

**SUPPORTING STATEMENT FOR FORM CMS-287-05 (OMB 0938-0202)
HOME OFFICE COST STATEMENT AND SUPPORTING REGULATIONS IN 42 CFR
SECTIONS 413.20, 413.24 AND 413.17**

A. BACKGROUND

CMS is requesting the Office of Management and Budget (OMB) extend the approval of Form CMS-287-05 (OMB No. 0938-0202) Home Office Cost Statement. The Home Office Cost Statement is filed annually by chain home offices to report the information necessary for the determination of Medicare reimbursement to components of chain organizations. When providers obtain services, supplies or facilities from an organization related to the provider by common ownership or control, 42 CFR 413.17 requires that the provider include in its costs the costs incurred by the related organization in furnishing such services, supplies or facilities. Home offices of chain organizations are a major type of related organization. The home office of a chain is not in itself certified by Medicare; therefore its costs may not be directly reimbursed by Medicare. Home offices usually furnish central management and administrative services such as centralized accounting, purchasing, personnel services, management direction and control and other services. To the extent the home office furnishes services related to patient care to a provider, the reasonable costs of such services are included in the provider's cost report and are reimbursable as part of the providers' costs.

B. JUSTIFICATION

1. Need and Legal Basis

Providers of services participating in the Medicare program are required under sections 1815(a), 1833(e) and 1861(v)(1)(A) 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.

2. Information Users

In accordance with sections 1815(a), 1833(e) and 1861(v) (A) (ii) 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 contractor. The functions of the contractor are described in section 1816 of the Social Security Act.

The home office cost statement, a supporting statement of the provider cost report, also must be furnished to the home office MAC on an annual basis (no later than 5 months after the close of the home office fiscal year end). The schedules included in the home office cost statement are necessary to enable the MAC to determine the total claimed cost and equity capital and their allowability, reasonableness and allocation to the individual components of the chain for purpose of determining Medicare reimbursement. Without this data, there would be no efficient way to determine accurate Medicare reimbursement

3. Improved Information Technology

CMS does not have verifiable data on the number of chain home offices currently using an automated financial management system to produce all or part of this home office cost statement. However, as chain home offices increasingly use automated systems, the burden will significantly reduce. Many home office cost statements are now produced by a combination of manual and automated means (e.g., accounting records are maintained in an automated system but the cost statement is still assembled manually). Currently there are no plans to automate the home office cost statement due to the complexity and diversity of the various components within the chain. A chain is defined as a group of two or more health care facilities or at least one health care facility and any other business or entity owned, leased, or, through any other device, controlled by one organization. A chain organization may also include business organizations engaged in other activities not directly related to health care.

4. Duplication and Similar Information

The cost report is a unique form that does not duplicate any other information collection. This form specifically provides for the data collection that is unique to chain organizations.

5. Small Business

This form has been designed with a view toward minimizing the reporting burden for small chain organizations. Worksheets are completed on an as-needed basis which is dependent on the complexity of the chain. Not all worksheets are needed by all chain home offices.

6. Less Frequent Collection

The CMS-287-05 is used by chain home offices to annually report specific items of operating costs and statistical information. If this information were collected less frequently, CMS would be unable to determine whether proper payments are being paid under Medicare. In addition, if an entity fails to file a home office cost statement, the contractor has the authority to eliminate any home office costs claimed on the various providers' (within the chain) cost reports.

7. Special Circumstances

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

8. Federal Register Notice

The 60 day Federal Register notice published on January 28, 2011 (76 FR 5179). No outside consultation was conducted; however, the public comment period gave the public opportunity to respond, at which time, we received no comments.

9. Payment/Gift to Respondent

There is no payment or gift to respondents.

10. Confidentiality

Section 3112 of Chapter 31, Disclosure of the Home Office Cost Statement, protects the confidentiality of the information collected in most cases under 5 U.S.C. Section 552(b) (4).

11. Sensitive Questions

There are no questions of a sensitive nature.

12. Estimate of Burden (Hours & Wages)

- a. There are approximately 1,541 chain home offices that will be required to use the Form CMS-287-05. We estimate the reporting and record keeping burden associated with the Form CMS-287-05 as follows:
- b. The respondent cost is calculated at 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. As of November 30, 2010, 1,541 chain home offices file this cost statement. Based on an average time of 466 hours (per response) to complete the cost report, the total national reporting burden is 718,106 hours annually.
- d. Respondent cost is calculated as the number of hours of paperwork burden (718,106) times the standard rate of \$15.00 per hour. Thus the estimated respondent cost is \$10,771,590.

13. Capital Costs

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-222-92. Forms and instructions are issued as a part of the Provider Reimbursement Manual. This manual is transmitted via the internet.

\$0

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 estimates provided by the Office of Financial Management.	<u>3,241,500</u>
<u>Total Federal Cost</u>	<u><u>\$3,241,500</u></u>

15. Changes to Burden

The reason for the change is as follow:

- 1) The number of Home office cost statements increased from 1,345 to 1,541 and;
- 2) The hourly rate to complete the home office cost statement went up due to cost of living increases from \$12 to \$15.

16.	<table border="0"> <tr> <td>Number of Home Office cost statements as of 11/30/2007</td> <td style="text-align: right; vertical-align: bottom;">1345</td> </tr> <tr> <td><u>Publication and Tabulation Dates</u></td> <td></td> </tr> <tr> <td>Number of hours of reporting</td> <td style="text-align: right;">138</td> </tr> <tr> <td>Number of hours of record keeping</td> <td style="text-align: right;">328</td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black;">466</td> </tr> <tr> <td>Total # of hrs</td> <td style="text-align: right;">626770</td> </tr> <tr> <td>Cost/hour</td> <td style="text-align: right; border-top: 1px solid black;">\$12</td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">\$7,521,240</td> </tr> </table> <table border="0"> <tr> <td>Number of Home Office cost statements as of 11/30/2010</td> <td style="text-align: right;">1541</td> </tr> <tr> <td>Number of hours of reporting</td> <td style="text-align: right;">138</td> </tr> <tr> <td>Number of hours of record keeping</td> <td style="text-align: right;">328</td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black;">466</td> </tr> <tr> <td>Total # of hrs</td> <td style="text-align: right;">718106</td> </tr> <tr> <td>Cost/hour</td> <td style="text-align: right; border-top: 1px solid black;">\$15</td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">\$10,771,590</td> </tr> </table>	Number of Home Office cost statements as of 11/30/2007	1345	<u>Publication and Tabulation Dates</u>		Number of hours of reporting	138	Number of hours of record keeping	328		466	Total # of hrs	626770	Cost/hour	\$12		\$7,521,240	Number of Home Office cost statements as of 11/30/2010	1541	Number of hours of reporting	138	Number of hours of record keeping	328		466	Total # of hrs	718106	Cost/hour	\$15		\$10,771,590
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There are no publication plans for the data.

17. Expiration Date

Approval to not display the expiration date for OMB approval is being sought. Since this form is changed so infrequently and our internal change process is so extensive, it is not efficient to go through the entire process simply to revise the expiration date.

18. Certification Statement

There are no exceptions to the certification statement.

C. STATISTICAL METHODS

There are no statistical methods employed in this collection.