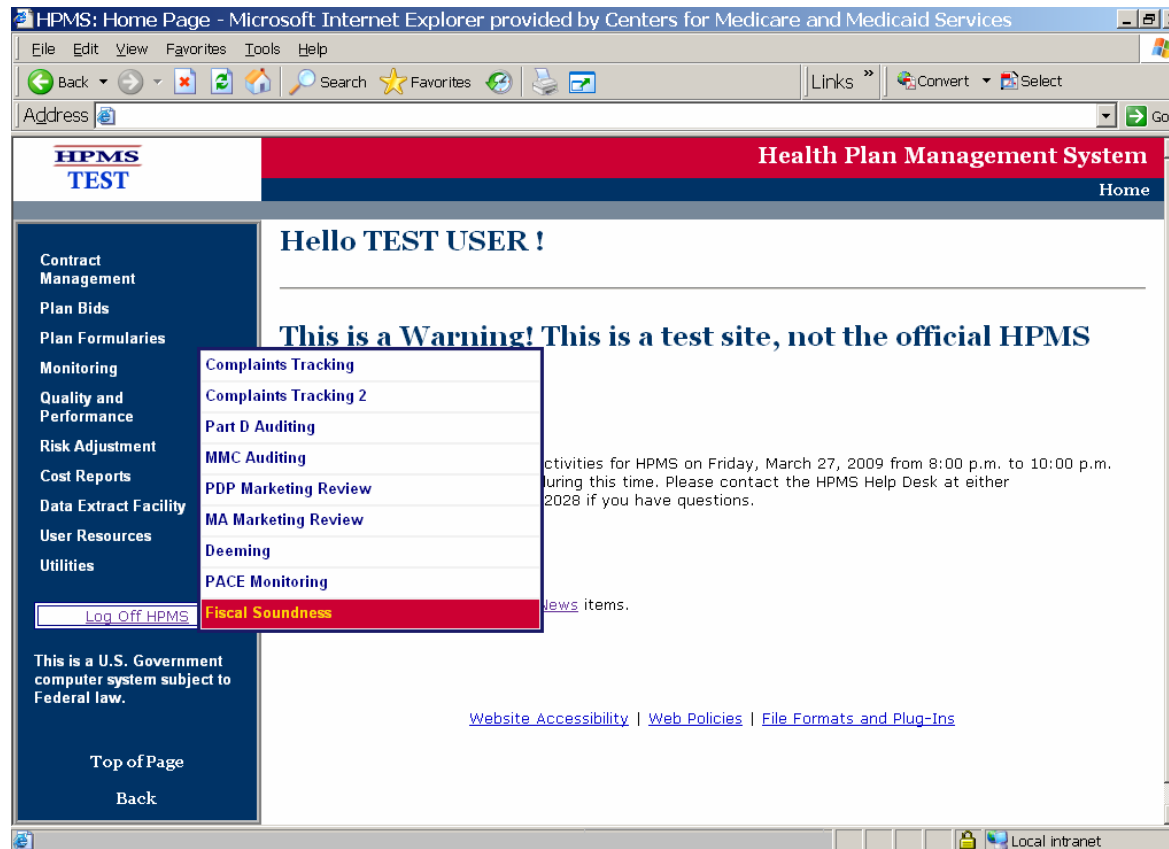
Health Plan Management System (HPMS)

- To access the HPMS, the user must have access to either the Medicare Data Communications Network (MDCN) or the Internet.
- Questions about connectivity should be sent to HPMS_Access@cms.hhs.gov.

Health Plan Management System (HPMS) (continued)

- To access the Fiscal Soundness Module, logon to HPMS and select the “Monitoring” tab on the left navigation toolbar. Select ‘Fiscal Soundness” from the fly-out menu.
- The fiscal soundness module will be available at the end of March 2009.

Health Plan Management System (HPMS)



Note: All screenshots are for training purposes only and are still in development.

HPMS – Fiscal Soundness

- Here is the fiscal soundness homepage. On this page you will have the ability to:
 - Send Audited Financial Info
 - Send Quarterly Financial Info
 - View Status Report
 - Access the User Guide

HPMS TEST **Fiscal Soundness Module** Home

Fiscal Soundness Start Page

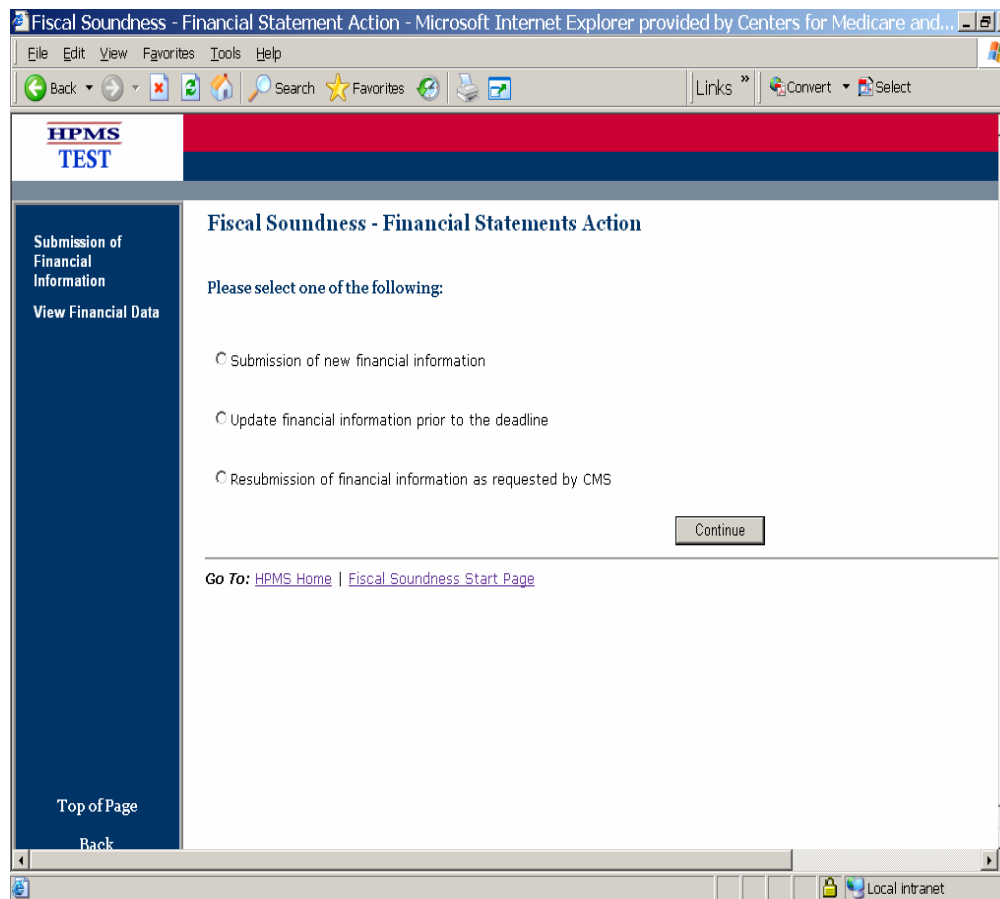
You will use this project/module to:

- Enter Data Elements and Upload Financial Statements
- Upload Quarterly Financial Statements (as necessary)
- View Data Elements and Download Annual Financial Statements
- View Data Elements and Download Quarterly Financial Statements
- View and Print Reference Material
- View Data Elements and Annual Financial Statements

Contacts	By Region	By State
Frank Regulski Franklin.Regulski@cms.hhs.gov 410-786-6278	Region 01 - Boston Region 03 - Philadelphia Region 04 - Atlanta	CT, ME, MA, NH, RI, VT DE, MD, PA, VA, DC, WV, AL, FL, GA, KY, MS, NC, SC, TN
Joe Esposito Joseph.Esposito@cms.hhs.gov 410-786-1129	Region 05 - Chicago Region 07 - Kansas City Region 08 - Denver	IL, IN, MI, MN, OH, WI CO, MT, ND, SD, UT, WY
Yasmin Galvez Yasmin.Galvez@cms.hhs.gov 410-786-0434	Region 02 - New York Region 06 - Dallas Region 09 - San Francisco	NJ, NY, PR, VI, AR, LA, NM OK, TX, AZ, CA, Guam, HI, NV
Mark Keller Mark.Keller@cms.hhs.gov 410-786-0107	Region 10 - Seattle	AK, ID, OR, WA
Robert Ahern Robert.Ahern@cms.hhs.gov 410-786-6882	All Prescription Drug Plans(PDPs)	All States and Territories

HPMS – Fiscal Soundness Submission

- Three Options on first page:
 - Submission of New Data
 - Updating submission BEFORE the deadline
 - Resubmission



Submitting Statements

- Must first select if you are submitting for a PDP OR Non-PDP
- Submission Type (annual or quarterly submission)
- You may select one or more contracts to submit together from the drop down list

Fiscal Soundness - Submission of Financial Information

There should be no rounding in your financial data except to the nearest whole dollar. You must provide the full figure even if the last digits are zero. For example, if your Net Worth is "\$167,000,000" you must enter "167000000."

* Type: PDP Non-PDP

* Contract year:

* Submission Date:

* Submission Type:

Contract Name/Number	Contract Name	Region	NAIC Number	Parent Org. Name
<input type="checkbox"/>				
<input type="checkbox"/>				
<input type="checkbox"/>				

* Total Asset(in \$):

* Cash and ST Investments(in \$):

* Total Liabilities(in \$):

* Total Revenue(in \$):

Upload Financial Information

Fiscal Soundness - Upload Financial Statement - Microsoft Internet Explorer provided by Centers for Medicare an...

File Edit View Favorites Tools Help

Back Forward Stop Home Search Favorites Links Convert Select

* Total Asset (in \$): 10000

* Cash and ST Investments (in \$): 100000

* Total Liabilities (in \$): 10

* Total Revenue (in \$): 10000

* Total Expenses (in \$): 99

* Total Administrative Expenses (in \$): 100

* Net Income (in \$): 10000000

* Cash flow from operations (in \$): 1000

* Total Current Assets (in \$): 90

* Total Current Liabilities (in \$): 90

* Drug Benefit Expenses (in \$): 90

* Drug Benefit Revenues (in \$): 90

* Select File to Upload: [Guidance Link](#)

Top of Page

Local intranet

- You must enter a numeric value for each cell
- You may upload a .doc, .zip, or .pdf file format
- Please read the "Important Note" for restrictions on the file naming convention

Financial Submission Review

Fiscal Soundness - Upload Financial Statement - Microsoft Internet Explorer provided by Centers for Medicare an...

File Edit View Favorites Tools Help

Back Search Favorites Links Convert Select

* Submission Type: Annual Submission

Contract Number	Contract Name	Region	NAIC Number	Parent Org. Name
20001	Test Contract	Seattle	XXXXX	Test Parent Org

* Total Asset (in \$): 10000

* Cash and ST Investments (in \$): 100000

* Total Liabilities (in \$): 10

* Total Revenue (in \$): 10000

* Total Expenses (in \$): 99

* Total Administrative Expenses (in \$): 100

* Net Income (in \$): 10000000

* Cash flow from operations (in \$): 1000

* Total Current Assets (in \$): 90

* Total Current Liabilities (in \$): 90

* Drug Benefit Expenses (in \$): 90

* Drug Benefit Revenues (in \$): 90

Microsoft Internet Explorer

I, Test User (for Contract(s)), attest that the financial elements I have entered into Fiscal Soundness Module are the same figures found in the Annual Audited Financial Statements submitted to UM's for the corresponding year.

OK Cancel

Upload Date and Time	3/12/2009 3:21:39 PM
User ID	
Attached Financial Statement:	HPMS User Admin Reports_email_final.pdf

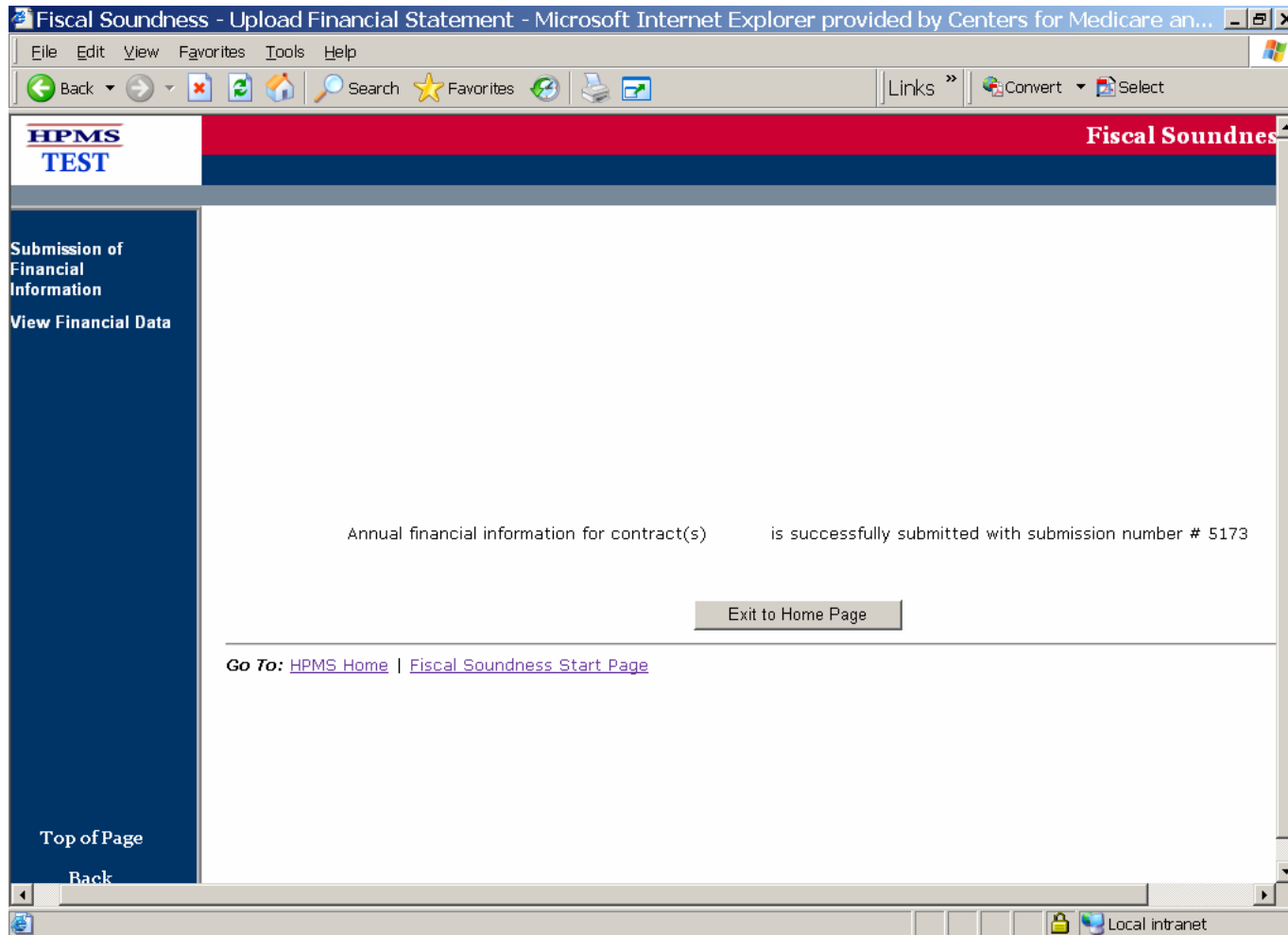
Back Submit Print

Go To: HPMS Home | Fiscal Soundness Start Page

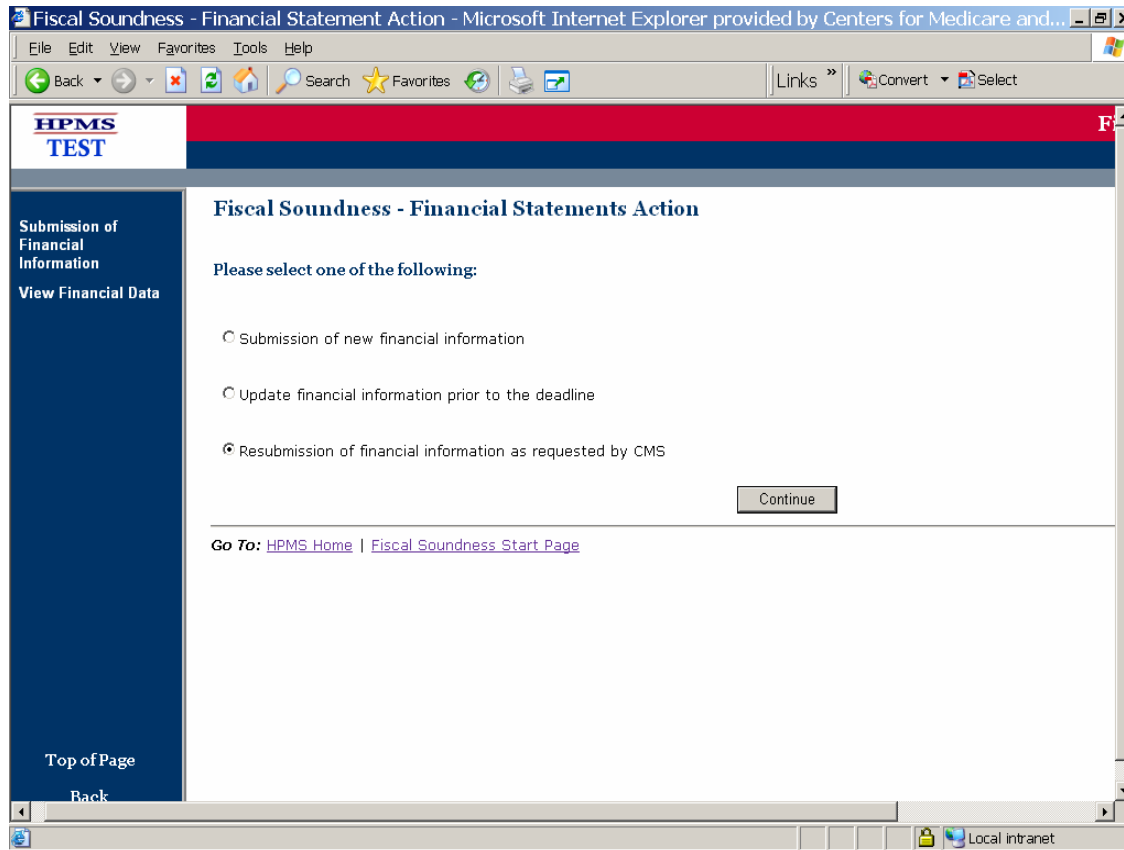
Local intranet

Financial Data Confirmation

- Shows contract numbers submitted and includes a confirmation ID



Financial Data Resubmission



- If your organization is required to resubmit, you must select the “resubmission after the deadline” option
- NOTE – the “resubmission” process before or after the deadline is the same

Financial Data Resubmission

- You must remember your confirmation number
- Only contracts in resubmission status are available for selection

Fiscal Soundness - Financial Statement Resubmission List - Microsoft Internet Explorer provided by Centers for M...

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Back Forward Stop Home Search Favorites Refresh Print

Links Convert Select

HPMS TEST **Fiscal Soundness Module** Home

Fiscal Soundness - Resubmission

Submission#	Contract List	Resubmission Type	Version#	Resubmission Request Date	Resubmission Deadline
5173		Annual Submission	2	3/12/2009 4:55:08 PM	3/17/2009 4:55:08 PM

Go To: [HPMS Home](#) | [Fiscal Soundness Start Page](#)

Top of Page
Back

Local intranet

Financial Data Resubmission (continued)

- You only need to modify the data and/or upload that require modification. The data/upload file will be pre-populated from your last submission.

Fiscal Soundness - Submission of Financial Information

There should be no rounding in your financial data except to the nearest whole dollar. You must provide the full figure even if the last are zeroes. For example, if your Net Worth is "\$167,000,000" you must enter "167000000."

* Type: PDP Non-PDP

* Contract year:

* Submission Date:

* Submission Type:

Contract Name/Number:	Select	Contract Number	Contract Name	Region	NAIC Number	Parent Org. Name
	<input checked="" type="checkbox"/>					
	<input type="checkbox"/>					
	<input type="checkbox"/>					
	<input type="checkbox"/>					

* Total Asset(in \$):

* Cash and ST Investments(in \$):

* Total Liabilities(in \$):

* Total Revenue(in \$):

* Total Expenses(in \$):

Fiscal Soundness Report Page

Fiscal Soundness - Start Page - Microsoft Internet Explorer provided by Centers for Medicare and Medicaid Services

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Back Forward Stop Home Search Favorites Links Convert Select

HPMS TEST **Fiscal Soundness Module** Home

Submission of Financial Information
[View Financial Data](#)
[Log Off HPMS](#)

This is a U.S. Government computer system subject to Federal law.

Fiscal Soundness Start Page

You will use this project/module to:

- Enter Data Elements and Upload Financial Statements
- Upload Quarterly Financial Statements (as necessary)
- Review Financial Statements
- Add/Remove Contracts to/from the Quarterly Submission List
- Add/Remove Contracts to/from the Watch List
- View and Download Annual Financial Statements
- View and Download Quarterly Financial Data
- View and Print Financial Reports
- View Data Elements and Annual Financial Statements
- Delete Annual Financial Statements
- Delete Quarterly Financial Data
- View and Print Financial Reports
- View and Print Reference Material

Contacts	By Region	By State
Frank Regulski Franklin.Regulski@cms.hhs.gov 410-786-6278	Region 01 - Boston Region 03 - Philadelphia Region 04 - Atlanta	CT, ME, MA, NH, RI, VT DE, MD, PA, VA, DC, WV, AL, FL, GA, KY, MS, NC, SC, TN
Joe Esposito Joseph.Esposito@cms.hhs.gov 410-786-1129	Region 05 - Chicago Region 07 - Kansas City Region 08 - Denver	IL, IN, MI, MN, OH, WI CO, MT, ND, SD, UT, WY
Yasmin Galvez Yasmin.Galvez@cms.hhs.gov 410-786-0434	Region 02 - New York Region 06 - Dallas Region 09 - San Francisco	NJ, NY, PR, VI, AR, LA, NM OK, TX, AZ, CA, Guam, HI, NV
Mark Keller Mark.Keller@cms.hhs.gov	Region 10 - Seattle	AK, ID, OR, WA
Robert Ahern	All Prescription Drug Plans (PDPs)	All States and Territories

Local intranet

Review Status Report

- You can view the fiscal soundness review status for all submissions.

HPMS TEST **Fiscal Soundness Module** Home

Fiscal Soundness - Choose Financial Data to View

Criteria: Sort By = Submission Date

Submission ID	Contract Number	Contract Year	Region	Review Status	Submission Type	Submission Date
5095		2009	Seattle	Not Reviewed	Annual Submission	3/10/2009 10:40:56 AM
5107		2009	Seattle	Not Reviewed	Quarter 1 Submission	3/10/2009 11:10:15 AM
5113		2009	Seattle	Not Reviewed	Quarter 2 Submission	3/10/2009 11:25:41 AM
5125		2009	Seattle	Not Reviewed	Quarter 3 Submission	3/10/2009 11:51:40 AM
5148		2009	Seattle	Not Reviewed	Annual Submission	3/10/2009 12:24:43 PM
5150		2009	Seattle	Not Reviewed	Quarter 1 Submission	3/10/2009 12:28:34 PM
5171		2009	Seattle	Not Reviewed	Annual Submission	3/12/2009 12:46:30 PM
5173		2009	Seattle	Not Reviewed	Annual Submission	3/12/2009 3:33:16 PM

[Back](#)

Go To: [HPMS Home](#) | [Fiscal Soundness Start Page](#)

Local intranet

FSRR Summary

- Please remember to submit no later than April 30, 2009 through HPMS the following financial information :
 - The latest audited financial statements if you had six to twelve months of prior year operations and the 13 financial data elements or
 - The **Annual** NAIC Health Blank if you had between four and six months of prior year operations and the 13 financial data elements, or
 - The **Quarterly** NAIC Health Blank if you had less than four months prior year operations and the 13 financial data elements (see slides 7-9 for further information).

FSRR Summary (continued)

- In addition, a financial plan may be requested of the Organization demonstrating how it would reach break-even if the organization is not fiscally sound at the time of the review.
- During the course of the fiscal soundness review, the financial analyst may be contacting you about your financial submission.

FSRR Contacts

- Any questions regarding fiscal soundness, the financial review process or any other financial matters can be addressed by contacting the financial review team by e-mail at: FinancialReview@cms.hhs.gov

FSRR Website

- FSRR filing instructions and frequently asked questions and answers are available at the following website:
- http://www.cms.hhs.gov/HealthPlansGenInfo/50_FSRR.asp#TopOfPage