

Supporting Statement for
State Survey Agency Work Sheets for Verifying
Exclusions from the Prospective Payment System
Form CMS-437
And Supporting Regulations in 42 CFR Parts 412.25 – 412.27

A. BACKGROUND

This supporting statement requests Office of Management and Budget's (OMB) approval of the State survey agency (SA) and facility verification/self-attestation worksheet and accompanying burden. The worksheets are based on the current Federal regulations at 42 CFR Parts 412.25 through 412.27.

A limited number of hospitals and special hospital units are excluded from PPS which determines Medicare payment for operating costs and capital-related costs of inpatient hospital services. 42 CFR 412.25 and 42 CFR 412.27 describes the criteria under which these facilities are excluded. Excluded units are paid on the basis of reasonable costs subject to target rate ceilings (provided for by Section 1886(b) of the Social Security Act). The SAs are required to conduct initial onsite surveys of these units to verify that they continue to meet PPS-exclusion criteria.

B. JUSTIFICATION

1. Need and Legal Basis

Certain hospital units are excluded from the Medicare Prospective Payment System (PPS). The exclusion of 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 reverifications to determine that psychiatric units continue to comply with the regulatory criteria at 42 CFR 412.25 and 42 CFR 412.27 of the PPS regulations. These regulations state the criteria that distinct part units must meet for exclusion.

If, as a result of the regular survey process a hospital is certified as a psychiatric hospital by the SA, then it automatically satisfies the regulatory criteria for exclusion. Thus, no additional verification is required for psychiatric hospitals. Some verification is needed, however, to ensure that other types of 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-437 as SA Worksheet for verifying exclusions from PPS for psychiatric units.

Since April 9, 1994, PPS-excluded psychiatric units already excluded from the PPS have met CMS's annual requirement for PPS-exclusion by self-attesting that they remain in compliance with the PPS exclusion criteria. Under the current procedure, all psychiatric 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 psychiatric units.

The aforementioned exclusions continue to exist and thus CMS proposes to continue to use the Criteria Worksheet, Forms CMS-437 (attached) for verifying first-time exclusions from the PPS, 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 PPS-excluded units.

2. Information Users

For first time verification requests for exclusion from the PPS, a unit must notify the RO servicing the State in which it is located that it believes it meets the criteria for exclusion from the PPS. This must be done no later than 5 months before the date the 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 psychiatric units regarding the specific exclusion criteria. The FI conducts its verification activities in-house. The SA records its findings on the CMS-437 psychiatric unit criteria work sheets.

For psychiatric units already excluded from the PPS, annual reverification surveys by the SA are not required. These units will be provided with a copy of the CMS-437 Worksheet at least 120 days prior to the beginning of its cost reporting period, so that the unit official may complete and sign an attestation statement and complete and return the CMS-437 at least 90 days prior to the beginning of its cost reporting period.

The SA must transmit the worksheets to the RO at least 60 days prior to the end of the unit's cost reporting period. This allows their inclusion with other information necessary for determining exclusion from the PPS. 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 unit meets the exclusion criteria. This would lead to ineligible units being excluded from PPS, based on their own assessment that they met the criteria. Verification is an essential part of granting initial PPS exclusion.

3. Improved Information Technology

First time verifications, complaint surveys and 5 percent annual sample reverifications are performed on-site, 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. The survey process treats the unit 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 units must meet for PPS exclusion. There are no other forms used by CMS that accomplish the same purpose.

5. Small Business

This information is required by 42 CFR 412.25 through 412.27. 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 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 continue to be met.

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 December 3, 2010 (75 FR 75475). No comments were received. No further outside consultation was obtained.

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 units is 1,333. The universe is computed as follows:

Psychiatric Units	1,333
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Reporting hours is based on an annual completion time of .25 hours per form, either by the facility/unit that is completing the form to self attest or to make information available to the surveyor.

Pysc Units	1,333
Hours to complete request and form	<u>x .25</u>
Hours of burden annually to suppliers	333

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

No program changes or adjustments.

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.