

**SUPPORTING STATEMENT FOR FORM CMS-222
INDEPENDENT RURAL HEALTH CENTER/FREESTANDING FEDERALLY
QUALIFIED HEALTH CENTER COST REPORT AND SUPPORTING REGULATIONS
IN 42 CFR SECTIONS 413.20 AND 413.24**

A. BACKGROUND

CMS is requesting the Office of Management and Budget (OMB) extend the approval of Form CMS 222 (OMB No. 0938-0107), the Independent Rural Health Center/Freestanding Federally Qualified Health Center Cost Report and Supporting Regulations. The current form implements various provisions of the Social Security Act including Section 1861 (aa) which provides coverage under Part B of the Medicare program for certain services furnished by Rural Health Clinics (RHCs) and Freestanding Federally Qualified Health Clinics (FQHCs), including physician assistant and nurse practitioner services. The Medicare regulations provide for payment to clinics which are not part of a hospital (freestanding clinics) under an all-inclusive rate method designed to pay Medicare's share of the clinics' incurred reasonable costs for the services provided. Clinics which are part of a hospital are paid in accordance with the program's hospital reimbursement methods and principles.

B. JUSTIFICATION

1. Need and Legal Basis

Providers of services participating in the Medicare program are required under sections 1815(a), 1833(e), 1861(v)(1)(A) of the Social Security Act (42 U.S.C. 1395g) to submit annual information to achieve settlement of costs for health care services rendered to Medicare beneficiaries.

The Form CMS 222 cost report is needed to determine the amount of reasonable cost due to the providers for furnishing medical services to Medicare beneficiaries.

2. Information Users

In accordance with sections 1815(a), 1833(e) , 1861(v)(A)(ii) 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) sets forth that cost reports will be required from providers on an annual basis. Such cost reports are required to be filed with the provider's contractor. The functions of the contractor are described in section 1816 of the Social Security Act.

The contractor uses the cost report not only to make settlement with the provider for the fiscal year 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 payment on the basis of reimbursable cost 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 reports supports management of the Federal programs. These data are extracted from the cost report, by the contractors, for transmission to CMS, and used in making projections of Medicare Trust Fund requirements. In addition, the data is available to Congress, researchers, universities, and other interested parties. However, collection of data is a secondary function of the cost report, whose primary function is the reimbursement of providers for services rendered program beneficiaries.

3. Improved Information Technology

Consideration has been given to the reduction of burden by the use of improved information technology to report required cost data. While some providers compute the cost report manually, many providers use an automated cost report preparation process. The use of a computer in the preparation results in a significant reduction of burden. In the past CMS has encouraged providers to submit their cost reports using automated cost report preparation packages on a voluntary basis. For cost reporting periods ending on or after December 31, 2004, RHC/FQHC providers are required to submit cost reports via an electronic medium. The providers were required to file a hard copy of the cost report as well an electronic version during a two year phase-in period ending December 31, 2006. The hard copy was the official copy during the phase-in period. For cost reporting periods ending on or after December 31, 2006, the electronic cost report is the official version.

4. Duplication and Similar Information

The cost report is a unique form that does not duplicate any other information collection. This form specifically provides for the reimbursement methodology that is unique to RHCs and FQHCs. No other existing form can be modified for this purpose.

5. Small Business

This form has been designed with a view toward minimizing the reporting burden for small businesses. The form is collected as infrequently as possible (annually) and only those data items necessary to determine the appropriate reimbursement rates are required.

6. Less Frequent Collection

If the annual cost report is not filed, CMS will be unable to determine whether proper payments are being made under Medicare. If a cost report is not filed, the intermediary has the authority to reduce or suspend interim payments. In addition, if a provider fails to file a cost report, all interim payments made since the beginning of the cost reporting period may be deemed overpayment, and recovery action may be initiated.

7. Special Circumstances

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

8. Federal Register Notice

The 60 day Federal Register notice was published on December 28, 2007. No outside consultation was conducted; however, the public comment period gave the public opportunity to respond, at which time, we received no comments.

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 & Wages)

- a. There are approximately 3,159 RHCs/FQHCs which will be required to use the Form CMS 222 for Medicare end-of-year cost reporting. Using this number, we estimate the reporting and record keeping burden associated with the Form CMS 222 as follows:
- b. The respondent cost is calculated at the standard rate of \$12.00 per hour.
- c. As of 09/30/07, there are 3,159 RHCs/FQHCs. With each one filing one cost report per year, the burden is calculated as 3,159 facilities times 10 hours per facility to complete the form and 40 hours per response for record keeping burden for a total burden of 157,950 hours.
- d. Respondent cost is calculated as the number of hours of paperwork burden (157,950) times the standard rate of \$12.00 per hour. Thus the estimated respondent cost is \$1,895,400.

13. Capital Costs

There are no capital costs.

14. Cost to Federal Government

Cost associated with distribution of forms and instructions:

We print a minimal amount of form CMS-222 and the manual instructions due to the fact that the forms and manual are available at CMS's web site which is accessible via the internet.

Total cost of printing	\$500
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Annual cost to Contractors:

The annual costs incurred are related to processing information contained on the forms, desk reviews, audits and settlements.

Contractor handling- This is the amount that the intermediaries spend to process RHC and FQHC cost reports. This amount is estimated based on the FY 2003 Contractor Audit and Settlement Report (CASR), CMS-1525-A, maintained by the Division of Provider Audit and Operations in the Office of Financial Management.

Total estimated costs:	\$3,783,000
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15. Program Changes

There are no program changes.

16. Publication and Tabulation Dates

There are no publication plans for the data.

17. Expiration Date

Approval to not display the expiration date for OMB approval is being sought. Since this form is changed so infrequently and our internal change process is so extensive, it is not efficient to go through the entire process simply to revise the expiration date.

18. Certification Statement

There are no exceptions to the certification statement.