# Evaluation of the Rural Community Hospital Demonstration

Contract Number: HHSM-500-2011-00013I

## Supporting Statement

# Information Collection Request for Paperwork Reduction Act Clearance

*Prepared for:*

The Center for Medicare & Medicaid Services
U.S. Department of Health and Human Services

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# Part A. Justification

This supporting statement is submitted to request approval from the Office of Management and Budget (OMB) for data collection instruments that will be used in the Centers for Medicare and Medicaid Services (CMS)'s Evaluation of the Rural Community Hospital Demonstration (RCHD).

## 1. Circumstances Making the Collection of Information Necessary

The data collection for which this statement seeks OMB clearance is necessary to meet the reporting requirement for the RCHD, as stipulated by law.

### *1.1 Background on the Rural Hospital Demonstration*

Section 10313 of the Patient Protection and Affordable Care Act of 2010 (ACA) (Public Law 111–148) extended and expanded the (RCHD). Originally authorized under the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (MMA) (Public Law 108–173), the RCHD provides enhanced reimbursement for inpatient services to small rural hospitals that do not qualify as critical access hospitals (CAHs). The RCHD is intended to increase the capability of these hospitals to meet the health care needs of rural beneficiaries in their service areas. As a demonstration, the RCHD aims to provide information that can be used to assess the feasibility and advisability of establishing a new category of rural community hospitals for reimbursement policy. As of June 2013, 22 hospitals from 11 states are participating in the RCHD. This number includes seven hospitals continuing from the original demonstration as authorized under the MMA and 15 new hospitals that joined under the expansion authorized under the ACA.

### *1.2 Reporting Requirement*

For the original demonstration, the MMA required a Report to Congress six months after the end of the demonstration, a requirement unchanged by the ACA. Specifically, the law stipulates that:

> "[n]ot later than 6 months after the completion of the demonstration program under this section, the Secretary shall submit to Congress a report on such program, together with recommendations for such legislation and administrative action as the Secretary determines to be appropriate" (P.L. 108–173 SEC 410A (e)).

An initial demonstration was conducted between 2007 and 2011 toward preparing for a Report to Congress and focused on the 17 hospitals that had participated at some point between October 2004 and March 2011. Subsequently, CMS contracted with IMPAQ International and its subcontractors, Berkeley Policy Associates (BPA) and Mission Analytics Group (Mission), to conduct the current five-year evaluation of the RCHD, which will extend and build on the prior demonstration and produce the Report to Congress required by the MMA. Public dissemination of the results of the evaluation is typically prohibited until the Report to Congress has been delivered.

### *1.3 Overview of the RCHD Evaluation*

The evaluation is designed to collect and analyze Information that is necessary for preparing the required Report to Congress. The current evaluation of the RCHD will assess the impact of the RCHD in meeting its goals: to enable hospitals to achieve community benefits such as improved services for their communities (especially Medicare beneficiaries), meet their individual strategic goals, and improve the financial solvency and viability of the participating hospitals. In addition, the evaluation will develop a Report to Congress which will inform the Secretary of Health and Human Services on the feasibility and advisability of creating a new payment category of rural hospitals. To achieve this objective, the evaluation will examine how RCHD hospitals responded to payment options and assess how the costs to Medicare under RCHD compare to existing alternative payment options. The evaluation will also summarize the characteristics of the markets served by RCHD hospitals, including beneficiaries' proximity to inpatient providers and competition among providers in the area. The information will be used to assess the implications of expanding the RCHD payment system to hospitals in various market environments. In addition, the evaluation will examine the potential costs of expanding the RCHD payment methodology, accounting for alternative approaches to targeting rural hospitals.

## 2. Purpose and Use of the Information Collection

The data collection for which OMB approval is requested is an essential component of the RCHD evaluation. The collected data will be used to support the evaluation, which in turn will generate findings to be used in preparing internal reports to the CMS and developing a Report to Congress as required by the MMA.

### *2.1 Evaluation Design and Need for Data Collection*

The Evaluation of RCHD is comprised of four main analyses, including:

- **A qualitative analysis** of hospital operations, environmental contexts, challenges, goals of the demonstration, use of demonstration funds, and community benefits.
- **A market analysis** to empirically assess hospital service areas, market conditions, and hospital characteristics compared to other small rural hospitals.
- **A financial analysis** of hospital performance before, during, and after (when applicable) the demonstration.
- Two types of **simulations** to calculate the impact of the RCHD on payments to participating hospitals compared to what they would have received in the absence of the demonstration, and to estimate the additional reimbursements required to expand the RCHD under different target scenarios.

This request for OMB approval applies to the new data collection from hospitals for the qualitative data analyses. More details on these data collection activities are summarized in the next section. The market analysis, financial analysis, and simulations will draw data from publically available, extant data sources, and are thus not described in further detail in this request for OMB approval. Additional qualitative data collection that will involve nine or fewer respondents is also planned (interviews with subject experts), but it is not described further in this statement as it does not require OMB clearance. (A full description

of the evaluation is provided in the Analysis Plan for the Evaluation of the RCHD, submitted to the CMS in January, 2013.)

### *2.2 New Data Collection from Hospitals (How and from Whom Data Will be Collected)*

The evaluation proposes to collect new data from the hospitals participating in the RCHD. The data collection activities subject to OMB approval include interviews with hospitals and annual progress reports from hospitals.

#### *2.2.1 Interviews with Participating Hospitals*

Each hospital participating in the demonstration will be interviewed twice over the course of the evaluation. A representative of each hospital will be asked to participate in the interviews, and receive an interview information sheet prior to the interview. Evaluators will conduct the interviews with these hospital administrators over a toll-free conference line. The proposed timeline and purpose of these interviews are summarized as follows:

- **Round 1 Continuing Hospital Interviews** for late spring 2014. Continuing hospitals are hospitals that were interviewed in the previous evaluation. These interviews will focus on updating information on hospitals gathered during the previous evaluation and gathering data on their decision to continue in the demonstration. Because there are only seven continuing hospitals and these interviews will use a protocol distinct from later rounds of interviews, OMB clearance is not required for these interviews.

- **Round 1 Interviews with New Hospitals** will occur as soon as OMB clearance is granted (expected in late spring of 2014). There are 15 new applicant hospitals that have never been interviewed. Except for two interviews that will be conducted as pilots (to determine burden and test the revised protocols for this data collection request), these interviews will occur after OMB clearance. The purpose of these interviews is to learn about the impact of the RCHD on hospital finances, community benefits of the RCHD, and hospital environments and challenges.

- **Round 2 Interviews** will occur in early fall of 2015 and will include all continuing and new hospitals still participating in the demonstration in late 2014. In addition to covering any major changes since the previous interviews, the purpose of these interviews is to address the effects of the ACA, many components of which will take effect in 2014 and may affect the impact of and need for the demonstration.

- **Interviews with Exiting Hospitals** will occur as needed. Hospitals that choose to withdraw from the demonstration will be interviewed in order to understand the reasons for withdrawal and thus analyze the benefits of the demonstration in comparison to other payment mechanisms.

  While 10 of 17 original participant hospitals from the previous round of the RCHD evaluation left the demonstration, attrition among the current group of hospitals is expected to be much lower. In the first five years of the demonstration, the hospitals that exited the RCHD did so to take advantage of alternative payment systems (e.g., the critical access hospital (CAH) and sole community hospital (SCH) payment systems) that were more financially advantageous to them. The exits reflected time-limited options such as the exemption from the distance criterion for CAHs (which expired in January 1, 2006) or policy changes such as the update of the SCH

payments to the 2006 cost period. The current group of participating hospitals is unlikely to become eligible for CAH payments, and, unless SCH payments are rebased to a later year, the RCHD currently reflects more recent costs than SCH. As a result, the demonstration is likely to remain the better financial option for the currently participating hospitals over the data collection period. Without financial incentives to leave the demonstration, it is unlikely that the attrition will reach more than nine. Because no more than nine hospitals are expected to leave the demonstration during the demonstration, OMB clearance is not requested from these interviews. In a highly unlikely event that more than nine hospitals leave the demonstration, the data will be collected from the first nine hospitals that will agree to be interviewed.

*2.2.1 Annual Progress Reports of Hospitals*

All hospitals participating in the RCHD will be asked to submit annual progress reports covering a year-long period (based on hospital fiscal year). The evaluation team will collect reports through late 2016 once OMB approval is granted (the exact data collection schedule will vary by hospital according to their fiscal year). These reports will be due three months after the end of that period. A representative from each hospital will be asked to fill out the progress report template. The purpose of the annual progress report is to gather information on hospital operations, environmental context, service utilization, community benefits, payer mix, financial indicators, and the amount of RCHD payments. Hospitals will have the option of using an online reporting tool with drop down menus and skip patterns (described in more detail below). Hospitals who do not want to use the online tool will fill out a paper form.

***2.3 Data collection instruments***

Table 1 summarizes the protocols used in collecting new data from hospitals, proposed fielding dates, and whether OMB approval is required. Along with this statement, copies of the data collection protocols for which OMB approval is required are provided in the OMB package.

**Table 1: Instruments for collecting new data from hospitals under the evaluation of the RCHD.**

| Protocol Type | Proposed Fielding Dates | Expected number of respondents | OMB Approval Required? | Instrument included in OMB package? |
|---|---|---|---|---|
| Round 1 continuing hospital interviews | Late spring 2014 | 7 | No | No |
| Round 1 new hospital interviews | Immediately pending OMB approval | 15 | Yes | Yes |
| Round 2 hospital interviews | Early fall 2015 | 22 | Yes | Yes |
| Exit interviews with hospitals | As needed when hospitals exit. No more than 9 hospitals are expected to leave during the demonstration. | Less than 9 | No | No |
| Annual progress report | Annually on a rolling basis over the 3 hospital fiscal year cycles, starting after OMB approval, through November 2016 (the exact fielding date will vary by hospital). | 22 | Yes | Yes |

## 3. Use of Improved Technology and Burden Reduction

Wherever possible, the evaluation will use current information technologies to maximize the efficiency and completeness of the information needed for the study, and to minimize the burden placed on respondents. Email to a lead contact at each hospital will be the primary method by which evaluators communicate with hospitals. Interviews with hospitals will be conducted over a toll-free conference line.

The annual report form will be web-based in order to simplify completing the report and reduce burden on respondents. Each hospital will be provided with a user name and password to protect their data, and to allow respondents to access the form multiple times without losing their data. Rather than requesting a written document answering open-ended questions, the online reporting tool will permit the use of drop down menus and skip logic where applicable to reduce the time required to fill in the information. In order to reduce burden, results will be pre-populated wherever possible for hospitals to review and update. The evaluation team will offer a webinar demo session, and will be available throughout the project to provide technical assistance.

## 4. Efforts to Identify Duplication and Use of Similar Information

There has not yet been a complete evaluation of the full Rural Community Hospital Demonstration (RCHD) nor a Report to Congress on the feasibility and advisability of creating a new payment category of rural hospitals, as required by the Medicare Prescription Drug, Improvement, and Modernization Act (MMA) of 2003 (Public Law 108–173). No data about the demonstration have been collected from the 15 new hospitals that joined the demonstration in 2010, and no data have been collected for the seven continuing hospitals since 2010. The new data collection under this request for OMB approval will provide information covering the demonstration period extended by the Patient Protection and Affordable Care Act (ACA) of 2010 (Public Law 111–148).

To minimize the chance that hospitals will be asked to provide information that are available from existing sources, the evaluation uses extant data whenever possible. As mentioned in section 2 above, the financial, market, and simulation analyses of the evaluation utilize publically available data sources. The new data collection from hospitals, for which OMB approval is sought, is also designed to avoid duplicate data collection. The evaluation team is thoroughly reviewing the qualitative data captured in the previous evaluation through interviews and annual progress reports, so hospitals do not have to repeat information already provided. For the interview protocols, where appropriate, data from publicly available sources such as the Area Resource File or the 2010 Census will be used to inform interview questions pertaining to the characteristics of hospital market areas prior to interviews. These interview questions are designed to acquire information about demonstration hospitals' perception of their markets, rather than specific market data. The perception administrators have of their markets and/or competitive environments is a key aspect of the financial and operational choices of demonstration hospitals, and is therefore an essential input needed to evaluate the demonstration's impact on hospital financial viability and community benefit. For annual reports, the evaluation will populate report templates as much as possible ahead of the data collection, utilizing publically-available hospital-level data (e.g., financial records from the Healthcare Cost Report Information System), available hospital-specific documents (e.g., hospital's own financial statements, annual reports), and the data collected under the previous evaluation. The hospitals will then be asked to verify or update the pre-populated information.

## 5. Impact on Small Businesses or Other Small Entities

The data are collected from small rural hospitals, and the primary respondents are hospital administrators. The new data collection requesting OMB approval is not expected to affect the ability of the participating hospitals to conduct their core business of providing medical services to their communities. The impact of the new data collection on hospitals will be limited to the burden directly related in responding to the data collection activities (i.e. hours respondents would spend participating in interviews or preparing annual reports).

Participation in the demonstration is voluntary, and hospitals are aware when they elect to participate that the demonstration requires their participation in evaluation activities. Nevertheless, the evaluation makes efforts to minimize the burden on small hospitals as much as possible. Burden is reduced for all respondents by requesting only the minimum information required to meet the study objectives. For both interviews and annual progress reports, hospitals are asked to provide readily-available information that they would maintain as part of their regular hospital management and operation. Interviews will be scheduled around the availability of respondents, and will be conducted with strict adherence to the allotted time. Only existing and necessary data will be requested from these entities for annual reports, thereby reducing the burden to hospitals. Hospitals will only be asked to update information that has changed since previous reports, and evaluators' review of existing data will facilitate only asking necessary questions during interviews and filling in the annual report template with pre-existing data.

## 6. Consequences of Collecting the Information Less Frequently

This research effort will lead to a Report to Congress. If these data are not collected, detailed and timely information about the RCHD may not be obtained in order to determine the advisability of continuing the payment mechanism.

If we reduce the number of interviews, the analyses would have to more heavily rely on hospital personnel's recollections covering a longer period of time, which would risk the quality and timeliness of the information. If we reduce the number of the annual reports, it may increase burden, because hospitals may have to go back to their archived records. We expect that a yearly update is less burdensome than uploading several years' worth of information at once.

## 7. Special Circumstances Relating to the Guidelines of 5 CFR 1320.5

There are no special circumstances involved with the data collection.

## 8. Comments in Response to the Federal Register Notice and Efforts to Consult Outside the Agency

The 60-day Federal Register Notice (78 FR 68851) was published on November 15, 2013. There were no public comments.

## 9. Explanation of Any Payment or Gift to Respondents

Respondents will not be provided any payment or gift for participating in this data collection.

## 10.Assurance of Confidentiality Provided to Respondents

The evaluation team, represented by Berkeley Policy Associates and Mission Analytics Group, is bound by the terms of the contract, local and federal regulations including the Privacy Act (45 CFR 5b), as well as the company's security policies, to assure protection of confidential data.

The new data collection does not collect any information or records on individual respondents or any other individuals. It collects institutional information on the hospitals that the individuals represent and their views on organizational experiences with the RCHD. It does not collect proprietary information that could affect business operations if disclosed. The identities of individual informants are kept confidential. The raw data collected (e.g., transcripts of interviews, raw records from progress reports) will be kept confidential and used only for the purpose of the evaluation. (The identities of the RCHD hospitals are, however, public records.)

Confidentiality is assured by compliance with the Public Health Service Act (42 USC 299a-1(s), which states that: "*No information, if an establishment or person supplying the information or described in it is identified, obtained in the course of activities undertaken or supported under this title may be used for any purpose other than the purpose for which it was supplied unless such establishment or person has consented (as determined under regulations or the Secretary) to its use for such other purpose. Such information may not be published or released in other form if the person who supplied the information or who is described in it is identifiable unless such person as consented (as determined under regulation of the Secretary) to its publication or release in other form.*"

Prior to interviews, the evaluation team will inform respondents that their names will not be used in any formal reports (interim and final reports of the evaluation and a Report to Congress), that no quotes will be attributed to them personally, and that the evaluators will document that the information is from their hospital. Evaluators will ask respondents' consent prior to recording interviews, and will inform respondents that recordings will only be used internally to verify information, and not shared with anyone outside of the research team. For annual reports, each hospital will input the information into its own assigned form, which will require a password to access so that other hospitals (or any other users) will not be able to view or edit any of the information without the password. The online report will use SSL encryption for privacy protection.

The evaluation team members at BPA and Mission observe strict protocols for handling confidential data. According to the level of sensitivity and confidentiality of the information, the evaluation team requires the use of password-protected computer accounts on a secure server or a stand-alone secure computer, locked storage facilities, and the shredding of intermediate project-related paper output. At both BPA and Mission, servers are firewalled and backed up, and physically secured in an access-limited office site.

For the online annual report, the evaluation team will use a web-based data collection tool developed by a third-party that provides the level of data security and privacy protection required to keep the collected hospital data confidential and maintain compliance with the privacy laws. The data security

and privacy policies associated with the use of the online report will be disclosed and explained to hospitals, and hospitals will be provided with the option of providing the information without using the online tool.

## 11. Justification for Sensitive Questions

No questions of a personal or sensitive nature are included in the interview protocols or annual progress report. The data collected in hospital interviews and annual progress reports is institutional information.

## 12. Estimates of Annualized Burden Hours and Costs

Estimates of annualized numbers of responses and burden hours for each data collection activity and the total are provided in Tables 2 and 3 separately for public and private sector hospitals.[1] There are 15 private and 7 public hospitals in the study. Of those, 10 new private and 3 new public hospitals will be requested to participate in Round 1 interviews, and all participating hospitals will be asked to participate in Round 2 interviews and the Annual Progress Reports.

For Round 1 interviews with new hospitals, it is estimated that each hospital respondent will spend 1.5 hours in the phone interview and 1 hour in reviewing interview summary notes, which are provided to them after each interview. For Round 2 interviews with both continuing and new hospitals, it is estimated that each respondent will spend 1 hour in the phone interview and 1 hour in reviewing interview summary notes. For Annual Reports, it is estimated that each respondent will spend 8 hours gathering and preparing the information requested, and 2 hours entering the data in the online electronic form.

Across the 15 private sector hospitals, we estimate 505 hours of collection time and 70 responses across the 3 collection years for approximately 7.2 (=505/70) hours per response (Table 2, page 9). Annually, 23.3 responses will be provided across all 15 hospitals per year, averaging 1.46 (=23.3/15) responses per respondent per year. For private sector hospitals, the total annualized burden hours and cost of the new data collection activities under this OMB approval request are estimated to be 168.33 (=505/3) hours and $7,771.95 (=$23,315.85/3). Annually all 15 hospitals will provide 23.3 responses, 15 of which will be for the annual reports submitted using the online tool. Thus, 64.4 (=15/23.3) percent of responses (on the annualized basis) will be collected electronically.

Table 3 presents the corresponding statistics for the 7 public sector hospitals, for which we estimate 231.5 hours of collection time and 31 responses across the 3 years for approximately 7.5 (=231.5/31) hours per response. Across the 10.3 responses per year, each hospital is expected to provide 1.47 (=10.3/7) responses per respondent per year. The annualized hour and cost burden are estimated at 77.2 hours (=231.5/3) and $3,562.79 (=$10,688.36/3) respectively. Each year the 7 public sector hospitals will submit an annual report via the online tool, consequently 68 (=7/10.3) percent of responses each year will be submitted electronically.

Interview hours per response were estimated from feedback provided by a new hospital during a pilot interview and by two continuing hospitals based on their experience participating in the previous evaluation. During these interviews, we confirmed that the necessary data can be collected during the

[1] Private sector hospitals include independent non profits or hospitals owned by multi hospital systems

planned interview time. Hospitals do not need to prepare for the interviews; they are asked to provide information based on memory and perception. The estimated hours for annual reports is based on the time required to gather the information and enter data into the online tool.

The hourly rate for respondents was estimated based on the May 2011 national averages as presented in the United States Department of Labor, Bureau of Labor Statistics, Occupational Employment Statistics. As respondents are at the management level of the hospitals across the nation, the national average hourly rate for the occupational group Medical and Health Services Managers (11-9111) was used to calculate cost burden (see http://www.bls.gov/oes/current/oes_nat.htm#11-0000).

**Table 2: Estimation of hour and cost burden over the three year data collection period for private sector hospitals**

| | (a) Number of respondents | (b) Hours per response | (c) Hourly rate ($) | (d) Hour burden per response (a) x (b) | (e) Number of years data are collected | (f) Total responses over 3 years (a) x(e) | (g) Total hour burden over 3 years (d) x ( e) | (h) Total cost burden over 3 years (g) x (c) | (i) Annualized number of responses (f)/3 | (j) Annualize hour burden (g) / 3 | (k) Annualized cost burden (h) / 3 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Round 1 interviews with new hospitals | 10 | 2.5 | 46.17 | 25 | 1 | 10 | 25.0 | 1,154.25 | 3.3 | 8.3 | 384.75 |
| Round 2 interviews with all hospitals | 15 | 2.0 | 46.17 | 30 | 1 | 15 | 30.0 | 1,385.10 | 5 | 10.0 | 461.70 |
| Annual progress report | 15 | 10.0 | 46.17 | 150 | 3 | 45 | 450.0 | 20,776.50 | 15 | 150.0 | 6,925.50 |
| Total | | | | | | 70 | 505.0 | 23,315.85 | 23.3 | 168.3 | 7,771.95 |

**Table 3: Estimation of hour and cost burden over the three year data collection period for public sector hospitals**

| | (a) Number of respondents | (b) Hours per response | (c) Hourly rate ($) | (d) Hour burden per response (a) x (b) | (e) Number of years data are collected | (f) Total responses over 3 years (a) x(e) | (g) Total hour burden over 3 years (d) x ( e) | (h) Total cost burden over 3 years (g) x (c) | (i) Annualized number of responses (f)/3 | (j) Annualize hour burden (g) / 3 | (k) Annualized cost burden (h) / 3 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Round 1 interviews with new hospitals | 3 | 2.5 | 46.17 | 7.5 | 1 | 3 | 7.5 | 346.28 | 1.0 | 2.5 | 115.43 |

**Table 3: Estimation of hour and cost burden over the three year data collection period for public sector hospitals**

| | (a) Number of respondents | (b) Hours per response | (c) Hourly rate ($) | (d) Hour burden per response (a) x (b) | (e) Number of years data are collected | (f) Total responses over 3 years (a) x(e) | (g) Total hour burden over 3 years (d) x ( e) | (h) Total cost burden over 3 years (g) x (c) | (i) Annualized number of responses (f)/3 | (j) Annualize hour burden (g) / 3 | (k) Annualized cost burden (h) / 3 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Round 2 interviews with all hospitals | 7 | 2.0 | 46.17 | 14 | 1 | 7 | 14.0 | 646.38 | 2.3 | 4.7 | 215.46 |
| Annual progress report | 7 | 10.0 | 46.17 | 70 | 3 | 21 | 210.0 | 9,695.70 | 7.0 | 70.0 | 3,231.90 |
| Total | | | | | | 31 | 231.5 | 10,688.36 | 10.3 | 77.2 | 3,562.79 |

## 13.Estimates of Other Total Annual Cost Burden to Respondents and Record Keepers

There is no direct start-up or other cost to individual respondents other than their time to participate in the evaluation, as estimated above.

## 14.Annualized Cost to the Federal Government

The estimated annual cost to the government is about $31,102 for all direct and indirect costs of preparing and conducting interviews and annual data collection and analysis activities.

Federal FTE costs are expected to be negligible. The Project Officer for this CMS contract may be required to spend 0.2% of his time on the administration of this activity.

## 15.Explanation for Program Changes or Adjustments

This is a new data collection.

## 16.Plans for Tabulation and Publication and Project Time Schedule

These results will be presented in two interim reports and one final report to the CMS, which will be treated as internal documents of the CMS, and the Report to Congress, which will be shared externally and treated as a public document after submission to Congress.

## 17.Reason(s) Display of OMB Expiration Date is Inappropriate

The expiration date of the OMB approval will be displayed on the first page of the interview protocols and the annual report (on the online template or on the paper form). The information on the expiration date will also be included in correspondence sent to the hospital respondents.