

PACE FINANCIAL REQUIREMENTS FOR EXPANSION APPLICATIONS

This list is intended to assist applicants in completing federal requirements for PACE programs expansion applications. This list is also inclusive of pertinent State of California requirements.

FEDERAL REQUIREMENTS

I. FISCAL SOUNDNESS (§460.80)

- A. In the Documents section, provide independently certified audited financial statements for the three most recent fiscal year periods or, if operational for a shorter period of time, for each operational fiscal year. If the PACE program is a line of business of the applicant, it should provide audited statements relating to the legal entity. Audits are to include:
 - 1. Opinion of a certified public accountant.
 - 2. Statement of revenues and expenses.
 - 3. Balance sheet.
 - 4. Statement of cash flows.
 - 5. Explanatory notes.
 - 6. Management letters.
 - 7. Statements of changes in net worth.
 - 8. Actuarially certified statement of incurred but not reported claims. (If required by State licensure.)
- B. In the Documents section, provide a copy of the most recent year-to-date unaudited financial statement of the entity.
- C. In the Documents section, provide independently certified audited financial statements of guarantors, and lenders (organizations providing loans, letters of credit or other similar financing arrangements, excluding banks).

II. FINANCIAL PROJECTIONS 1

In the Documents section, provide financial projections for a minimum of one year from the date of the latest submitted financial statement. Give projections from this date through one year beyond break-even. Describe financing arrangements and include all documents supporting these arrangements for any projected deficits. There must be evidence of financing arrangements for any projected deficit. (If the PACE organization has reached break-even, provide projections from this date until one year from anticipated date of execution of contract.)

Financial projections should be prepared using the accrual method of accounting in conformity with generally accepted accounting principles (GAAP). Prepare projections using the pro-forma financial statement methodology. For a line of business, assumptions need only be submitted to support the projections of the line. Projections must include the following:

Quarterly balance sheets for the applicant

Quarterly statements of revenues and expenses for the legal entity. In cases where the plan is a line of business, the applicant should also complete a statement of revenue and expenses for the line-of-business. Give projections in gross dollars as well as on a per member per month basis. Quarters should be consistent with standard calendar year quarters. Include year end totals. If an organization has a category of revenue and/or expense that is not included in the present definitions, provide an explanation.

Quarterly Statements of Cash Flows

Statement and Justification of Assumptions - State major assumptions in sufficient detail to allow an independent financial analyst to reconstruct projected figures using only the stated assumptions. Include operating and capital budget breakdowns.

¹ See the reference in the Introduction for the sources for purchasing the NAIC report forms and the instructions for completing the forms. This information is extracted from the CMS Application located at http://www.cms.hhs.gov/PACE/06_ProviderApplicationandRelatedResources.asp

Stated assumptions should address all periods for which projections are made and include inflation assumptions. Details of minor assumptions will be verified on site. Justify assumptions to the extent that a knowledgeable reviewer would be convinced that they are reasonable. Base justification on such factors as the applicant's experience, the experience of other health plans. Describe hospital and health professional costs and utilization in detail.

STATE REQUIREMENTS

Describe any reserve requirements and other financial requirements set by the State in which the PACE Organization operates and demonstrate how the entity meets these requirements. Include any supporting documentation, as necessary.

An attestation that the plan is prepared to increase its financial security deposit to accommodate the projected increase in enrollments.