

**Supporting Statement for the  
Skilled Nursing Facility Cost Report  
FORM CMS-2540-10**

**A. BACKGROUND**

Part A institutional providers must provide adequate cost data to receive Medicare reimbursement (42 CFR 413.24(a)). Providers must submit the cost data to their Medicare Fiscal Intermediary (FI)/Medicare Administrative Contractor (MAC) through the Medicare cost report (MCR).

CMS is requesting the Office of Management and Budget (OMB) review and approve revisions made to the Skilled Nursing Facility (SNF) Cost Report FORM CMS-2540-10, (for cost reporting periods beginning on or after December 1, 2010) which replaces the existing FORM CMS 2540-96. Revisions made to update the forms currently in use are incorporated within this request for approval. Below is a summary of the revisions to the cost reporting forms.

- Clarify existing instructions and definitions.
- Standardize reporting of legislative and policy changes incorporated in the prior version of the SNF cost report (FORM CMS-2540-96) through transmittal updates.
- Standardize subscripted lines and renumber forms.
- Modify to account for 22 additional Resource Utilization Groups (RUGs) as published in the Federal Register Vol.74, No. 153 August 11, 2009.
- Reserved additional lines for future use in anticipation of changes forthcoming because of Section 6104 of the PPACA Public Law 111-148 signed March 23, 2010.
- Modify SNF cost report to mirror changes made to the Hospital Based SNF cost report which is part of the pending Hospital & Hospital Healthcare Complex Cost Report 2552-10.
- Incorporate data previously reported on the Provider Cost Report Reimbursement Questionnaire, FORM CMS-339.

**B. JUSTIFICATION**

1. Need and Legal Basis

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

The CMS-2540-10 cost report is needed to determine the amount of reimbursement that is due to these providers furnishing medical services to Medicare beneficiaries.

## 2. Information Users

The primary function of the cost report is to determine the reimbursement of providers for services rendered to program beneficiaries. The FI/MAC uses the cost report to make settlement with the provider for the fiscal period covered by the cost report. Furthermore, the FI/MAC uses the cost report to determine the necessity and scope of an audit of the records of the provider.

CMS uses the data collected on the MCR to project future Medicare expenditures, determine adequate deductibles and premiums, and develop and update provider market baskets (input price indexes) mandated for use in updating Medicare payment rates. CMS uses the data to develop the RUGs. CMS also uses the data to offer public use data files. In addition, the data is available to Congress, researchers, universities, and other interested parties.

## 3. Improved Information Technology

SNFs are required to submit cost reports via an electronic medium for cost reporting periods ending on or after December 31, 1996.

## 4. Duplication and Similar Information

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

## 5. Small Business

This cost report has been designed with a view towards minimizing the reporting burden for small providers. Some worksheets are completed on an as needed basis which is dependent on the complexity of the provider. Consequently, the burden imposed on them is minimized.

## 6. Less Frequent Collection

42 CFR 413.20(b) and 42 CFR 413.24(f) require that providers submit their cost reports annually. If the annual cost reports are not filed, the Secretary will be unable to determine whether proper payments are being made under Medicare. If a provider fails to file a cost report by the statutory due date, the provider is notified that interim payments will be reduced unless a cost report is filed. If the cost report is not filed within another 30 day period, interim payments are suspended. Finally, if a provider fails to file a cost report, after the above period, all interim payments made since the beginning of the

cost reporting period may be deemed to be overpayments, and recovery action may be initiated.

7. Special Circumstances

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

8. Federal Register Notice/Consultations Outside of CMS

This package has been developed for review and comment by outside consultation

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 and Cost)

a. Hours:

Approximately 15,037 freestanding SNFs file this cost report. It will take an average time of 60 hours for the SNFs that fill out the cost report to complete it, for a total of 902,220 hours (15,037 SNFs X 60 hours). The total national reporting burden for the SNF cost report will be 902,220 hours annually.

SNFs are required to keep a Medicare Log. Maintenance of this log requires SNFs to post charges from their billings to the log in order to support entries in the cost centers of their cost report. Previous data had established that 32 hours of record keeping time was needed for the Medicare log for each SNF filing a the cost report. We also estimate that other record keeping for these SNFs not associated with the log requires 88 additional hours per SNF. Thus, the record keeping burden for each SNF is 32 hours for the Medicare log plus 88 hours for non-Medicare-log records, or 120 hours. The total national record keeping burden is 1,804,440 (15037 SNF's X 120 hours).

b. Cost

The respondent cost is calculated as the number of hours of paperwork burden (2,706,660) (1,804,440 + 902,220) times the standard rate of \$15.00 per hour. Thus, the respondent cost is \$40,599,900.

13. Capital Cost

There are no capital costs.

14. Cost to Federal Government

Cost associated with distribution of forms and instructions:

We no longer print and distribute paper copies of Form CMS-2540-10. Forms and instructions are issued as a part of the Provider Reimbursement Manual. This manual is now transmitted via the internet. \$0

Annual Cost:

Annual cost to Medicare Contractors: Annual cost incurred is related to processing information contained on the forms, particularly associated with achieving settlements. Medicare contractors' handling costs are based on what the Medicare contractors spend. This information comes from the latest available Medicare Contractor Audit & Settlement Report, increased by an inflation factor. 21,541,677.00

Annual cost to CMS: Total CMS processing cost is from the HCRIS Budget. 42,000.00

Total Federal Cost \$21,583,677.00  
0

15. Program/Burden Changes

There are some minor program changes. Changes from the 60 day comment period package include:

- Incorporating 22 additional RUGs as published in the Federal Register Vol.74, No. 153 August 11, 2009.
- Reserved additional lines for future use in anticipation of changes forthcoming because of Section 6104 of the PPACA Public Law.
- We mirrored changes made to the Hospital Based SNF cost report which is part of the pending Hospital & Hospital Healthcare Complex Cost Report 2552-10.
- We incorporated data previously reported on the Provider Cost Report Reimbursement Questionnaire, FORM CMS-339.
  
- Overall reporting burden has been reduced due to:
  - o Consolidation of CMS Form 339 into the overall cost report
  - o Deletion of numerous worksheets
  - o Deletion of many lines and columns

#### 16. Publication and Tabulation Dates

The data submitted on the cost report supports management of the Federal programs. These data are extracted from the cost report by the Medicare contractors and transmitted to CMS. The data are used by the Office of the Actuary for various rate setting and payment refinement activities, and to make projections of the Medicare Trust Fund. In addition, the data is available to Congress, researchers, universities, and other interested parties.

#### 17. Expiration Date

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

#### 18. Certification Statement

There are no exceptions to the certification statement.

### **C. STATISTICAL METHODS**

There are no statistical methods involved in this collection.