

**Supporting Statement – Part A**  
**CMS-906, OMB 0938-0469**  
**Fiscal Soundness Reporting Requirements (FSRR)**

**A. Background**

CMS is requesting an extension for form CMS-906, OMB 0938-0469 Fiscal Soundness Reporting Requirements (FSRR). Title 18 Section 1857(d)(4)(A)(i) requires that contracting organizations such as Medicare Health Plans (including Medicare Advantage (MA) organizations, Medicare-Medicaid Capitated Financial Alignment Demonstrations (MMPs)) and 1876 Cost Plans), Prescription Drug Plan sponsors (PDPs), and Programs of All-Inclusive Care for the Elderly (PACE) organizations report financial information demonstrating the organization has a fiscally sound operation. The FSRR is designed to capture financial data of these contracting entities. The Division of Finance and Benefits (DFB) within the Medicare Advantage Contract Administration Group (MCAG) of CMS is assigned the responsibility of reviewing ongoing financial performance of the contracting entities. Specifically, the requested information collection is needed to establish that contracting entities within the programs maintain fiscally sound operations.

This package includes Form 83 – Part II information collection detail for the following: Medicare Health Plans submitting audited annual financial statements only; Medicare Health Plans submitting audited annual and three (3) quarterly financial statements; PDP sponsors submitting audited annual and three (3) quarterly financial statements; PACE organizations submitting audited annual financial statements only; PACE organizations submitting audited annual and four (4) quarterly financial statements.

All contracting organizations must submit audited annual financial statements one time per year. In addition, to the audited annual submission, Health Plans with a negative net worth and/or a net loss and the amount of that loss is greater than one-half of the organization's total net worth must file quarterly financial statements for fiscal soundness monitoring. Part D organizations are required to submit three (3) quarterly financial statements. Lastly, PACE organizations are required to file four (4) quarterly financial statements for the first three (3) years in the program. After the first three (3) years, PACE organizations with a negative net worth and/or a net loss and the amount of that loss is greater than one-half of the organization's total net worth must submit quarterly financial statements for fiscal soundness monitoring.

**B. Justification**

1. Need and Legal Basis

CMS is responsible for overseeing the ongoing financial performance for all Medicare Health Plans, PDPs, and PACE organizations. Specifically, CMS needs the requested information collected in order to establish that contracting entities within those programs maintain fiscally sound operations. The authority for this collection is found at Title 18 1857 (d)(4)(A)(i) and the following CFR citations: 42 CFR §422.2, 42 CFR §422.504(a)(14), 42 CFR

§422.516(a)(5)(b)(c) for MA and MMP organizations; 42 CFR §417.120, 42 CFR §417.126 for 1876 Cost Plans; 42 CFR §423.4, 42 CFR §423.505(a)(b)(23), 42 CFR §423.514(a)(4)(b)(c) for Prescription Drug Plans; 42 CFR §460.80(a), 42 CFR §460.200(a), and 42 CFR §460.208 for PACE organizations. Citations are included with this PRA submission.

## 2. Information Users

CMS monitors compliance with fiscal soundness requirements through audited annual financial statements of the legal entity for Medicare Health Plans, PDPs, and PACE organizations. For organizations with a negative net worth and/or a net loss and the amount of that loss is greater than one-half of the organization's total net worth, quarterly financial statements are requested for monitoring. The quarterly financial statements assist CMS with more frequent monitoring of their financial performance. Specifically, CMS uses the requested information to establish that organizations contracting to provide services to Medicare beneficiaries are maintaining fiscally sound operations. In addition to the specific directives mentioned, the proposed reporting requirements serve three distinct program needs:

- a. Provides CMS with information required to effectively monitor the financial performance of Medicare Health Plans, PDPs, and PACE organizations that contract to arrange delivery of care to Medicare beneficiaries;
- b. Provides CMS with information required to enforce requirements for Medicare Health Plans, PDPs, and PACE organizations and ensure continuing compliance with State financial and reserve requirements where applicable;
- c. Provides CMS with ongoing information for evaluating the progress and effectiveness of the various programs.

## 3. Use of Information Technology

CMS uses information technology to minimize filing burden. All organizations log into the Health Plan Management System (HPMS) from the internet, upload a PDF of their audited annual financial statements, quarterly financial statements, or other required documentation (e.g., subordinated debt attestation for PACE organizations and 1876 Cost Plans, if applicable), and enter four (4) financial data elements from the corresponding financial statements (five financial data elements for PACE and 1876 Cost Plans with subordinated debt arrangements). This allows for 100 percent of the FSRR to be captured electronically. Accordingly, the use of information technology allows CMS the ability to better track the FSRR for compliance. The web-based collection tracks an organization's timeliness in filing and identifies any non-compliant organizations. Ultimately, the use of information technology provides monitoring data, more timely access to the information, and significantly improved analytic capabilities.

## 4. Duplication of Efforts

This information collection does not duplicate any other effort and the information cannot be obtained from any other source.

## 5. Small Businesses

This collection does not adversely impact small businesses.

6. Less Frequent Collection

The frequency of data collection by organization type has not changed. Given the importance of an organization's financial position in order to provide services to Medicare beneficiaries, CMS believes it is appropriate that Medicare Health Plans, PDP sponsors, and PACE organizations be required at a minimum to submit audited annual financial statements one time per year. For organizations with a negative net worth and/or a net loss and the amount of that loss is greater than one-half of the organization's total net worth, it is appropriate for organizations to submit quarterly financial statements for monitoring. This requested information collection is required to monitor the financial performance of organizations contracting with CMS to provide care to Medicare beneficiaries. Specifically, CMS needs the requested information collection to establish that contracting entities within these programs maintain fiscally sound operations.

7. Special Circumstances

No special circumstances apply to this information collection request.

8. Federal Register/Outside Consultation

The A 60-day Federal Register Notice will be published on January 31, 2019(84FR731) and the 30-day Federal Register Notice published on April 16, 2019(84FR15615). There were no comments received. No other outside consultation was required in the preparation of this document.

9. Payments/Gifts to Respondents

This data collection does not include respondent incentive payments or gifts. Medicare Health plans, such as Medicare Advantage organizations, MMPs, PACE, and PDPs receive payment based on a capitated rate program. 1876 Cost plans receive prospective payment based on reasonable cost basis for Per Member Per Month which is reconciled with allowable reasonable cost submitted through the Final Cost Report.

10. Confidentiality

Consistent with federal government and CMS policies, CMS pledges confidentiality to the fullest extent of the law. CMS complies with all provisions of the Freedom of Information Act and its Amendments. The FSRR data related to trade secrets and confidential business information as well as any financial projections are not released for public consumption.

11. Sensitive Questions

There are no questions of a sensitive nature, such as sexual behavior and attitudes, religious beliefs, and other matters that are commonly considered private.

12. Burden Estimates (Hours & Wages)

The FSRR is designed to capture financial data of Medicare Health Plans, PDP sponsors, and PACE organizations. CMS is assigned the responsibility of overseeing an organization's ongoing financial performance. Specifically, CMS needs the requested information collection

to establish that contracting entities within those programs maintain fiscally sound operations.

The FSRR information supplied to CMS has already been compiled for managerial business operations and accounting purposes, as well as a required collection by appropriate regulatory agencies (e.g., State Departments of Insurance, Department of Labor, IRS, and/or Health Agencies). The organization’s staff logs into HPMS Fiscal Soundness Module, uploads the required documentation, and enters four (4) financial data elements (five financial data elements for PACE and 1876 Cost Plans with subordinated debt arrangements). CMS staff estimates the time required to complete this information collection is an average of 20 minutes per submission (0.3332 hours for calculation). Estimates of respondent hours may vary among organizations as a result of (1) membership size (2) staffing patterns (3) the type of management information system(s) utilized and (4) variance in frequency of reporting.

To derive the average costs, data from the Bureau of Labor Statistics, Occupational Employment and Wages, May 2018 (<https://www.bls.gov/oes/current/oes132011.htm>) were used for Accountants and Auditors (category 13-2011) because accounting staff usually compiles and submits the financial statements to the HPMS Fiscal Soundness Module for CMS review. The mean hourly wage (national estimate) for Accountants is \$37.89. We have added 100% of the mean hourly wage to account for fringe and overhead benefits, which calculates to \$75.78 (\$37.89 + \$37.89).

<b>Occupation Title</b>	<b>Occupation Code</b>	<b>Mean Hourly Wage (\$/hr)</b>	<b>Fringe &amp; OH Benefit (\$/hr)</b>	<b>Adjusted Hourly Wage &amp; Benefits (\$/hr)</b>
Accountants and Auditors	13-2011	\$37.89	\$37.89	\$75.78

The calculations for total burden hours and total annual cost are shown below for Medicare Health Plans, PDP sponsors, and PACE organizations. Please note, this package includes Form 83 Part 2 forms for the following: (a) Medicare Health Plans Annual and Quarterly Submissions, (b) Medicare Health Plans Annual Only Submissions, (c) PDPs Annual and Quarterly Submissions, (d) PACE Annual and Quarterly Submissions, and (e) PACE Annual Only Submissions.

*Medicare Health Plans*

For contract year 2019 respondents (as of October 31, 2018), there are a total of 567 contracts. Of that total, there are 123 contracts filing four (4) times per year (one annual and three quarterly submissions) at an average submission time of 20 minutes per filing. Therefore, the burden is calculated as follows: 123 contracts x 4 times per year x 20 minutes per submission (0.3332) = 164 burden hours (annual). The total annual cost is estimated to be \$12,427.92 (164 hours x \$75.78/hour). The remaining 444 MA contracts are filing one time per year (annual submission) at an average submission time of 20 minutes per filing. Therefore, the burden is calculated as follows: 444 contracts x 1 time per year x 20 minutes per submission (0.3332) = 148 burden hours (annual). The total annual cost is estimated to be \$11,215.44 (148 hours x \$75.78/hour).

*PDPs (including Employer /Union Direct Contract Sponsors)*

For contract year 2019 respondents (as of October 31, 2018), there are 75 PDPs (including Employer/Union Direct Contract plans). There are 75 PDP contracts filing 4 times per year (one annual and three quarterly submissions) at an average submission time of 20 minutes per filing. Therefore, the burden is calculated as follows: 75 plans x 4 times per year x 20 minutes per submission (0.3332) = 100 burden hours (annual). The total annual cost is estimated to be \$7,578 (100 hours x \$75.78/hour).

### *PACE*

For contract year 2019 respondents (as of October 31, 2018), there are 125 PACE contracts. Of that total, there are 57 PACE contracts filing 5 times per year (one annual and four quarterly submissions) at an average submission time of 20 minutes per filing. Therefore, the burden is calculated as follows: 57 contracts x 5 times per year x 20 minutes per submission (0.3332) = 95 burden hours (annual). The total annual cost is estimated to be \$7,199.10 (95 hours x \$75.78/hour). The remaining 68 PACE contracts are filing one time per year (annual submission) at an average submission time of 20 minutes per filing. Therefore, the burden is calculated as follows: 68 contracts x 1 time per year x 20 minutes per submission (0.3332) = 23 burden hours (annual). We estimate the total annual cost to be \$1,742.94 (23 hours x \$75.78/hour).

Type	Expected CY 2019 Respondents	Number of Responses per Respondent	Total Responses	Burden Hour per Response	Annual Hour Burden	Burden Cost/Hr	Annual Cost Burden
Medicare Health Plans Annual + Qtrly	123	4	492	0.3332	164	\$75.78	\$12,427.92
Medicare Health Plans Annual Only	444	1	444	0.3332	148	\$75.78	\$11,215.44
PDP	75	4	300	0.3332	100	\$75.78	\$7,578.00
PACE Annual + Qtrly	57	5	285	0.3332	95	\$75.78	\$7,199.10
PACE Annual Only	68	1	68	0.3332	23	\$75.78	\$1,742.94
<b>TOTAL</b>	<b>767</b>		<b>1589</b>		<b>530</b>		<b>40163.4</b>

Calculations:

Expected Contract Year 2019 Respondents X Number of Responses per Respondent = Total Responses

Total Responses X Burden Hour Per Response (20 minutes) = Annual Burden Hours (Round to nearest whole number)

Annual Burden Hours X (Mean Hourly Wage + 100% of Mean Hourly Wage to account for Fringe & Overhead Benefits) = Total Annual Cost

### 13. Capital Costs

There are no capital and start-up cost components, or costs associated with operation and maintenance, and purchase of service(s) components.

System requirements for submitting the fiscal soundness reporting requirements are minimal and should already be met by the organizations as they already use HPMS for various applications. Organizations need the following to access HPMS for the Fiscal Soundness Reporting Requirements: (1) Internet connectivity and (2) a CMS issued user ID and password with access rights to HPMS. CMS anticipates that all qualified applicants meet the system requirements and will not incur capital costs.

### 14. Cost to Federal Government

The annual cost to the Federal Government for reviewing and processing the FSRR is \$41,981.38. No changes in burden but there is an increase in wage. The cost was derived from the following assumptions:

- Using the GS pay scale for the Baltimore locality, the annual rate for GS 13, step 5 CMS employee = \$109,900/2080 hours or \$52.84/hour.  
(<https://www.opm.gov/policy-data-oversight/pay-leave/salaries-wages/salary-tables/pdf/2018/DCB.pdf>)
- The estimated time for reviewing and processing by CMS staff is 30 minutes (or .50 hour/response).

Calculation: 1,589 total responses X .50 hour/response X \$52.84/hour (GS 13, step 5 employee) = \$41,981.38 per year

## 15. Changes to Burden

### A. From Section 12. Burden Estimates (Hours & Wages)

We have added 100% of the mean hourly wage to account for fringe and overhead benefits. This calculates to \$75.78 (\$37.89 + \$37.89). Data used from the Bureau of Labor Statistics, Occupational Employment, and Wages, May 2018 (<https://www.bls.gov/oes/current/oes132011.htm>) for Accountants and Auditors (category 13-2011).

### B. From Form 83 – Part 1 (ICR Summary of Burden)

The ICR Summary of Burden chart includes the Annual Number of Responses total and Annual Time Burden (hours) totals from the 5 Form 83 Part 2 forms submitted with this PRA package (see Total Requested column). The Previously Approved column represents totals from the previously filed PRA package which expires on 10/31/2019. The burden increases because of Change Due to Adjustment in Estimate.

The increase in burden from the previously filed PRA package is due to the increase in number of filings from contracting entities due to the following:

- Growth in number of Medicare Advantage (MA) and Programs of All-Inclusive Care for the Elderly (PACE) contracting organizations.
- Increase in number of MA and PACE contracting organizations needing to report annually and quarterly.

	Total Requested	Previously Approved	Change Due to New Statute	Change Due to Agency Discretion	Change Due to Adjustment in Estimate	Change Due to Potential Violation of the PRA
Annual Number of Responses	1,589	1,518			71	
Annual Time Burden (Hr)	530	506			24	

16. Publication/Tabulation Dates

This information is not published; therefore, there are no publication or tabulation dates.

17. Expiration Date

The PRA Disclosure Statement and OMB's assigned expiration date will be displayed in the HPMS Fiscal Soundness Module Start Page under Documentation – PRA Disclosure Statement and in the Fiscal Soundness Plan User Guide (page 39). The Fiscal Soundness Plan User Guide is posted in the HPMS Fiscal Module under the Documentation – Documents and Forms ([HPMS Login](#)) as well as CMS.gov ([Fiscal Soundness Reporting Requirements \(FSRR\) - Centers for Medicare & Medicaid Services](#)).

18. Certification Statement

There are no exceptions to the "Certification for Paperwork Reduction Act Submissions", of OMB Form 83-1.