

**Supporting Statement for the
Independent Renal Dialysis Facility Cost Report
And Supporting Regulations in 42 CFR 413.20, 413.24, 413.178
FORM CMS-265-94**

A. Background

CMS is requesting the Office of Management and Budget (OMB) extend the approval of Form CMS-265-94 (OMB No. 0938-0236), the Independent Renal Dialysis Facility Cost Report. No revisions have been made to the original forms since the prior approval. The Form CMS-265-94, the Independent Renal Dialysis Facility Cost Report, is filed annually by providers participating in the Medicare program to identify the specific items of cost and statistics of facility operation that independent renal dialysis facilities are required to report.

This form implements regulations at 42 CFR 413.20 and 413.24 which require adequate cost data and cost reports from providers on an annual basis. The data submitted on the cost reports supports management of Federal programs. Providers receiving Medicare reimbursement must provide adequate cost data based on financial and statistical records which can be verified by qualified auditors. The data from these cost reporting forms will be used for the purpose of evaluating current levels of Medicare reimbursement.

B. Justification

1. Need and Legal Basis

Providers of services participating in the Medicare program are required under sections 1815(a), 1833(e), 1861(v)(1)(A) and 1881 (b)(2)(B) of the Social Security Act (42 U.S.C. 1395g) to submit annual information to achieve settlement of costs for health care services rendered to Medicare beneficiaries. Independent renal dialysis (ESRD) facilities are required to submit adequate cost information pursuant to 42 CFR 413.24. The cost information shall be furnished in accordance with the cost reporting, record-keeping and audit requirements set forth in 42 CFR 413.20.

The Form CMS 265-94 cost report is needed to determine the amount of reasonable cost due to the providers for furnishing medical services to Medicare beneficiaries.

2. Information Users

In accordance with sections 1815(a), 1833(e), 1861(v)(1)(A) and 1881 (b)(2)(B) of the Social Security Act, providers of service in the Medicare program are required to submit annual information to achieve reimbursement for health care services rendered to Medicare beneficiaries. In addition, 42 CFR 413.20(b) sets forth that cost reports will be required from providers on an annual basis. Such cost reports are required to be filed with the provider's Medicare contractor. The functions of the Medicare contractor are described in

section 1816 of the Social Security Act.

The Medicare contractor uses the cost report not only to make settlement with the provider for the fiscal period covered by the cost report, but also in deciding whether to audit the records of the provider. 42 CFR 413.24(a) requires providers receiving payment on the basis of reimbursable cost to provide adequate cost data based on their financial and statistical records which must be capable of verification by qualified auditors.

Besides determining program reimbursement, the data submitted on the cost reports supports management of the Federal programs. These data are extracted from the cost report, by the Medicare contractors, for transmission to CMS, and used by the Office of the Actuary in making projections of Medicare Trust Fund requirements. In addition, the data is available to Congress, researchers, universities, and other interested parties. However, collection of data is a secondary function of the cost report, whose primary function is the reimbursement of providers for services rendered program beneficiaries.

Further, the data collected will be used for the following additional purposes:

- a. Determination of reimbursements rates for renal dialysis treatments, self-dialysis training, and other reasonable and medically necessary services rendered in connection with these treatments;
- b. Justification of requests for adjustments or exceptions in the reimbursements rates; and,
- c. Accumulation of data for overall evaluation.

3. Use of Information Technology

Consideration has been given to the reduction of burden by the use of improved information technology to report required cost data. For cost reporting periods ending on or after December 31, 2004, ESRD providers are required to submit cost reports via an electronic medium. Therefore, the estimated hours per respondent have been reduced in consideration of efficiencies gained through increased use of electronic submission of data.

4. Duplication of Efforts

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

5. Small Businesses

This form has been designed with a view toward minimizing the reporting burden for small

businesses. The form is collected as infrequently as possible (annually) and only those data items necessary to determine the appropriate reimbursement rates are required.

6. Less Frequent Collection

The CMS-265-94 is used by ESRD facilities to annually report specific items of operating costs and statistical information. The form is not used to effect cost settlements, however it does provide for the recovery of bad debts. If the information was collected less frequently, it could result in higher reimbursement costs in the ESRD program.

7. Special Circumstances

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

8. Federal Register/Outside Consultation

A 60-day Federal Register notice was published on May 28, 2010. No comments were received.

The Federal Register final rule, published on August 22, 2003, mandated that ESRD facilities must submit cost reports in a standardized electronic format. All ESRD facilities are required to file electronically for cost reporting years ending on or after December 31, 2004. We reviewed and incorporated, where applicable, all relevant comments. A copy of the Federal Register is attached.

9. Payments/Gifts to Respondents

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. Burden Estimates (Hours & Wages)

Estimates of the hour burden and wages of the collection of information:

- a. The average respondent should be able to complete the cost report in 50 hours. The

estimate includes time to gather and compile the data, as well as to maintain required records and complete the forms. An estimate of the respondent burden was secured at the time of a previous approval from a representative sample of organizations required to use the CMS-265-94. The estimate obtained through prior consultations has been reduced in consideration of efficiencies gained through increased use of electronic submission of data.

As of March 3, 2010, 5,508 independent ESRD facilities file this cost report. Based on an average time of 50 hours to complete the cost report, the total national reporting burden is 275,400 hours annually.

- b. The total respondent cost is calculated based on the standard rate of \$15.00 per hour. The standard rate increased from \$12.00 to \$15.00 per hour due to a cost of living increase.
- c. The total respondent cost is calculated as the number of hours of reporting burden (275,400) multiplied by the standard rate of \$15.00 per hour. Thus, the total respondent cost is \$4,131,000.
- d. Respondent cost is calculated as follows:

Number of ESRD facilities (as of 3/3/2010)	5,508
Hours burden per facility	50
Total hours burden (5,508 facilities x 50 hours)	275,400
Standard rate	\$15.00
Total respondent cost estimate	<u><u>\$4,131,000</u></u>

- e. The total respondent cost estimate of \$4,131,000 is a decrease of \$10,230,900 over the prior total respondent cost estimate of \$14,361,900. While the number of respondents increased, the decrease in the total respondent cost estimate is due to the decrease in the hours burden per respondent as a result of efficiencies gained through increased use of electronic submission of data.

13. Capital Costs

There are no capital costs.

14. Cost to Federal Government

<u>Cost associated with distribution of forms and instructions:</u>	
We no longer print and distribute paper copies of Form CMS-265-94. Forms and instructions are issued as a part of the Provider Reimbursement Manual. This manual is transmitted via the internet.	\$0
<u>Annual cost to Medicare Contractors:</u>	
Annual cost incurred is related to processing information contained on the forms, particularly associated with achieving settlements. Medicare contractors' handling costs are based on estimates provided by the Office of Financial Management.	43,513,200
<u>Annual cost to CMS:</u>	
Total CMS processing cost is from the HCRIS Budget:	42,000
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	\$43,555,20
<u>Total Federal Cost</u>	<hr/> <hr/> 0

15. Changes to Burden

While the Program did not change, the following did occur:

While the number of respondents increased from 4,885 (as of 11/15/2006) to 5,508 as of 3/2/2010, the hours required per respondent decreased from 196 (for the last approval) to 50. The decrease in hours is a result of efficiencies gained through increased use of electronic submission of data. Electronic submission is required for cost reporting periods ending on or after December 31, 2004.

The burden of contractor hours has changed based on information provided by the Office of Financial Management to account for the increased hours required to audit ESRD facilities because of Section 4558 of the Balanced Budget Act of 1997.

No changes have been made to the forms. [The forms are attached.](#)

16. Publication/Tabulation Dates

The data submitted on the cost report supports management of the Federal programs. The primary purpose of this report is reimbursement rate-setting and not publication of statistics.

However, some of the statistics and financial data are used in various CMS publications. These data are extracted from the cost report, by the fiscal intermediaries, for transmission to CMS, and are used by the Office of the Actuary in making projections of Medicare Trust Fund requirements. In addition, the data is available to Congress, researchers, universities, and other interested parties. CMS now offers some public use data files via the Internet and through mail order.

17. Expiration Date

We request an exemption from displaying the expiration date since the forms change infrequently and are used on a continuing basis.

18. Certification Statement

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

C. Statistical Methods

There are no statistical methods employed in this collection.