



ANDREW M. CUOMO
Governor

Department of Health

HOWARD A. ZUCKER, M.D., J.D.
Commissioner

SALLY DRESLIN, M.S., R.N.
Executive Deputy Commissioner

INSTRUCTIONS FOR COMPLETING THE QUARTERLY OPERATING REPORT FOR VALUE BASED PAYMENT (VBP) INNOVATORS

Quarterly Operating Reports should be completed by the VBP Innovator as part of the fulfillment of its financial viability. The instructions will assist in the completion of the Quarterly Operating Report. Please submit the completed report via email to: bmcfhelp@health.ny.gov

Schedule A – Value Based Payment Identification Page

Enter the name of the VBP Innovator's Legal Name, along with the contact information, and the date that the report was completed.

Schedule B – Value Based Payment Innovator Enrollment

Enter the attributed members for each of the counties. These numbers should be specific to the term shown in the last row of Schedule A.

Schedules C, D & E – Revenue and Expense Counties – Medicaid Managed Care (MMC), Health and Recovery Program (HARP) & Human Immunodeficiency Virus- Special Needs Plans (HIV-SNP)

Schedules C, D & E include MMC, HARP & HIV-SNP revenue and expenses statements by month for the whole year. Innovators are expected to fill out the respective months for that quarter. For example, in quarter 1, the Innovators are to input information for the months: January, February and March. The Per Member Per Month (PMPM) section will auto-populate.

Revenue & Expense Table Definitions

Member Months – A member month is equivalent to one person for whom the Innovator has recognized capitation-based premium revenue for one month. This line will be automatically filled in.

Revenue

If advance payments are made to the Innovator for more than one reporting period, the portion of the payment that has not yet been earned must be treated as a liability and should not be reported as revenue for the current period.

NOTE: Effective 4/1/2015, for Medicaid and HIV SNP the Medical Home component of the premium was carved out of the rate.

1. **Total Capitation or payment from the plan** – Revenue recognized by the innovator for a given line of business for a specified range of health care services over a defined period.
2. **C.O.B.** – Income from Coordination of Benefits (third party recoveries) and subrogation.
3. **Reinsurance Recoveries** – Revenue from the settlement of reinsurance claims incurred during the reporting period. This includes revenues from both New York State and private reinsurance carriers.
4. **Total Capitation or payment from the plan (inc. COB and Recoveries) - This line will be completed automatically; no data entry is required. It is the sum of lines 1 to 3.**

Expenses

Definitions for individual expense line items can be found below. A copy of the reporting guide may also be requested from this office. Fee arrangements negotiated between the innovator and providers should be reasonable and appropriate for the marketplace in which the fees will be paid. Fees should be neither excessive nor inadequate. Medicaid rates may be used (where otherwise not mandated) as long as such rates are reasonable and appropriate for the marketplace. Innovator provider arrangements with related parties should be negotiated at arm's length and generally should not exceed rates paid by other Medicaid/commercial payors for the same services.

Medical Expenses – Expenses for health care delivery in including the following components

5. **Medical and Hospital Expense** – Total of all medical and hospital expenses.
6. **Reinsurance Premium Cost** – Enter the cost of purchasing third party reinsurance (other than NYS) coverage for the reporting period.
7. **Total Medical and Hospital Expenses** – Total of all medical and hospital expenses and the reinsurance premium costs. **This line will be completed automatically; no data entry is required. It is the sum of lines 5 and 6.**

Administration – Administration expenses are costs associated with the overall management and operations of the plan. The cost of personnel and non-personnel services that are shared with other lines of business should be allocated across lines of business on a pro-rata basis.

8. **Total Administrative Expenses:** Administrative expenses refer to costs associated with the overall management and operations for the defined Innovator functions for a specific line of business. Expenses that may be reported here include and are limited to: Utilization Review, Utilization & Care Management, Disease Management, Claims Administration, Credentialing, Drug Utilization Review, Appeals & Grievances, Member/Customer Service, Network Management, Provider Service Helpdesk, Data Sharing and Provider Relations.

9. Total Medical & Administrative Expenses: **This line will be completed automatically; no data entry is required. It is the sum of lines 7 and 8.**

Income, Prior Period Adjustments and Other Items

10. **Income (Loss)** – This line will be calculated automatically; no data entry is required. It is the subtraction of line 9 from line 4.
11. **Aggregate Write-Ins for Other Expenses** –Expenses which are not ordinarily included in the Extraordinary Items line should be reported on this line and should not include medical expenses.
12. **Prior Period Revenue Adjustments and Extraordinary Items** –An Extraordinary Item is a non-recurring gain or loss that meets the following criteria:
- a. The event must be unusual; that is, it should be highly abnormal and unrelated to or only incidentally related to the ordinary activities of the entity;
 - b. The event must occur infrequently; that is, it should be of a type that would not reasonably be expected to recur in the foreseeable future.
13. **Federal and Foreign Income Taxes Incurred** – All federal and foreign income taxes for the report period.
14. **Adjustments for Prior Period IBNR Estimates** – This line should include a reconciliation of prior period IBNR estimates. A contra-expense would be reported if IBNR estimates exceeded actual expenses.
15. **Net Income (Loss)** – Excess or deficiency of total revenues over total expenses less taxes. **This line will be calculated automatically; no data entry is required.**

Schedule F – Revenue and Expense Consolidated – MMC, HARP & HIV-SNP

Schedule F includes a summary of the revenue and expenses for MMC, HARP & HIV-SNP. **This sheet will auto-populate from Schedule C, D and E.**

Schedule G – Balance Sheets Using Statutory Accounting Principles (SAP)

Schedule G includes a balance sheet. This balance sheet must include the total assets, liabilities and net assets for the VBP Innovator for all business operating under the legal entity. In addition, the balance sheets should be reported using Statutory Accounting Principles (SAP).

Assets

Current Assets

These are assets that are relatively liquid, usually short-term holdings held for less than one year. Restricted assets for grants, contracts, reserves, etc., are not included.

- 1) **Cash** – Cash in the bank or on hand, available for current use. Do not include restricted cash.
- 2) **Short Term Investments** – Readily salable investments acquired with temporarily unneeded cash. Do not include restricted securities.
- 3) **Premiums Receivable – Net** – Gross amounts collectible from groups or individuals who receive services from the Innovator, less the amount accrued for premiums determined to be uncollectible for the period. This should not include fee-for-service.
- 4) **Investment Income** – Interest earned on investments but not received.
- 5) **Other Receivables – Net** – Gross amounts collectible from sources other than Innovator members or groups, less the amount accrued for receivables determined to be uncollectible during the period.
- 6) **Prepaid Expenses** – Future expenses paid in advance such as unexpired insurance.
- 7) **Amounts Due from Affiliates** – Assets held for contract, grants, reserves including cash, securities receivables, other, etc. Please explain the nature of these amounts in the Notepad.
- 8) **Aggregate Write-ins for Current Assets** – Non-restricted current assets including inventories not included in the above categories. Detail should be entered in the space provided. **This line will be calculated automatically; no data entry is required. It is the sum of lines 9 to 14.**
- 15) **Total Current Assets** – Total of the above categories. **This line will be calculated automatically; no data entry is required. It is the sum of lines 1 to 8.**

Other Assets

Assets including escrow deposit balance, contracts, grants, other reserves, etc.

- 16) **Other Restricted Funds** – Other Restricted Assets not included any of the other asset lines, including Board designated restricted assets.
- 17) **Amounts Due from Affiliates** – Assets held for contract, grants, reserves including cash, securities receivables, other, etc. Please explain the nature of these amounts in the Notepad.
- 18) **Long Term Investments** – Investments held for a period longer that twelve months.

19) Intangible Assets and Goodwill – Net – Assets of no physical substance, which may include patents, copyrights, licenses and franchises. Provide the gross amount less amortization. Enter detail in the space provided.

20) Leasehold Improvements – Net – Improvements to facilities not owned by the Innovator.

21) Other Restricted Assets – Not included any of the other asset lines, including Board designated restricted assets

22) Aggregate Write-ins for Other Assets - Show non-current assets not included in the above categories. Enter details in the NotePad provided. **This line will be calculated automatically; no data entry is required. It is the sum of lines 23 to 29.**

30. Total Other Assets - Total of the above categories. **This line will be calculated automatically; no data entry is required. It is the sum of lines 16 to 22.**

Property and Equipment

Fixed assets including land, building, building improvements, furniture and equipment.

31. Land – Real estate owned by the Innovator.

32. Building and Improvements – Buildings owned by the Innovator and improvements made to Innovator owned buildings less accumulated depreciation.

33. Construction in Progress - Buildings or improvements in progress or under construction. These items will be capitalized upon completion or utilization.

34. Furniture and Equipment - Includes medical equipment, office equipment and furniture owned by the Innovator, less accumulated depreciation.

35. Aggregate Write-ins for Other Equipment - **This line will be calculated automatically; no data entry is required. It is the sum of lines 36 to 39.**

40. Total (Property and Equipment) Other Assets – Net –The total Property and Equipment categories should be less Accumulated Depreciation. Depreciation is an accounting practice recognizing the consumption of the value of a fixed asset during the asset's useful life. Depreciation expenses are charged to the expense categories representing the cost center to which the fixed asset is assigned. **This line will be calculated automatically; no data entry is required. It is the sum of lines 31 to 35.**

41. Total Assets – Total of Current Assets, Other Assets and Property and Equipment. **This line will be calculated automatically; no data entry is required. It is the sum of lines 15, 30 and 40.**

Liabilities and Net Worth

Current Liabilities

Current liabilities may be defined as obligations whose liquidation is reasonably expected to occur within one year.

- 42. Accounts Payable** – Amounts due to creditors for the acquisition of goods and services (trade and vendors rather than health care providers) on a credit basis.
- 43. Claims Payable** – Medical and hospital claims received and processed, but not yet paid. This is not an estimate of anticipated liability, but an actual dollar amount for claims approved for payment, but not yet paid.
- 44. Accrued Claims (Not Reported)** – Medical service claims outside of lines 45 & 46
- 45. Accrued Inpatient Claims (Not Reported)** – Hospital and institutional care claims incurred that are not reported and/or booked as claims payable, including Incurred but Not Reported (IBNR) claims.
- 46. Accrued Physician Claims (Not Reported)** – IBNR claims incurred for physicians and ancillary (such as lab and X-ray) services by providers under an arrangement with the Innovator.
- 47. Accrued Referral Claims (Not Reported)** – Claims incurred for consultants and referrals to providers outside an Innovator arrangement. These claims are usually paid on a fee-for-service basis.
- 48. Accrued Other Medical** – Other incurred medical expenses including emergency room, out-of-area services, payroll, etc.
- 49. Accrued Medical Incentive Pool** – Accruals for withholds from IPAs, capitated medical groups or other such arrangement in which the Innovator may return incentive funds to providers.
- 50. Unearned Premiums** – Income received or booked in advance of the period to which it applies. A liability exists to render service in the future.
- 51. Loans and Notes Payable – Current** – Principal amount on loans due within one year.
- 52. Amounts Due to Affiliates** – Amounts owed to the HMO by any affiliate. Please explain the nature of these amounts.
- 53. Aggregate Write-ins for Current Liabilities** – Report liabilities associated with shared risk arrangements with providers including arrangements involving fully capitated risk pools. Liabilities associated with the accruals for quality, utilization or reporting incentive bonuses paid to capitated providers should be reported here. **This line will be calculated automatically; no data entry is required. It is the sum of lines 54 to 60.**

61. Total Current Liabilities – Total of Current Liability categories. **This line will be calculated automatically; no data entry is required. It is the sum of lines 42 to 53.**

Non-Current Liabilities

Non-Current Liabilities are obligations of a long-term nature; liquidation of liabilities is not expected in the current year.

62. Loans and Notes – Loans and notes signed by the Innovator, excluding current portion payable. Include federal loans.

63. Amount Due to Affiliates - Amounts owed to the Innovator by any affiliate. Please explain the nature of these amounts in the Notepad

64. Aggregate Write-ins for Other Liabilities – Show other liabilities of a long-term nature. Enter detail in the NotePad provided. **This line will be calculated automatically; no data entry is required. It is the sum of lines 65 to 71.**

72. Total Non-Current Liabilities – Total of Non-Current Liability Categories. **This line will be calculated automatically; no data entry is required. It is the sum of lines 62 to 64.**

73. Total Liabilities – Sum of Total Current Liabilities and Total Other Liabilities. **This line will be calculated automatically; no data entry is required. It is the sum of lines 61 and 72.**

Net Assets

Net Assets includes ownership or donated capital, restricted funds, reserves and earnings or losses including the following:

74. Donated Capital – Capital donated to non-profit organizations. Do not include loans. Describe the nature of the donation as well as any restrictions on this capital in the Notepad.

75. Capital – Par Value of stock; stated amount of owner's direct equity in Innovator.

76. Paid in Surplus – Amount reflects actual amount in excess of par or stated reserves.

77. NYS Contingent Reserve – Enter the required Contingent Reserve amount specified by §98-1.11(e). The contingent reserve is based on a percentage of net premium revenue for the calendar year preceding the year the current report is required to be filed. The percentage applied to net premium revenue is initially 5% and increases by 1.5% per year up to a maximum of 12.5%. For 2016 and 2017, the reserve requirement for the mainstream Medicaid, Essential Plan (EP), HIV-SNP, and Medicaid Advantage programs will be 7.25% of the net premium, while the reserve requirement for HARP will be 5% of the net premium income.

78. Aggregate Write-ins for Other Net Worth Items – Other net worth items not contained in the above categories. Enter the detail in the NotePad provided. **This line will be calculated automatically; no data entry is required. It is the sum of lines 79 to 85.**

86. Total Net Worth – Total of Net Assets. Any change in net worth from the prior year-end to the end of the current period that is not the result of net income must be explained. **It is the sum of lines 74 to 78.**

87. Total Liabilities and Net Worth – Sum of Total Liabilities and Total Net Worth. **It is the sum of lines 73 and 86.**