

SUPPORTING STATEMENT
Skilled Nursing Facility and
Skilled Nursing Facility Health Care Complex Cost Report
and Supporting Regulations in 42 CFR 413.20 and 413.24
FORM CMS-2540-10 (OMB 0938-0463)

A. BACKGROUND

CMS is requesting the Office of Management and Budget (OMB) review and approve Form CMS-2540-10, Skilled Nursing Facility and Skilled Nursing Facility Health Care Complex Cost Report. These cost report forms are filed annually by freestanding providers participating in the Medicare program to effect year end cost settlement for providing services to Medicare beneficiaries.

42 CFR 413.20 and 413.24 require adequate cost data and cost reports from providers on an annual basis. The data submitted on the cost report 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 Patient Protection and Affordable Care Act, § 6104(1) of Public Law 111-148 amended § 1888(f) of the Social Security Act (“Reporting of Direct Care Expenditures”), requires SNFs to separately report expenditures for wages and benefits for direct care staff (breaking out (at a minimum) registered nurses, licensed professional nurses, certified nurse assistants, and other medical and therapy staff). In implementing these changes Worksheet S-3, part V was added. With the addition of this worksheet the average record keeping time for each provider will be increased by 5 hours and the average reporting time by 1 hour.

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 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

In accordance with sections 1815(a), 1833(e) and 1861(v)(1)(A) 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) requires providers to submit cost reports on an annual basis. Such cost reports are required to be filed with the provider's contractor. The functions of the Medicare contractor are described in sections 1816 and 1842 of the Social Security Act.

The 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 payments to provide adequate cost data based on their financial and statistical records which must be capable of verification by qualified auditors.

Besides determining Medicare program reimbursement, the data submitted on the cost report supports management of other Federal programs. These data are extracted from the cost report by the Medicare contractors and transmitted to CMS. The Office of the Actuary uses the data for various rate setting and payment refinement activities, and to make projections of the Medicare Trust Fund. CMS uses the data to develop the Resource Utilization Group(s) or RUG(s). In addition, the data is available to Congress, researchers, universities, and other interested parties. However, the collection of data is a secondary function of the cost report, whose primary function is the reimbursement of providers for services rendered to program beneficiaries.

3. Improved Information Technology

Skilled Nursing Facilities (SNFs) are required to submit cost reports via an electronic medium for cost reporting periods ending on or after March 31, 1997.

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

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 cost report is not filed, the contractor has the authority to reduce or suspend interim payments. In addition, if a provider fails to file a cost report, all interim payments made since the beginning of the cost reporting period may be deemed 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

The 60 day Federal Register notice published on March 11, 2011 (76 FR 13415). No comments pertaining to that notice were received. CMS consulted with outside accountants to seek their advice as the form was created.

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. There are approximately 15,701 freestanding SNFs that file this cost report. Using this number, we estimate the reporting and record keeping burden associated with the Form CMS-2540-10 as follows:
- b. The respondent cost is calculated at the standard rate of \$15.00 per hour.
- c. As of December 2010, 15,701 SNFs file this cost report. Based on an average time of 202 hours (per respondent) to complete the cost report, the total national reporting burden is 3,171,602 hours annually.
- d. Respondent cost is calculated as the number of hours of paperwork burden 202 times

the standard rate of \$15.00 per hour. Thus, the estimated cost is \$3,030 (per respondent) or \$47,574,030 (total).

13. Capital Cost

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-2540-10. Forms and instructions are issued as a part of the Provider Reimbursement Manual. This manual is now transmitted via the internet.	\$0
<u>Annual cost to Medicare Contractors:</u> Annual costs incurred are related to processing information contained on the forms, particularly associated with achieving settlements. Medicare contractors' handling costs are based on what Medicare contractors' spend. This information comes from the latest available data maintained by the Office of Financial Management.	23,593,500
<u>Annual cost to CMS:</u> Total CMS processing cost is from the HCRIS Budget.	42,000
<u>Total Federal Cost</u>	<u>\$23,635,500</u>

15. Program/Burden Changes

The Patient Protection and Affordable Care Act, sec. 6104(1) of Public Law 111-148 amended sec. 1888(f) of the Social Security Act ("Reporting of Direct Care Expenditures"), requires SNFs to separately report expenditures for wages and benefits for direct care staff (breaking out (at a minimum) registered nurses, licensed professional nurses, certified nurse assistants, and other medical and therapy staff). In implementing these changes Worksheet S-3, part V was added. With the addition of this worksheet the average record keeping time for each provider will be increased by 5 hours and the average reporting time by 1 hour. This additional burden hours is an increase based on new statute of 6 hours times 15,701 respondents or 94,206 hours.

In addition, an increase in burden is also due to an adjustment to the number of respondents. That adjustment increased the number of respondents (based on the latest

facility participant counts) from 15,034 to 15,701, or by 664 respondents times burden hours of 180 or 119,520 hours.

An increase in burden hours is also a consequence of agency discretion. The original burden hours under the new form 2540-10 were decreased from 196 to 180; however, the decrease was not warranted as the forms that were eliminated in a separate filing under form CMS-339, were incorporated into the form 2540-10 and were considered in the additional burden being computed under ACA section 6104. Therefore the additional burden hours of 16 hours times 15,701 respondents or 251,216 hours is agency discretion.

16. Publication and Tabulation Dates

CMS offers some public use data files via the Internet and through mail order.

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.