Supporting Statement For
Provider Cost Report Reimbursement Questionnaire
and Supporting Regulations
42CFR 413.20, 413.24, and 415.60

Form CMS-339

A. Background

The purpose of Form CMS-339 is to assist the provider in preparing an acceptable cost report and to minimize subsequent contact between the provider and its intermediary. Form CMS-339 provides the basic data necessary to support the information in the cost report. This includes information the provider used to develop the provider and professional components of physician compensation so that this compensation can be properly allocated between the Part A and the Part B trust funds.

Exhibit 1 of the Form CMS-*339* contains a series of reimbursement-oriented questions which serve to update information on the operations of the provider. It is arranged topically regarding financial activities such as independent audits, provider organization and operation, etc. The contractor (i.e., Fiscal Intermediary or Medicare Administrative Contractor) responsible for the settlement of the Medicare cost report must determine the reasonableness and the accuracy of the reimbursement claimed. This process includes performing both, a desk review of the cost report and an analysis leading to a decision to settle the cost report with or without further audit. Form CMS-339 provides essential information to enable the contractor to make the audit/no audit decision, scope the contractor audit if one is necessary, and to update the provider contractor (i.e., documentation to support the financial profile of the provider). If the information is not collected, then the contractor will have to go onsite to each provider to get this information. Consequently, it is far less burdensome and extremely cost effective to capture this information through the Form CMS-339.

Certain types of providers do not have to respond to all the questions in Exhibit 1.

Exhibits 2 through 4 relate to all the provider-based physician activity and cost, and serve to allocate physician compensation under either Part A or Part B of the Medicare program. These exhibits provide a convenient worksheet for the necessary data elements and a precise computation format so that physician cost can be entered correctly into the Medicare cost report. New physician legislation has become so complicated that worksheets (exhibits) were developed to handle the reasonable compensation equivalents (RCEs), the hospital emergency room allowable availability service cost under hourly rate or salary arrangements, emergency room physicians allowable unmet guarantee amounts under minimum guarantee arrangements, and for computation of RCE limits on the Supplemental Worksheet D-9 for teaching hospital physicians. By using these exhibits, the provider can array basic physician records so that it can capture the data elements necessary for

computation of RCE cost limits, develop physician charges, and make cost entries to the Medicare cost report.

Regardless of how the provider develops the physician costs, it must follow the exhibit format in Form CMS-339 that is required under the Provider Reimbursement Manual (PRM)-II. Upon receipt of these exhibits in conjunction with the cost report (usually filed within 150 days from the close of the provider's cost reporting year), the contractor can adequately review physician cost because an audit trail has been established. Consequently, the contractor can eliminate expensive onsite visits and special audits to determine Medicare reimbursement for the provider and the physician. Conversely, if the data is not received in a workable format, onsite visits must be made to the provider in order to ensure the accuracy of the cost.

Exhibits 2 through 4 are now only required to be submitted by hospitals excluded from the Prospective Payment System (PPS) (except Children’s hospitals) and PPS hospitals that have units that are excluded from the PPS.

Exhibit 5 is a listing of bad debts pertaining to uncollectible Medicare deductible and coinsurance amounts. Preparation of the listing is a convenient way for providers to supply the CONTRACTOR with information needed to determine the allowability of the bad debts for reimbursement. Some items required to determine allowability that are included on this exhibit are patient’s name, dates of service, date first bill sent to beneficiary, and write-off date. Supplying the contractor with this information may be all that is required for the contractor to determine whether or not the bad debt is allowable. This may eliminate a visit to the provider to gather this needed data.

Exhibit 6 must be completed by all hospitals subject to Inpatient PPS (IPPS), all hospitals that have an IPPS subprovider, all hospitals that would be subject to IPPS if not granted a waiver, and by all SNFs. The schedule is necessary to document and quantify the wage related costs as they relate to the calculation of the wage index. It is also used to assist both the provider and contractor in reconciling the wage related costs reported for the wage index data from the fringe benefits reported elsewhere in the cost report. This exhibit provides a convenient worksheet for the necessary data elements and precise computations required to compute the difference in relative wage costs between providers.

Upon receipt of this exhibit in conjunction with the cost report, the contractor can adequately review wage related costs on Worksheet S-3 of the hospital cost report (Form CMS-2552) and the SNF cost report (Form CMS-2540). Conversely, if the data is not received in a workable format, onsite visits may be necessary and voluminous/burdensome correspondence requests must be made of the provider in order to ensure the accuracy of these costs. The timetable for utilizing new data could also be jeopardized if the process for developing the data is delayed because of additional information required by the contractor to assure the accuracy of the data.

Summary of the General Purposes of Each Exhibit in Form CMS-339:

Exhibit 1 - Provider Cost Report Reimbursement Questionnaire--Its purpose is to assist the provider in preparing an acceptable cost report, and to minimize direct contact between the provider and its contractor. The questionnaire is designed to answer pertinent questions about key reimbursement concepts relative to the Medicare cost report. Example - Questions regarding whether an independent audit had been performed will prevent duplication of work. It provides an update to the contractor's permanent file that, in turn, completes the profile on that provider which is a valuable tool in scoping the audit.

Exhibit 2 - Allocation of Physician Compensation: Hours--This exhibit is to be completed in compliance with Section 2182.3.E.3 of PRM-1. The data elements shown are physicians' hours of service providing a breakdown between the professional and the provider component for both intermediary and carrier use. This exhibit is to be completed only by hospitals excluded from PPS (except Children's) and PPS hospitals that have a unit excluded from PPS.

Exhibit 3 and 3A - Hospital Emergency Department Provider-Based Physician Allowable Availability Service Costs Hourly Rate or Salary Arrangements: Data Elements - Computation--These exhibits are to be completed in compliance with Section 2109 and 2109.4.B of PRM-1. These exhibits reflects the application of the reasonable compensation equivalent (RCE) limitation in determining Medicare reimbursement for the reasonable cost of physician availability (formerly designated as "standby") services rendered to providers by emergency room physicians. These exhibits are to be completed only by hospitals excluded from PPS (except Children's) and PPS hospitals that have a unit excluded from PPS.

Exhibit 4 and 4A - Hospital Emergency Department Provider-Based Physician Allowable Unmet Guarantee Amounts Under Minimum Guarantee Arrangements: Data Elements - Computation--These exhibits are to be completed in compliance with section 2109 and 2109.4.C of PRM-1. These computations allows for the determination of allowable cost on the Medicare cost report of the unmet guarantee of emergency room physicians where the total charges for physician services to individual patients are adjusted by the lower of minimum guarantee amount or the reasonable compensation as applied to the RCE limits to the physician's total hours allocated for individual patient care. These exhibits are to be completed only by hospitals excluded from PPS (except Children's) and PPS hospitals that have a unit excluded from PPS.

Exhibit 5 - Listing of Medicare Bad Debts and Appropriate Supporting Data-- This exhibit requests a listing of bad debts and appropriate supporting data. Submission of this listing may provide the contractor with sufficient information upon which to base the acceptability of the bad debts claimed on the cost report without the necessity of an onsite visit.

Exhibit 6 - Wage Related Cost--This exhibit is to be prepared by IPPS hospitals and hospitals in states that have been granted a waiver from IPPS and SNFs. It documents

and quantifies wage related costs as they relate to the wage index. The exhibit also reconciles the difference between costs reported for the wage index and fringe benefits reported elsewhere which are not subject to the wage index.

We are currently working on elimination of Form CMS-339 and inclusion of the applicable questions on the individual cost report forms. The Form CMS-339 is currently being incorporated into the new hospital cost report which is tentatively scheduled to be released in the spring/early summer of 2009. Because of the time required to include the questions in each of the remaining cost report reports, we are requesting a 3-year extension of the Form CMS-339 at this time.

B. Justification

1. Need and Legal Basis

The information collected in this form (Exhibits 1 through 6) is authorized under Sections 1815(a) and 1833(e) of the Social Security Act, 42 USC 1395g. Regulations at 42 CFR 413.20 and 413.24 require providers to submit financial and statistical records to verify the cost data disclosed on their annual Medicare cost report. Providers participating in the Medicare program are reimbursed for furnishing covered services to eligible beneficiaries on the basis of an annual cost report (filed with the provider's contractor) in which the proper reimbursement is computed. In addition, regulations at 42 CFR 415.60 relating to provider-based physicians (addressed in Exhibits 2 through 4A of the CMS-339) require providers to annually report to the intermediary the information that supports the allocation of physician compensation between the Part A and Part B Medicare trust funds. Furthermore, the Federal Register, Vol. 59, No. 169, dated September 1, 1994, page 45357 indicates that wage data used to compute the wage index will be collected on a form included with Form CMS-339.

Consequently, it is necessary to collect this documentation of providers' costs and activities that supports the Medicare cost report data in order to ensure proper Medicare reimbursement to providers.

2. Information Users

Form CMS-339 must be completed by all providers that submit full cost reports to the Medicare intermediary under Title XVIII of the Social Security Act. It is designed to answer pertinent questions about key reimbursement concepts found in the cost report and to gather information necessary to support certain financial and statistical entries on the cost report. The questionnaire is used by the Medicare intermediaries as a tool to help them arrive at a prompt and equitable settlement of all of the various types of provider cost reports (hospitals, SNFs, HHAs, etc.) and sometimes preclude the need for a comprehensive on-site audit. Since the Provider Cost Report Reimbursement Questionnaire is in reality a supporting statement of the CMS-2552 (Medicare Hospital Cost Report) OMB No. 0938-0050 expiration date of 6/30/2011, CMS-2540

(Medicare SNF Cost Report) OMB No. 0938-0463 expiration date of 6/30/2010**,** CMS-1728 (Medicare HHA Cost Report) OMB No. 0938-0022 expiration date of 8/31/2010**,** CMS-2088 (Medicare CMHC Cost Report) OMB No. 0938-0037 expiration date of 4/30/2011**,** CMS-265 (Medicare ESRD Cost Report) OMB No. 0938-0236 expiration date of 8/31/2010, CMS-222 (Medicare RHC/FQHC Cost Report) OBM No. 0938-0107 expiration date of 6/30/2011, Form CMS-216 (Medicare Organ Procurement Organization Cost Report) OMB No. 0938-0102 expiration date of 7/31/2011, and Form CMS-1984 (Medicare Hospice Cost Report) OMB No. 0938-0758 expiration date of 1/31/2011) it also must be furnished on an annual basis.

3. Improved Information Technology

The processing of reimbursement questionnaire data through an electronic medium is in process. At the present time, we have approved several software packages to process the CMS-339. However, we are still requiring the submittal to be only in hard copy because we have not yet completed uniform specifications to be used by all software vendors.

4. Duplication of Similar Information

There is no specific duplicate information collection instrument pertaining to supplemental cost report documentation. The information in Form CMS-339 provides more detailed information to support the amounts reported on the cost report. This form was developed to curtail any additional amount of information being placed on the cost report and to facilitate its review without the need for an on-site audit. Only one of the questions in Form CMS-339 relates to an issue (i.e., change of ownership) that is also addressed in Form CMS-855 (Provider Enrollment). However, this specific information from Form CMS-855 may not always be available at the time the cost report is desk-reviewed, meaning this information must be obtained from Form CMS-339. We will consider this issue again when we incorporate the Form CMS-339 into the cost report.

5. Small Businesses

To a large extent, this information collection does not involve small businesses. However, where it does, efforts have been made to streamline its format and clarify its instructions. It should be noted that most small businesses (e.g., HHAs, CMHCs, ESRDs) will only be asked to complete Exhibits 1 and 5 of Form CMS-339.

6. Less Frequent Collection

If this information were collected less frequently it would deny the Federal Government financial profile data. Furthermore, all data collected ties into the cost reporting year, so the Form CMS-339 must correlate to the annual submission of the cost report.

7. Special Circumstances

There are no special circumstances.

8. Federal Register Notice/Outside Consultation

9. Payments/Gifts To Respondents

There were no payments/gifts to respondents.

10. Confidentiality

CMS does assure the confidentiality of information obtained through the Form CMS-339. However, we are informed by CMS's Privacy Act Officer that a Notice of System of Records encompassing this type of data already exists.

11. Sensitive Questions

This information collection does not contain any sensitive questions.

12. Burden Estimate (Total Hours & Wages)

Response time can vary depending on the type of provider and the size and complexity of the provider's operations. In addition, significant financial events (e.g., change of ownership) can also impact on response time. Only Exhibit 1 is required to be submitted by all providers filing full cost reports. However, some areas/questions do not have to be completed by certain types of providers. Furthermore, documentation related to some of the areas covered in Exhibit 1 will only be required if specifically requested by the contractor. Exhibits 2 through 4 are to be completed only by Critical Access and Cancer hospitals as other hospitals are reimbursed under various prospective payment systems. Exhibit 5 is required for all providers except hospices. Only IPPS hospitals, hospitals with an IPPS subprovider, hospitals that would be subject to IPPS if not granted a waiver, and SNFs will prepare Exhibit 6.

The number of respondents is calculated as follows:

Hospitals	6,095
HHAs (freestanding)	7,944
SNFs (freestanding)	13,921
ESRDs (freestanding)	4,543
CMHCs freestanding)	464
RHC/FQHC (freestanding)	3,190
Hospice (freestanding)	2,222
OPOs	50

Total number of respondents* 38,429

* Provider-based HHAs, SNFs, ESRDs, CMHCs, Hospices, and RHC/FQHCs will have their Cost Report Reimbursement Questionnaire completed by the parent provider.

The breakdown of the Exhibit requirements and estimated hours to complete follow:

EXHIBIT NUMBER	TO BE PREPARED BY	NUMBER OF RESPONDENTS	AVG. HOURS TO COMPLETE EXHIBIT	TOTAL HOURS
1	All providers	38,429	5	192,145
2 through 4	Critical Access Hospitals and Cancer Hospitals	1,308	5	6,540
5	All providers except Hospices	36,207	4	144,828
6	IPPS hospitals and SNFs	17,527	5	87,635
TOTAL				431,148

As shown above, we estimate the annual burden to be 431,148 hours. This is an estimate of the average time required for all providers to prepare the questionnaires. The time will vary based on the size and type of provider.

Respondent Costs:

Average wage of respondent (including clerical cost) = $40.00/hour

Total Hours to Respond = 431,148

Total Annual Respondents Cost = $17,245,920

Preparation of Form CMS-339 contributes to the preparation of the cost report and allows the contractor to accomplish a quicker settlement with less need to obtain data on site. In some cases, there is less chance of an audit because needed data will already be available. Also, if the provider is audited, much of the data collected will be used by the contractor; thus eliminating duplicate requests for information and expediting the performance of the audit.

The Medicare program shares in the cost of preparing Form CMS-339 based on the provider's Medicare utilization either as part of the PPS payment rate or cost-based reimbursement.

13. Capital Costs

There are no capital costs.

14. Cost to Federal Government

Since the Form CMS-339 is available to be printed from the Internet, we expect the cost for printing and distribution to be minimal.

15. Program changes/Burden changes

The previous burden estimate was 603,306 hours. The difference is due to a combination of increases/decreases in the number of respondents for each exhibit and a decrease in average hours to complete certain exhibits due to increased automation.

Revised:	(see computation in Section 12 above)	431,148 hours
Prior:	(see prior Form 83-C submitted in April 2006)	603,306 hours

Decrease: 172,158 hours

We also increased the average wage of respondents from $25.30 to $40.00 to more appropriately reflect the respondents' job positions and recognize inflation in wages.

16. Publication and Tabulation Dates

There are no publication or tabulation dates.

17. Expiration Date

CMS would like an exemption from displaying the expiration date as these forms are used on a continuing basis. To include an expiration date would result in having to discard a potentially large number of forms.

18. Certification Statement

There are no exceptions to the certification statement.

C. Collections Of Information Employing Statistical Methods

This collection does not employ statistical methods.