Supporting Statement for Paperwork Reduction Act Submissions

Medicare Durable Medical Equipment Supplier Enrollment Application CMS 855S

A. BACKGROUND

The primary function of the CMS 855S DMEPOS supplier enrollment application is to gather information from a supplier that tells us who it is, whether it meets certain qualifications to be a health care supplier, where it renders its services or supplies, the identity of the owners of the enrolling entity, and information necessary to establish the correct claims payment. The goal of evaluating and revising the CMS 855S DMEPOS supplier enrollment application is to simplify and clarify the information collection without jeopardizing our need to collect specific information. Additionally, periodic revisions are necessary to incorporate new regulatory requirements.

CMS is revising the CMS-855 Medicare Enrollment Applications Package (OMB No. 0938-0685) to remove the CMS-855S application from its collection. CMS has found that the regulations governing the standards required of suppliers of durable medical equipment, prosthetics, orthotics and supplies (DMEPOS) are revised and increased more frequently than the other provider types reimbursed by Medicare. Consequently, CMS must revise the CMS 855S application for DMEPOS suppliers more often than the CMS 855A, CMS 855B, CMS 855I and CMS 855R enrollment applications. The ability to revise the CMS 855S separately from the other CMS 855 enrollment applications will lessen the burden on both CMS and OMB as well as the public during the Federal Register notice period, as only one subset of suppliers will be effected by CMS 855S revisions. CMS intends to maintain the continuity of the CMS 855 enrollment applications by using the same formats and lay-out of the current CMS 855 enrollment applications, regardless of the separation of the CMS 855S from the collective enrollment application package.

Goal of the Provider/Supplier Enrollment Application Revisions

The goal of this revision of the CMS 855S is to incorporate new regulatory provisions found at 42 CFR 424.57(c) (1 through 25) and 42 CFR 424.58. These revisions will allow CMS to be in compliance with the above stated regulations implementing new quality standards for DMEPOS suppliers, including accreditation requirements. This revision will also incorporate new surety bond regulations found in CMS 6006-F.

JUSTIFICATION

1. *Need and Legal Basis*

Various sections of the Act and the Code of Federal Regulations require providers and suppliers to furnish information concerning the amounts due and the identification of individuals or entities that furnish medical services to beneficiaries before payment can be made.

- Sections 1814(a), 1815(a), and 1833(e) of the Act require the submission of information necessary to determine the amounts due to a provider, supplier or other person.
- Section 1866(b)(2)(D) and 1842(h)(8) of the Act require denial of enrollment (directly or indirectly) of persons convicted of a felony for a period not less then 10 years from the date of conviction.
- Section 1834(j) of the Act states that no payment may be made for items furnished by a supplier of durable medical equipment, prosthetics, and supplies (DMEPOS) unless that supplier obtains, and renews at such intervals as we may require, a billing number. In order to issue a billing number, we need to collect information unique to that supplier.
- Section 1866(j)(1)(C) of the Act requires us to consult with providers of services and suppliers before making changes in provider enrollment forms.
- The Balanced Budget Act of 1997 (BBA) (Public Law 105-33) section 4313, amended sections 1124(a)(1) and 1124A of the Act to require disclosure of both the Employer Identification Number (EIN) and Social Security Number (SSN) of each provider or supplier, each person with ownership or control interest in the provider or supplier, as well as any managing employees. The Secretary of Health and Human Services (the Secretary) signed and sent to the Congress a "Report to Congress on Steps Taken to Assure Confidentiality of Social Security Account Numbers as Required by the Balanced Budget Act" on January 26, 1999, with mandatory collection of SSNs and EINs effective on or about April 26, 1999.
- Section 31001(I) of the Debt Collection Improvement Act of 1996 (DCIA) (Public Law 104-134) amended 31 U.S.C. 7701 by adding paragraph (c) to require that any person or entity doing business with the Federal Government must provide their Tax Identification Number (TIN).
- Section 302 (a)(1) of the Medicare Modernization Act (MMA), requires the Secretary to establish and implement quality standards for DMEPOS suppliers to be applied by recognized independent accreditation organizations.
- 42 CFR section 424.57(c) requires DMEPOS suppliers comply with 25 specific standards in order to receive and maintain Medicare billing privileges.
- 42 CFR section 424.57(e) requires DMEPOS suppliers to reenroll with the Medicare program to maintain Medicare billing privileges.
- 42 CFR section 424.58 requires accreditation in order to qualify for the Medicare program.
- We are authorized to collect information on the Form HCFA 855 (Office of Management and Budget (OMB) approval number 0938-0685) to ensure that correct payments are made to providers and suppliers under the Medicare program as established by Title XVIII of the Act.

The revised CMS 855S Supplier Enrollment Application collects this information, including the information necessary to uniquely identify and enumerate the supplier. Additional information necessary to process claims accurately and timely is also collected on the supplier enrollment application.

2. *Purpose and users of the information*

Health care suppliers who wish to enroll in the Medicare program must complete the CMS 855S enrollment application. It is submitted at the time the applicant first requests a Medicare billing

number. The application is used by the National Supplier Clearinghouse (NSC), to collect data to assure the applicant has the necessary professional and/or business credentials to provide the health care services and supplies for which they intend to bill Medicare including information that allows the Durable Medical Equipment Medicare Administrative Contractor (DME MAC) to correctly price, process and pay the applicant's claims. It also gathers information that allows the NSC to ensure that the supplier is not sanctioned from the Medicare program, or debarred, suspended or excluded from any other Federal agency or program.

3. *Improved Information Techniques*

This collection lends itself to electronic collection methods. In the near future, CMS plans to make the enrollment application available through the CMS website to comply with the Government Paperwork Elimination Act. However, until CMS adopts an electronic signature standard, suppliers will be required to submit a hard copy of the CMS-855S with an original signature.

4. *Duplication and Similar Information*

There is no duplicative information collection instrument or process.

5. *Small Business*

These forms will affect small businesses; however, these businesses have always been required to provide CMS with substantially the same information in order to enroll in the Medicare Program and for CMS to successfully process their claims.

6. *Less Frequent Collections*

This information is collected on an as needed basis. The information provided on the CMS-855S is necessary for enrollment in the Medicare program. It is essential to collect this information the first time a supplier enrolls with a Medicare contractor so that CMS' contractors can ensure that the supplier meets all statutory and regulatory requirements necessary for enrollment and that claims are paid correctly.

This information is also regularly collected every three years for DMEPOS supplier revalidation of enrollment information as required by 42 CFR section 424.57(e).

In addition, to ensure uniform data submissions, CMS requires that all changes to previously submitted enrollment data be reported via the appropriate provider enrollment application.

7. *Special Circumstances*

There are no special circumstances associated with this collection.

8. *Federal Register Notice/Outside Consultation*

The 60-day Federal Register notice published on May 30, 2008.

9. *Payment/Gift to Respondents*

N/A

10. *Confidentiality*

CMS will comply with all Privacy Act, Freedom of Information laws and regulations that apply to this collection. Privileged or confidential commercial or financial information is protected from public disclosure by Federal law 5 U.S.C. 522(b)(4) and Executive Order 12600.

11. *Sensitive Questions*

There are no sensitive questions associated with this collection.

12. *Burden Estimate (hours)*

The currently approved total annual hour burden for the respondents is approximately 126,400.5 hours. This is based in part on the following estimates:

Hours associated with completing the initial enrollment application:

9,000 respondents @ 6 hours for each application = 54,000 hours

Hours associated with completing the revalidation of enrollment information:

36,667 respondents @ 1 hour for information reporting = 36,667 hours
36,667 respondents @ 30 minutes for record keeping = 18,333.5 hours

Hours associated with reporting changes of enrollment information:

34,800 respondents @ 30 minutes for information reporting = 17,400 hours

The National Supplier Clearinghouse currently processes approximately 80,460 supplier enrollment applications a year. This requirement is and will continue to be a cost of doing business with Medicare.

Cost to the respondents is calculated as follows based on the following assumption:

- The CMS 855S will most likely be complete by professional staff (attorney or accountant) for initial enrollment and periodic revalidation of enrollment information and,
- The CMS 855S can be completed by administrative staff for reporting changes of information.

The cost per respondent per form has been determined using the follow wage:

- $150.00 per hour (professional wage)
- $ 20.00 per hour (administrative wage)

CMS 855S = $900 (for initial enrollment)
CMS 855S = $225 (for periodic revalidation of enrollment information)
CMS 855S = $ 10 (for reporting changes of information)

However, we are adding the following burden based on revisions to the CMS 855S in response to the addition of a surety bond requirement as required by CMS 6006-F. The total increase in annual hour burden for respondents is 203,169 hours and the total cost of the surety bond requirement in its first year will be approximately $106.2 million. The cost in each subsequent year will be roughly $102.3 million ($102.1 million + $180,000). This is based on the estimates detailed below.

Revisions to CMS 855S

Section 424.57(d)(2)(i), (ii), (iii) and (d)(4)(ii) require a DMEPOS supplier to submit a surety bond of $50,000 (either new or amendment, contingent with requirement) with its paper or electronic Medicare enrollment application (Form CMS-855S). These requirements pertain to DMEPOS suppliers who:

- seek to become a Medicare-enrolled supplier;
- make a change in ownership;
- respond to a revalidation or reenrollment request;
- seek to become an enrolled supplier through the purchase or transfer of assets; and/or
- seek to enroll a new location under a TIN for which it already has a DMEPOS surety bond in place.

A. Burden Hours

For these requirements not already approved under OMB control number 0938-0685, we estimate the increased burden associated with the surety bond requirements in §424.57(d)(2) and (d)(4) to be 3 hours per DMEPOS supplier. In addition, we estimate that approximately 67,723 DMEPOS suppliers will comply with these requirements. Therefore, the estimated total increase in annual burden is 203,169 hours.

The requirements in §424.57(d)(6) states that a surety bond may be cancelled with written notice from the DMEPOS supplier to the NSC. The burden associated with this requirement is the time and effort necessary for either DMEPOS supplier to draft and submit the notice of cancellation to the NSC. We estimate the burden associated with this requirement to be 3 hours. We anticipate that 250 suppliers will draft and submit the necessary documentation. We estimate the total annual burden to be 750 hours.

Section 424.57(d)(9) requires a DMEPOS supplier that obtains a replacement surety bond from a different surety to cover the remaining term of a previously obtained bond to submit the new surety bond to the NSC within 30 days of expiration of the previous bond. The burden associated with this requirement is the time and effort necessary to obtain and submit the new

surety bond to the NSC. We estimate the burden associated with this requirement to be 3 hours. In addition, we anticipate that 250 suppliers will comply with this requirement. We estimate the total annual burden to be 750 hours.

Section 424.57(d)(12) requires that CMS may at any time require a DMEPOS supplier to show compliance with the requirements associated with 42 CFR part 424. The burden for this requirement is the time and effort associated with maintaining the necessary documentation on file. The burden associated with producing the documents upon request from CMS is estimated to be 30 minutes per DMEPOS supplier. We estimate that 500 DMEPOS suppliers will be asked to submit the requested documentation. The total annual burden associated with this requirement is estimated to be 250 hours.

Section 424.57(d)(15)(ii) requires a DMEPOS supplier that no longer qualifies for an exception under this final rule to submit a surety bond to the NSC within 60 days of receiving notice that it no longer qualifies for a exception. The burden associated with this requirement is the time and effort necessary for the DMEPOS supplier to obtain and submit a surety bond to the NSC within 60 days of receiving notice that it no longer qualifies for an exception. We estimate the burden associated with this requirement to be 3 hours. In addition, we anticipate that 100 suppliers will draft and submit the necessary documentation. We estimate the total annual burden to be 300 hours.

Based on the estimations provided above, the estimated overall total increase in annual burden is 205,219 hours.

B. Paperwork Burden

Time and Burden for suppliers as a result of addition of surety bond section to CMS 855S enrollment application:

Total burden – 3 hours (which includes estimated 15-minute period to complete Section 12 of CMS-855S)

Cost per hour - $20 (cost of completing Section 12 would thus be $5)

- 65,723 existing suppliers will need to obtain a surety bond in the first year. The cost of this will be $3,943,380 (65,723 x 3 x $20)

- 2,000 newly-enrolling suppliers per year will need to obtain a bond. The cost will be $120,000 (2,000 x 3 x $20) per year.

- 1,000 suppliers per year will need to submit a change to their surety information annually. The cost will be $60,000 (1,000 x 3 x $20) per year.

Thus, we estimate that the cost of the paperwork burden associated with the surety bond is $4,063,380 ($3,943,380 + $120,000) in year one and $180,000 ($120,000 + $60,000) annually thereafter.

C. Bond Cost

Predicated on an average bond cost of $1,500 per year:

- Annual Cost for existing 65,723 suppliers - $98.6 million
- Extra annual bond cost for 329 of these 65,723 that are projected to be required to secure a higher bond amount - $493,000
- Annual cost for 2,000 new suppliers - $3 million.

Total Annual Bond Cost - $102.1 million

D. Total Costs

Based on the information furnished in A and B above, we estimate that the total cost of the surety bond requirement in its first year will be approximately $106.2 million. The cost in each subsequent year will be roughly $102.3 million ($102.1 million + $180,000).

13. *Cost to Respondents (Capital)*

There are no capital costs associated with this collection.

14. *Cost to Federal Government*

There is no additional cost to the Federal government. Applications will be processed in the normal course of Federal duties.

15. *Changes in Burden/Program Changes*

The burden increased based on the revisions to the CMS 855S. The new total annual burden associated with this information collection is approximately 330,869.5 hours. The new total individual burden associated with this information collection is approximately 10 hours per initial application.

Publication/Tabulation

N/A

16. *Expiration Date*

We are planning on displaying the expiration date.

17. *Certification Statement*

There are no exceptions to item 19 of OMB Form 83-I.

B. COLLECTIONS OF INFORMATION EMPLOYING STATISTICAL METHODS

N/A