

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

Background

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.

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 submit 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.

CMS is requesting an extension for form CMS-906, OMB 0938-0469 Fiscal Soundness Reporting Requirements (FSRR). CMS is not making any changes to the package's requirements/burden, the information/collection instrument, or the instructions.

A. 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 the Health Plan Management System (HPMS), a type of web-based information technology to minimize filing burden related to the Fiscal Soundness Reporting Requirements. A CMS user id is required for organizational employees to access HPMS; therefore, a signature from the respondent is not required. Within HPMS, the user uploads a PDF of the 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 enters 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 Fiscal Soundness Reporting Requirements to be captured electronically. The web-based collection tracks an organization's timeliness of submissions, identifies, and monitors organizations for fiscal soundness compliance.

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

There are no special circumstances that would require an information collection to be conducted in a manner that requires respondents to:

- Report information to the agency more often than quarterly;
- Prepare a written response to a collection of information in fewer than 30 days after receipt of it;
- Submit more than an original and two copies of any document;
- Retain records, other than health, medical, government contract, grant-in-aid, or tax records for more than three years;
- Collect data in connection with a statistical survey that is not designed to produce valid and reliable results that can be generalized to the universe of study,
- Use a statistical data classification that has not been reviewed and approved by OMB;
- Include a pledge of confidentiality that is not supported by authority established in statute or regulation that is not supported by disclosure and data security policies that are consistent with the pledge, or which unnecessarily impedes sharing of data with other agencies for compatible confidential use; or
- Submit proprietary trade secret, or other confidential information unless the agency can demonstrate that it has instituted procedures to protect the information's confidentiality to the extent permitted by law.

8. Federal Register/Outside Consultation

The 60-day Federal Register Notice published in the Federal Register on 12/16/2021 (86 FR 71502).

No comments were received.

The 30-day Federal Register Notice published in the Federal Register on TBD (FR).

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 Fiscal Soundness Reporting Requirements 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 Fiscal Soundness Reporting Requirements are 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 Fiscal Soundness Reporting Requirements 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 (0.3333 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 2020 (<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 \$39.26. We have

added 100% of the mean hourly wage to account for fringe and overhead benefits, which calculates to \$78.52 (\$39.26+ \$39.26).

Occupation Title	Occupation Code	Mean Hourly Wage (\$/hr)	Fringe & OH Benefit (\$/hr)	Adjusted Hourly Wage & Benefits (\$/hr)
Accountants and Auditors	13-2011	\$39.26	\$39.26	\$78.52

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 2021 respondents (as of October 2021), there are a total of 722 contracts. Of that total, there are 213 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: 213 contracts x 4 times per year x 20 minutes per submission (0.3333) = 284 burden hours (annual). The total annual cost is estimated to be \$22,299.68 (284 hours x \$78.52/hour). The remaining 509 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: 509 contracts x 1 time per year x 20 minutes per submission (0.3333) = 170 burden hours (annual). The total annual cost is estimated to be \$13,348.40 (170 hours x \$78.52/hour).

PDPs (including Employer /Union Direct Contract Sponsors)

For contract year 2021 respondents (as of October 2021), there are 73 PDPs (including Employer/Union Direct Contract plans). There are 73 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: 73 plans x 4 times per year x 20 minutes per submission (0.3333) = 97 burden hours (annual). The total annual cost is estimated to be \$7,616.44 (97 hours x \$78.52/hour).

PACE

For contract year 2021 respondents (as of October 2021), there are 141 PACE contracts. Of that total, there are 41 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: 41 contracts x 5 times per year x 20 minutes per submission (0.3333) = 68 burden hours (annual). The total annual cost is estimated to be \$5,339.36 (68 hours x \$78.52/hour). The remaining 100 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: 100 contracts x 1 time per year x 20 minutes per submission (0.3333) =

33 burden hours (annual). We estimate the total annual cost to be \$2,591.16 (33 hours x \$78.52/hour).

Type	Expected CY 2021 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	213	4	852	0.3333	284	\$78.52	\$22,299.68
Medicare Health Plans Annual Only	509	1	509	0.3333	170	\$78.52	\$13,348.40
PDP	73	4	292	0.3333	97	\$78.52	\$7,616.44
PACE Annual + Qtrly	41	5	205	0.3333	68	\$78.52	\$5,339.36
PACE Annual Only	100	1	100	0.3333	33	\$78.52	\$2,591.16
TOTAL	936		1,958		652		\$51,195.04

Calculations:

Expected Contract Year 2021 Respondents X Number of Responses per Respondent = Total Responses

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

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

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 \$55,127.49. The burden time remains unchanged, but there is a wage increase for a GS13, step 5 CMS employee. The cost was derived from the following assumptions:

- The estimated time for reviewing and processing by CMS staff is 30 minutes (or .50 hour/response).
- The annual rate for a GS13, step 5 CMS employee = \$117,516 or \$56.31/hour. This is based on the Salary Table 2021-DCB for the locality pay area of WashingtonBaltimore-Arlington, DC-MD-VA-WV-PA, Effective January 2021.
(https://www.opm.gov/policy-data-oversight/pay-leave/salaries-wages/salarytables/pdf/2021/DCB_h.pdf)

Calculation: 1,958 total responses X .50 hour/response X \$56.31/hour (GS13, step 5 CMS employee) = \$55,127.49 per year

15. Changes to Burden

In the aggregate, there is an increase in the number of responses (369), and there is an increase in the number of annual hours burden (122). In addition, there is an increase of burden cost/hour due to wage increases. Consequently, there is an increase in annual cost burden of \$11,031.64. This is a “change due to adjustment in estimate” due to the changes in the environment:

- 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.
- Increase in burden cost/hr of \$2.74. This represents the occupational employment and wages increase from the U.S. Bureau of Labor Statistics.

	Total Requested (2021)	Previously Approved (2019)	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	1,958	1,589			369	
Annual Time Burden (Hr)	652	530			122	

16. Publication/Tabulation Dates

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

17. Expiration Date

The PRA Disclosure Statement and OMB's assigned expiration date is displayed in two locations within HPMS Fiscal Soundness Module (1) Displayed on PRA Disclosure page. Navigation path: HPMS > Monitoring > Fiscal Soundness > Documentation > PRA Disclosure Statement, and (2) Displayed within the Fiscal Soundness Module Plan User Guide. Navigation path: HPMS > Monitoring > Fiscal Soundness > Documentation > Documents and Forms > Plan User Guide.

The Fiscal Soundness Plan User guide can also be found on CMS.gov within the HPMS Plan User Guide. Navigation path:

<https://www.cms.gov/Medicare/HealthPlans/HealthPlansGenInfo/FSRR> > FSMPlanUserGuide(PDF).).

18. Certification Statement

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