SUPPORTING STATEMENT FOR FORM CMS-224-14
FREESTANDING FEDERALLY QUALIFIED HEALTH CENTER
COST REPORT

A. BACKGROUND

CMS is requesting the Office of Management and Budget (OMB) review and approve this request for the Federally Qualified Health Center (FQHC) Cost Report, Form CMS-224-14 for use by FQHCs for cost reporting periods beginning on or after October 1, 2014. For cost reporting periods beginning prior to October 1, 2014, FQHC's use the existing Form CMS-222-92, the Independent Rural Health Clinic/Freestanding Federally Qualified Health Center Cost Report, which reimbursed FQHCs on a reasonable cost basis subject to an all-inclusive rate per visit limit. Form CMS-222-92 will continue to be utilized by independent rural health clinics. The new form reflects the FQHC requirements set forth in the final rule published May 2, 2014 that implemented statutory requirements of the Affordable Care Act (ACA). For cost reporting periods beginning on or after October 1, 2014, section 10501(i)(3)(A) of the ACA, codified in section 1834(o) of the Social Security Act (the Act), changed the payment methodology for FQHCs and implemented a prospective payment system (PPS). See 42 CFR 405.2467. The PPS for FQHCs is required to take into account the type, intensity, and duration of services furnished by FQHCs and may include adjustments, including geographic adjustments, determined appropriate by the Secretary.

The forms and instructions have been designed to improve the quality of our cost estimates. For example, we rearranged the cost centers on the trial balance to comply with the regulation at 42 CFR 413.24(d)(1) and added a worksheet to collect revenue and expenses so that CMS can estimate total facility and Medicare margins that may be used in future payment update activities. We also removed the productivity standards and also added data elements and a worksheet specifically designed to collect data that will facilitate the development of a FQHC market basket in accordance with the requirements in the ACA. Additionally, the form incorporates data previously reported on the Provider Cost Report Reimbursement Questionnaire, Form CMS-339; into a new worksheet, thus eliminating the need to file an additional form at the time of cost report filing

B. JUSTIFICATION

1. Need and Legal Basis

   Providers of services participating in the Medicare program are required under sections 1815(a) and 1861(v)(1)(A) of the Act (42 U.S.C. 1395g) to submit annual information to achieve settlement of costs for health care services rendered to Medicare beneficiaries. In addition, regulations at 42 CFR 413.20 and 413.24 require adequate cost data and cost reports from providers on an annual basis.

   The Form CMS-224-14 cost report is needed to determine a provider's reasonable costs incurred in furnishing medical services to Medicare beneficiaries and reimbursement due to or from a provider.
2. Information Users

The cost reports are required to be filed by the FQHCs to their Medicare Administrative Contractor (MAC). The functions of the MAC are described in section 1816 of the Act.

The primary function of the cost report is to implement the principles of cost reimbursement which require that FQHCs maintain sufficient financial records and statistical data for proper determination of costs payable under the program. The collection of data is a secondary function of the cost report. The data is used by CMS to support program operations, payment refinement activities, and to make Medicare Trust Fund projections.

3. Use of Information Technology

FQHCs are required to submit Medicare cost reports electronically for cost reporting periods ending on or after March 31, 2005.

4. Duplication and Similar Information

This information collection does not duplicate any other effort and the information cannot be obtained from any other source.

5. Small Business

These cost reporting forms have been designed with a view toward minimizing the reporting burden for the 1,296 FQHCs, including consolidated FQHCs certified to participate in the Medicare program, 36 of whom qualify as small entities. 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

If the annual cost report is not filed, CMS will be unable to determine whether proper payments are being made under the program. A provider who fails to file a cost report by the statutory due date is notified that interim payments will be reduced, suspended or deemed overpayments.

7. Special Circumstances

This information collection complies with all general information collection guidelines as described in 5 CFR 1320.6 without the existence of special circumstances.

8. Federal Register Notice

The 60 day Federal Register notice published on December 19, 2014. Three entities submitted comments during the 60-day Notice period, most of which related to how the cost per visit was calculated on the cost report and the burden associated with the addition of data elements that CMS is collecting to facilitate the development of the FQHC market basket required by the ACA and to improve the quality of our cost estimates. We responded to these specific comments in the attached document.

CMS discussed possible changes to the cost report in the FQHC prospective payment system (PPS) Final Rule (79 FR 25461 published on May 2, 2014). We indicated the revisions to the cost reporting forms and instructions would provide us with information that would improve the quality of our cost estimates, and the types of cost data that would facilitate the development of a FQHC PPS market basket. In addition, we noted that Medicare payments for influenza and pneumococcal vaccines and their administration, allowable graduate medical education costs, and bad debts would continue to be determined and paid through the cost report. CMS also consulted with the Health Resources and Services Administration (HRSA), to address the possibility of duplicate payments to FQHCs (i.e. graduate medical education) under multiple federal programs, especially small rural providers.

CMS provided responses to comments received from the 60-day Notice that were posted on August 4, 2015 on the Office of Management and Budget, Office of Information and Regulatory Affairs webpage found at http://www.reginfo.gov.

Additionally, CMS held a listening session with the National Association of Community Health Centers (NACHC) and their consultants prior to finalizing the form CMS-224-14.

9. Payment/Gift to Respondent

   There is no payment or gift to respondents.

10. Confidentiality

    Confidentiality is not assured. 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 & Wages)

Number of FQHC facilities required to file the Form CMS-224-14 (as of 12/31/2013)	1,296
Hours burden per facility to complete the cost report	58
Total hours burden (facilities x 58 hours)	75,168
Standard labor rate per hour	$40.00
Total respondent cost estimate	$3,006,720

The burden estimate for each FQHC is primarily affected by the collection of the data needed to complete the Form CMS-224-14. The standard rate per hour is a weighted average derived from the most recent salary reported by the Bureau of Labor Statistics (BLS) in its Occupation Outlook Handbook for data entry, clerical, accounting and audit professionals. Specifically, the hourly rates for accounting/auditor professionals and data entry/clerical professionals were weighted to determine the rate of approximately $20.00 per hour based on data from the 2014 survey. An additional $20 per hour is added to cover the cost of overhead and fringe benefits resulting in a total value of $40 per hour.

The rate per hour reflects the significant use of data entry/clerical professionals for ongoing data gathering and record keeping tasks. And, a moderate use of accounting/financial professionals for information verification and review, and cost report preparation and submission to the applicable Medicare Administrative Contractor (MAC).

Burden hours per facility are an estimate of the time required (number of hours) to complete the information collection (cost report) for each FQHC, including time to review the cost report instructions, search existing resources, gather the data needed, and complete and review the information collection.

13. Capital Costs

There are no capital costs as this data collection tool, Form CMS-224-14 replaces the existing data collection tool, Form CMS-222-92 for FQHCs reimbursed under the PPS. The format has changed but the information collected remains the same.

14. Cost to Federal Government

Annual cost to Medicare Contractors:	
Annual costs incurred are related to processing information contained on the forms, particularly associated with achieving settlements. Medicare contractors' processing costs are based on estimates provided by the CMS' Office of Financial Management (OFM).	$5,849,000
Annual cost to CMS: Total CMS processing cost is from the Healthcare Cost Reporting Information System Budget:	44,000
Total Federal Cost	$5,893,000

15. Changes To Burden

    FQHCs previously completed the Form CMS-222-92 and the burden was estimated to be 50 hours per respondent. The burden for the Form CMS-224-14 is estimated to be 58 hours per respondent. The burden per respondent is increased by 8 hours due to the addition of new worksheets and the incorporation of the Form CMS-339.

16. Publication and Tabulation Dates

    The data on the cost report is not published or tabulated.

17. Expiration Date

    CMS will display an expiration date on the form.

18. Certification Statement

    There are no exceptions to the certification statement.

C. STATISTICAL METHODS

There are no statistical methods employed in this collection.