

**SUPPORTING STATEMENT FOR FORM CMS-
2540-10 SKILLED NURSING FACILITY AND
SKILLED NURSING FACILITY HEALTH CARE COMPLEX COST
REPORT**

A. BACKGROUND

CMS is requesting the Office of Management and Budget (OMB) review and approve the revisions made to the Form CMS-2540-10, Skilled Nursing Facility (SNF) and Skilled Nursing Facility Health Care Complex Cost Report. The revisions made to the cost report are for Hospice facilities that file as part of a SNF healthcare complex. The revisions incorporate §3132 of the Patient Protection and Affordable Care Act (ACA) which require that CMS collect appropriate data and information to facilitate hospice payment reform.

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. 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-2540-10 cost report is needed to determine a provider's reasonable cost incurred in furnishing medical services to Medicare beneficiaries and reimbursement due to or from a provider. The data is used by CMS to calculate:

- Market basket weight and the labor related shares,
- Rate setting and payment refinement, and
- Medicare and total facility margins for Medicare-covered services by type of service.

2. Information Users

The cost reports are required to be filed with the provider's Medicare Administrative Contractor (MAC). The functions of the MAC are described in section 1816 of the Social Security Act.

The primary function of the cost report is to implement the principles of cost reimbursement which require that SNFs maintain sufficient financial records and statistical data for proper determination of costs payable under the program. The Office of the Actuary, the Center for Medicare and Medicaid Innovation, and the policy components in the Center for Medicare rely on the cost report to perform an

array of analysis. 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

SNFs are required to submit cost reports electronically.

4. Duplication of Efforts

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

5. Small Business

All SNFs regardless of size, are required to complete these cost reporting forms. These cost reporting forms have been designed with a view toward minimizing the reporting burden when a SNF experiences low Medicare utilization. A low utilization SNF is required to complete a limited number of worksheets contained in the CMS 2540-10. The CMS 2540-10 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 Medicare. 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 in 5 CFR 1320.6 without the existence of special circumstances.

8. Federal Register Notice

The 60 day Federal Register notice was published on May 1, 2015. We received several comments. See the attached for CMS responses to those comments.

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 and Cost)

Number of SNFs required to file the Form CMS-2540-10 (as of 10/28/2014)	14,398
Number of hours of reporting 65	
Number of hours of record keeping 137	
Hours burden per facility to complete the cost report (65 hours + 137 hours)	202
Total hours burden (14,398 facilities x 202 hours)	<u>2,908,396</u>
Standard rate per hour	\$40.00
Total respondent cost estimate	<u>\$116,335,840</u>

The burden estimate for each SNF is primarily affected by the collection of the data needed to complete the Form CMS-2540-10. 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 SNF, including time to review the cost report instructions, search existing resources, gather the data needed, and complete and review the information collection.

13. Capital Cost

There are no capital costs.

14. Cost to Federal Government

<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' processing costs are based on estimates provided by the Office of Financial Management (OFM).	\$28,668,000
<u>Annual cost to CMS:</u>	
Total CMS processing cost is from the HCRIS Budget:	\$44,000
<u>Total Federal Cost</u>	<u>\$28,712,000</u>

15. Changes To Burden

The change in burden is due to two factors:

- A. The change in burden is due to a change in the number of respondents from 14,185 in May 2014 to 14,398 in October 2014, due to Medicare certified providers entering and leaving the program.
- B. The standard rate increased from \$20.00 per hour to \$40.00 per hour. The \$20 increase per hour was added to cover the costs of overhead and fringe benefits.

16. Publication and Tabulation Dates

The data submitted 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 involved in this collection.