

**Supporting Statement for the
Skilled Nursing Facility, Cost Report
And Supporting Regulations in 42 CFR 413.20, 413.24, 413.106
FORM CMS-2540-96**

A. BACKGROUND

1. 1. CMS is requesting the Office of Management and Budget (OMB) review and approval of Form CMS-2540-96, Skilled Nursing Facility and Skilled Nursing Facility Health Care Complex Cost Report. No revisions have been made to the original forms. These Cost Report Forms are filed annually by freestanding providers participating in the Medicare program to effect year end cost settlement for providing services to Medicare beneficiaries.

42 CFR 413.20 and 413.24 require adequate cost data and cost reports from providers on an annual basis. The data submitted on the cost report supports management of Federal programs. Providers receiving Medicare reimbursement must provide adequate cost data based on financial and statistical records which can be verified by qualified auditors.

B. JUSTIFICATION

1. Need and Legal Basis

Providers of services participating in the Medicare program are required under sections 1815(a) and 1861(v)(1)(A) of the Social Security Act (42 USC 1395g) to submit annual information to achieve settlement of costs for health care services rendered to Medicare beneficiaries.

The CMS-2540-96 cost report is needed to determine the amount of reimbursement, that is due these providers furnishing medical services to Medicare beneficiaries.

2. Information Users

In accordance with sections 1815(a), 1833(e) and 1861(v)(1)(A) of the Social Security Act, providers of service in the Medicare program are required to submit annual information to achieve reimbursement for health care services rendered to Medicare beneficiaries. In addition, 42 CFR 413.20(b) requires that cost reports will be required from providers on an annual basis. Such cost reports are required to be filed with the provider's fiscal

intermediary. The functions of the fiscal intermediary are described in section 1816 of the Social Security Act.

The Fiscal Intermediary uses the cost report not only to make settlement with the provider for the fiscal period covered by the cost report, but also in deciding whether to audit the records of the provider. 42 CFR 413.24(a) requires providers, receiving payments, to provide adequate cost data based on their financial and statistical records which must be capable of verification by qualified auditors.

Besides determining program reimbursement, the data submitted on the cost report supports management of the Federal programs. These data are extracted from the cost report, by the fiscal intermediaries, for transmission to CMS, and are used by the Office of the Actuary in making projections of Medicare Trust Fund requirements and by CMS to develop cost limits per discipline as well as the Resource Utilization Group(s) or RUG(s). In addition, the data is available to Congress, researchers, universities, and other interested parties. However, the collection of data is a secondary function of the cost report, whose primary function is the reimbursement of providers for services rendered to program beneficiaries.

3. Improved Information Technology

Skilled Nursing Facilities have been required to submit cost reports via an electronic medium for cost reporting periods ending on or after March 31, 1997.

4. Duplication and Similar Information

The cost report is a unique form that does not duplicate any other CMS information collection. This form specifically provides for the reimbursement methodology that is unique to freestanding skilled nursing facilities. No other existing form can be modified for this purpose.

5. Small Business

This form has been designed with a view towards minimizing the reporting burden for small providers. Worksheets are completed on an as-needed basis which is dependent on the complexity of the provider. Consequently, the burden imposed on them is minimized.

6. Less Frequent Collection

If the annual cost reports are not filed, the Secretary will be unable to determine whether proper payments are being made under Medicare. If a provider fails to file a cost report by the statutory due date, it is notified that interim payments are reduced unless a cost report is filed. If the report is not filed within another 30 days, interim payments are suspended.

Finally, if a provider fails to file a cost report, all interim payments made since the beginning of the cost reporting periods may be deemed to be overpayments, and recovery action may be initiated.

7. Special Circumstances

This information collection complies with all general information collection guidelines in 5 CFR 1320.6.

8. Federal Register Notice/Consultations Outside of CMS

A 60-day Federal Register notice was published on December 15, 2006.

Since no revisions have been made to the cost report forms since the last submission, no other consultation was needed.

9. Payment/Gift to Respondent

There is no payment or gift to respondents.

10. Confidentiality

Confidentiality is not pledged. Medicare cost reports are subject to disclosure under the Freedom of Information Act.

11. Sensitive Questions

There are no questions of a sensitive nature.

12. Estimate of Burden (Hours and Wages)

There are approximately 15,037 freestanding SNFs that file a cost report. It will take an average time of 64 hours for the SNFs that fill out the SNF cost report to complete it, for a total of 962,368 hours (15,037 SNFs X 64 hours).

The total national reporting burden for the SNF cost report will be 962,368 hours annually.

Record keeping Burden:

SNFs are required to keep a Medicare Log. Maintenance of the log requires SNFs to post charges from their billings to the log in order to support entries in the cost centers of their cost report. Previous data had established that 32 hours of record keeping time was needed

for the Medicare log for each SNF filing a regular cost report. We also estimate that other record keeping for these SNFs not associated with the log requires 100 additional hours per SNF. Thus, the record keeping burden for each SNF is 32 hours for the Medicare log plus 100 hours for non-Medicare-log records, or 132 hours. The total national record keeping burden is 1,984,884.

Therefore, the total national reporting and record keeping burden is 1,984,884.

Cost:

The respondent cost is calculated as the number of hours of paperwork burden (2,947,252) (1,984,884 + 962,368) times the standard rate of \$12.00 per hour. Thus, the respondent cost is \$35,367,024.00.

13. Capital Cost

There are no capital costs.

14. Cost to Federal Government

Cost associated with distribution of forms and instructions:

We no longer print and distribute copies of Form CMS-2540-96. Forms and instructions are issued as a part of the Provider Reimbursement Manual. This manual is now transmitted via the internet.

Annual Cost:

Annual cost to intermediaries:

Annual cost incurred are related to processing information contained on the forms, particularly associated with achieving settlements. Intermediaries handling cost are based on what intermediaries spent in FY 2005. This information comes from the latest available Contractor Audit & Settlement Reports, maintained by the Office of Financial Management. \$18,829,203.00

Annual cost to CMS:

Total CMS processing cost (HCRIS Budget)	<u>\$35,000.00</u>
<u>Total Federal Cost</u>	<u>\$18,864,203.00</u>

15. Program/Burden Changes

A decrease of \$1,686,680.00 was due to a reduction in Contractor costs as reported by the latest available information from the “Contractor Audit & Settlement Report”.

An increase in the burden hours from 2,480,000.00 to 2,947,252.00 is due to the increase in the number of respondents.

16. Publication and Tabulation Dates

A 60-day Federal Register was published on December 15, 2006.

The data submitted on the cost report supports management of the Federal programs. These data are extracted from the cost report, by the fiscal intermediaries, for transmission to CMS, and are used by the Office of the Actuary in making projections of Medicare Trust Fund requirements. In addition, the data is available to Congress, researchers, universities, and other interested parties. CMS now offers some public use data files via the Internet and through mail order.

17. Expiration Date

Since these cost reports aren't revised often and due to the fact that the CMS process for making changes to manual instructions is so lengthy, we request this exception.

18. Certification Statement

There are no exceptions to the certification statement.

C. Statistical Methods

There are no statistical methods involved in this collection.