Supporting Statement for
State Agency Sheets for Verifying
Exclusions from the Inpatient Prospective Payment System
CMS-437A and CMS-437B,
And Supporting Regulations in 42 CFR Parts 412.20 – 412.30

A. BACKGROUND

This supporting statement requests Office of Management and Budget (OMB) approval for the State survey agency (SA) and facility verification/self-attestation worksheets and accompanying burden. The worksheets are based on the current Federal regulations at 42 CFR Parts 412.20 through 412.30.

A limited number of hospitals and special hospital units are excluded from inpatient prospective payment system (IPPS) which determines Medicare payment for operating costs and capital-related costs of inpatient hospital services. 42 CFR 412.20 through 412.30 describe the criteria under which these facilities are excluded. Excluded hospitals and units are paid under the prospective payment system (provided for by Section 1886(j) of the Social Security Act). The SAs are required to conduct initial onsite surveys of these hospitals and units to verify that they meet IPPS-exclusion criteria.

The Forms CMS-437A and CMS-437B contain regulation language and the 13 medical conditions for which patients, at inpatient rehabilitation facilities, may require intensive rehabilitation. The forms also contain regulations related to the "75 percent" rule.

B. JUSTIFICATION

1. Need and Legal Basis

Certain hospitals and hospital units are excluded from the Inpatient Medicare Prospective Payment System (IPPS). The exclusion of hospitals and units is not optional on the part of the provider but is required by section 1886(d)(1)(B) of the Social Security Act. That section excludes psychiatric hospitals, rehabilitation hospitals, hospitals whose inpatients are predominantly individuals under 18 years of age (children's hospitals), and psychiatric and rehabilitation units which are a distinct part of a hospital.

CMS proposes to continue the current process of performing initial verifications and annual re-verifications to determine that rehabilitation hospitals/rehabilitation units continue to comply with the regulatory criteria at 42 CFR 412.20 through 412.30 of the PPS regulations. These regulations state the criteria that hospitals/units must satisfy to qualify for exclusion, as well as the criteria which distinct part units meet.

Some verification is needed to ensure that rehabilitation hospitals and units meet the criteria for exclusion.

Consequently, CMS instructed the Fiscal Intermediaries (FIs) and SAs to perform certain verification activities, beginning in October 1983 when PPS was implemented. CMS originally developed the CMS-437A and CMS-437B as SA Worksheets for verifying exclusions from IPPS for rehabilitation hospitals and units.

Since April 9, 1994, PPS-excluded rehabilitation hospitals and rehabilitation units already excluded from the IPPS have met CMS' annual requirement for IPPS-exclusion by self-attesting that they remain in compliance with the IPPS exclusion criteria. Under the current procedure, all rehabilitation hospitals and rehabilitation units applying for first-time exclusion are surveyed by the SAs. The SAs also perform surveys to investigate complaint allegations and conduct annual sample reverification surveys on 5 percent of all rehabilitation hospitals and units.

The aforementioned exclusions continue to exist and thus CMS proposes to continue to use the Criteria Worksheets, Forms CMS- 437A and CMS-437B (attached), for verifying first-time exclusions from the IPPS, for complaint surveys, for its annual 5 percent validation sample, and for facility self-attestation. These forms are related to the survey and certification and Medicare approval of the IPPS-excluded units and hospitals.

2. Information Users

For first time verification requests for exclusion from the IPPS, a hospital/unit must notify the RO servicing the State in which it is located that it believes it meets the criteria for exclusion from the IPPS. This must be done no later than 5 months before the date the hospital/unit would become subject to PPS. The RO then requests the SA and FI to verify that the appropriate exclusion criteria are met. The SA conducts on-site surveys of rehabilitation hospitals and rehabilitation units regarding the specific exclusion criteria. The FI conducts its verification activities in-

house. The SA records its findings on the CMS-437A and CMS-437B verification work sheets.

For rehabilitation hospitals and rehabilitation units already excluded from the IPPS, annual onsite re-verification surveys by the SA are not required. These hospitals and units will be provided with a copy of the appropriate CMS-437 Worksheet at least 120 days prior to the beginning of its cost reporting period, so that the hospital/unit official may complete and sign an attestation statement and complete and return the appropriate CMS-437A or CMS-437B at least 90 days prior to the beginning of its cost reporting period. FIs will continue to verify, on an annual basis, compliance with the 75 percent rule (42 CFR 412.23(b)(2)) for rehabilitation hospitals and rehabilitation units through a sample of medical records and the SA will verify the medical director requirement.

The SA must transmit the worksheets to the RO at least 60 days prior to the end of the hospital's/unit's cost reporting period. This allows their inclusion with other information necessary for determining exclusion from the IPPS. Hospitals and units that have already been excluded need not reapply for exclusion. These facilities will automatically be reevaluated yearly to determine whether they continue to meet the exclusion criteria.

If this information were not gathered by the SA, CMS would have no way of initially verifying that a hospital or unit meets the exclusion criteria. This would lead to ineligible hospitals and units being excluded from IPPS, based on their own assessment that they met the criteria. Verification is an essential part of granting initial IPPS exclusion.

3. Improved Information Technology

First time verifications, complaint surveys and 5 percent annual sample reverifications are performed onsite, and the use of improved technology to reduce burden is not applicable.

4. Duplication

There is no duplication of information, including information gathered during the survey and certification process, because the survey process does not distinguish rehabilitation hospitals from the universe of short-term acute hospitals. The survey process treats the hospital as an entity, and does not require separate data on distinct part units. Moreover, the standard survey does not address the special staffing and medical criteria that hospitals and units must meet for IPPS exclusion. There are no other forms used by CMS that accomplish the same purpose.

5. Small Business

This information is required by regulation. It is the minimum necessary and cannot be further reduced for small businesses.

6. Less Frequent Collection

Verifications for first time exclusions and self-attestation for previously excluded hospitals and units are made only once a year. The reverification process must be repeated annually to ensure that the exclusion criteria, e.g., personnel, services, number of admissions/discharges, and full-time or part-time director, continue to be met. These areas are subject to frequent change in the hospital environment.

7. Special Circumstances

There are no special circumstances associated with this collection. This collection is consistent with the guidelines in 5 CFR 1320.6.

8. Federal Register and Outside Consultations

A 60-day Federal Register notice was published on October 31, 2008.

There was no further outside consultation.

9. Payment/Gifts to Respondent

There are no payments or gifts involved in this information collection.

10. Confidentiality

We do not pledge confidentiality.

11. Sensitive Questions

There are no questions of a sensitive nature on the form.

12. Estimate of Burden (Hours and Wages)

The universe of these hospitals and units is now 1227. The universe is computed as follows:

Rehabilitation Units	1010
Rehabilitation Hospitals	217
Total Hospitals/Units	1227

Reporting hours is based on an annual completion time of 15 minutes per form, either by the facility/unit that is completing the form to self attest or to make information available to the surveyor.

Hospitals	1227
Hours to complete request and form	x .25
Hours of burden annually to suppliers	306.75

13. Capital Cost of Burden

There are no capital costs associated with this collection.

14. Federal Cost Estimates

All costs associated with this form are incurred by the Federal Government in the normal course of business; therefore, there are no additional costs to the Federal Government.

15. Program/Burden Changes

There are no program/burden changes.

16. Publication and Tabulation Dates

There are no publication and tabulation dates with this collection.

17. Expiration Date

CMS does not want to display the expiration date. The form is used on a continuing basis, and to discard surplus every 3 years (or fewer), would not be economically sound.

18. Certification Statement

There are no exceptions to the certification statement.

C. Collection of Information Employing Statistical Methods

There are no statistical methods associated with this collection.