

Supporting Statement For Paperwork Reduction Act Submissions For FORM CMS-287-05

General Instructions

A Supporting Statement, including the text of the notice to the public required by 5 CFR 1320.5(a)(I)(iv) and its actual or estimated date of publication in the Federal Register, must accompany each request for approval of a collection of information. The Supporting Statement must be prepared in the format described below, and must contain the information specified in Section A below. If an item is not applicable, provide a brief explanation. When Item 17 of the OMB Form 83-I is checked "Yes," Section C of the Supporting Statement must be completed. OMB reserves the right to require the submission of additional information with respect to any request for approval.

Specific Instructions

A. Background

The Centers for Medicare and Medicaid Services (CMS) is requesting the Office of Management and Budget (OMB), to review the revision of Form CMS 287-05 (OMB Approval No. 0938-0202). The Form CMS 287-05, Home Office Cost Statement, is filed annually by Chain Home Offices to report the information necessary for the determination of Medicare reimbursement to components of chain organizations. Many providers of service participating in Medicare are reimbursed, at least partially, on the basis of the lesser of reasonable cost or customary services for services furnished to eligible beneficiaries. When providers obtain services, supplies or facilities from an organization related to the provider by common ownership or control, 42 CFR 413.17 requires that the provider include in its costs the costs incurred by the related organization in furnishing such services, supplies or facilities. Home offices of chain organizations are a major type of related organization.

The home office of a chain is not in itself certified by Medicare; therefore its costs may not be directly reimbursed by Medicare. Home offices usually furnish central management and administrative services such as centralized accounting, purchasing, personnel services, management direction and control and other services. To the extent the home office furnishes services related to patient care to a provider, the reasonable costs of such services are included in the provider's cost report and are reimbursable as part of the providers' costs.

Transactions between providers that are components of a chain organization and the respective home offices of the chain organization amount in the aggregate to several billion dollars per year. The impact of these transactions on the Medicare trust fund is in excess of one billion dollars per year. Therefore, it is important that Medicare have the ability to determine that the amount of home office costs included in providers' cost is reasonable, appropriate and in accordance with applicable legislation, regulations and

policies. This is accomplished through the Home Office Cost Statement.

The use of Form CMS-287, however, is not mandatory for certain home offices. In order to provide sufficient flexibility to meet the needs of individual home offices, alternative reporting formats may be used as long as they satisfy the requirements in Schedule A and fulfill the cost and equity reporting and allocation objectives and specifications. Any alternatives to Form CMS-287 must be reviewed and approved by CMSD prior to its use. As a part of this approval process, CMS will ensure that only OMB approved data will be collected.

B. Justification

1. Need and Legal Basis

Sections 1815(a) and 1833(e) of the Social Security Act provide that no payments can be made under Medicare unless sufficient information is submitted to determine that the payment is appropriate. Cost information is submitted by providers of service through applicable provider cost reports. However, where providers are components of chain organizations, information included in the chain home office cost statement is in addition to that included in the provider cost report and is needed to determine whether payments are appropriate. While the obligation to submit this information rests on the affected provider, custom and practice has evolved to the point where the information is submitted by the home office on behalf of the provider. The process of submission of the home office cost statement directly by the home office has proven to be less burdensome to the private sector and more efficient to the government than submission of comparable information by each provider that is a component of a chain organization

2. Information Users

Providers cost reports (Forms CMS 2552, 1728, 2540, etc.) are required to be filed with fiscal intermediaries on an annual basis in accordance with 42 CFR 413.20(b). Therefore since the Home Office Cost Statement is a supporting statement of the provider cost report, it also must be furnished to the Home Office Intermediary on an annual basis (no later than 5 month after the close of the home office fiscal year end). The schedules included in the Home Office Cost Statement are necessary to enable the fiscal intermediary to determine the total claimed cost and equity capital and their allow ability, reasonableness and allocation to the individual components of the chain for purpose of determining Medicare reimbursement. Without this data, there would be no efficient way to determine accurate Medicare reimbursement.

3. Use of Information Technology

CMS does not have verifiable data on the number of chain home offices currently using an automated financial management system to produce all or part of this Home Office Cost Statement. However we do know that chain home offices are increasingly moving towards

automated systems which will be a major burden reducer. Many Home Office Cost Statements are now produced by a combination of manual and automated means (e.g., accounting records are maintained in an automated system but the cost statement is still assembled manually). There are not any plans currently to automate the home office cost statement due to the complexity and diversity of the various components within the chain. A chain by definition consist of a group of two or more health care facilities or at least one health care facility and any other business or entity owned, leased, or, through any other device, controlled by one organization. A chain organization may also include business organizations engaged in other activities not directly related to health care.

4. Duplication of Efforts

This cost statement is a one of a kind form that does not duplicate any other information collection. This form specifically provides for the data collection that is unique to chain organizations.

5. Small Businesses

This form has been designed with a view toward minimizing the reporting burden for small chain organizations. Worksheets are completed on an as-needed basis which is dependent on the complexity of the chain. Not all worksheets are needed by all chain home offices.

6. Less Frequent Collection

The CMS-287 is used by Chain Home Offices to annually report specific items of operating costs and statistical information. If this information was collected less frequently, CMS would be unable to determine whether proper payments are being paid under Medicare.

7. Special Circumstances

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

8. Federal Register/Outside Consultation

A 60-day Federal Register notice was published on January 28, 2008. No public comments were received for the 60-day Federal Register notice.

CMS 287-05 has not been changed or updated since the last time we submitted renewal to OMB in 2005.

9. Payments/Gifts to Respondents

There is no payment or gift to respondents.

10. Confidentiality

Section 3112 of Chapter 31, Disclosure of the Home Office Cost Statement, protects the confidentiality of the information collected in most cases under 5 U.S.C. Section 552(b)(4).

11. Sensitive Questions

There are no questions of a sensitive nature included on this form.

12. Burden Estimates (Hours & Wages)

Reporting Burden:

There are approximately 1,345 chain home offices that will file this cost statement.

In the previous request for approval for Form CMS-287, it was estimated that it would take an average time of 138 hours to complete the cost statement. We believe that the estimated hours, originally calculated per submission, fairly reflects each home office's burden for the filing of this form. Since there are approximately 1,345 chain home offices, the total reporting burden for the Chain Home Office Cost Statement will be 185,610 hours.

Record keeping Burden:

In the previous request for approval for Form CMS-287, it was estimated that it would take an average time of 328 hours to maintain the records necessary to complete the Chain Home Office Cost Statement. We believe that the estimated hours, originally calculated per submission, fairly reflects each home office's burden for the filing of this form. Since there are approximately 1,345 chain home offices, the total record keeping burden for the Chain Home Office Cost Statement will be 441,160 hours.

The total Reporting and Record keeping Burden:

For each chain home office, there will be 138 hours of reporting plus 328 hours of record keeping for a total of 466 hours. Since there are approximately 1,345 chain home offices, the total burden associated with the chain home office cost statement is 626,770 hours.

Cost Estimate to Respondent or Record keeper

The respondent cost is calculated as the number of hours of paperwork burden (626,770) times the standard rate of \$12.00 per hour. Thus, the respondent cost is \$7,521,240.

13. Capital Costs

There are no capital costs.

14. Cost to Federal Government

The Federal cost is the total of printing, distribution and intermediary processing costs.

Costs associated with initial distribution of forms and instructions:

Printing initial distribution of 5,000 copies of Form CMS-287-05		\$	785	
Printing initial distribution of 18,000 copies of instructions		manual		\$
		<u>4,679</u>		
Total cost of printing		\$	5,464	

Annual Costs to Intermediaries:

Annual costs incurred are related to processing information contained on the forms. This is the amount intermediaries spent to process chain home office cost statements, based on the Contractor Audit and Settlement Report, CMS-1525-A, maintained by the Office of Financial Management.

Annual Costs to Intermediaries:

\$
3,500,000

Total Federal Cost:

\$ 3,505,464
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15. Changes to Burden

The burden increase is due to an increase in the number of respondents from 1,231 (as of 01/05/2005) to 1,345 (as of 11/30/2007).

16. Publication/Tabulation Dates

The results of this information collection will not be published.

17. Expiration Date

We request an exception to displaying the expiration date since the forms are changed so infrequently.

18. Certification Statement

There are no exceptions to the certification statement identified in Item 19 of the OMB Form 83-I.

Collections of Information Employing Statistical Methods

This section does not apply because statistical methods were not used in developing this collection.