

**Supporting Statement for the
Independent Renal Dialysis Facility Cost Report
Form CMS-265-11**

A. BACKGROUND

CMS is requesting the Office of Management and Budget (OMB) review and approve this extension request for the Independent Renal Dialysis Facility Cost Report Form CMS-265-11, OMB No. 0938-0236, for facilities providing end stage renal dialysis (ESRD) services. These cost reports are filed annually by ESRD facilities participating in the Medicare program and are used to determine the reasonable costs incurred for furnishing dialysis services to Medicare beneficiaries and to effect the year-end cost settlement for Medicare bad debts.

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 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. 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-265-11 cost report is needed to determine a provider's reasonable costs incurred in furnishing medical services to Medicare beneficiaries. 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

ESRD facilities are required to file and submit the ESRD cost report to their Medicare Administrative Contractor (MAC). Section 1816 of the Social Security Act describes the functions of the MAC.

The primary function of the cost report is to implement the principles of cost reimbursement which require that ESRD facilities maintain sufficient financial records and statistical data for proper determination of costs payable under the program. The S series of worksheets collects statistical data that identify the provider's location, CBSA, date of certification, and questions relative to their operations. The A series of worksheets collects the provider's trial balance of expenses for all costs associated with the operation of the ESRD. The B series of worksheets allocates the costs from the A series to the ESRD modalities of treatment as well as non-reimbursable cost centers using

statistical bases. The C series of worksheets computes total facility treatments and average cost per modality of treatment. The D series of worksheets are Medicare specific and used to determine payment amounts to the provider by modality of treatment. The E series of worksheets are Medicare specific and used to determine reimbursement due to the provider or program. The F series of worksheets collect data from a provider's balance sheet and income statement.

Additionally, the cost report is used by CMS to support program operations, payment refinement activities and to make Medicare Trust Fund projections.

3. Use of Information Technology

ESRD providers are required to submit Medicare cost reports electronically.

4. Duplication of Efforts

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

5. Small Businesses

These cost reporting forms have been designed with a view toward minimizing the reporting burden when an ESRD provider experiences low Medicare utilization. A low utilization ESRD provider is required to complete a limited number of worksheets contained in the Form CMS-265-11. The Form CMS-265-11 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 / Outside Consultation

The 60 day Federal Register notice was published on July 19, 2017(82FR33134) with no comments received. The 30-day Federal Register notice was published on September 29, 2017(82FR45589) with no comments received.

9. Payments/Gifts to Respondents

There are no payments or gifts made to a respondent for completion of this data collection. The payments are made for services rendered to our beneficiaries. These reports collect the data for the costs and payments made to a provider. If they fail to submit these reports, there are penalties that are applied. The penalty is the suspension of claims payments until a report is submitted. Once the report is submitted the payments for claims are released. If they file the report timely there are no payment or gifts and no interruption in the claims payments..

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. Burden Estimates (Hours and Wages)

Number of ESRD facilities		6,821
Hours burden per facility		
Reporting	15	
Recordkeeping	50	
Total hours burden per facility		<u>65</u>
Total hours burden (number of facilities x hours per facility)		443,365
Cost per ESRD		\$3,041
Total respondent cost estimate		<u><u>\$20,742,661</u></u>

Burden hours for each ESRD facility is an estimate of the time required (number of hours) to complete ongoing data gathering and recordkeeping tasks, search existing data resources, reviewing instructions, and completing the Form CMS 265-11. There are 6,821 ESRD facilities filing Form CMS 265-11 annually. We expect the average burden estimate per ESRD of 65 hours (50 hours for recordkeeping and 15 hours for reporting). We calculated the annual burden hours as follows: 6,821 ESRDs times 65 hours per ESRD equals 443,365 annual burden hours.

We believe the 50 hours for recordkeeping will be achieved using bookkeeping, accounting and auditing clerks while the 15 hours for reporting will be achieved using accounting and audit professionals. Based on the most recent Bureau of Labor Statistics (BLS) in its 2016 Occupation Outlook Handbook, the mean hourly wage for Category 43-3031 (bookkeeping, accounting and auditing clerks) is \$19.34. We added 100% of the mean hourly wage to account for fringe and overhead benefits, which calculates to \$38.68 (\$19.34 + \$19.34) and multiplied it by 50 hours, to determine the annual

recordkeeping costs per ESRD to be \$1,934 (\$38.68 x 50 hours). The mean hourly wage for Category 13-2011 (accounting and audit professionals) is \$36.89. We added 100% of the mean hourly wage to account for fringe and overhead benefits, which calculates to \$73.78 (\$36.89 + \$36.89) and multiplied it by 15 hours, to determine the annual reporting costs per ESRD to be \$1,107 (\$73.78 x 15 hours). We calculated the total annual cost per ESRD of \$3,041 by adding the recordkeeping costs of \$1,934 plus the reporting costs of \$1,107. We estimated the total annual cost to be \$20,742,661 (\$3,041 times 6,821 ESRDs).

13. Capital Costs

There are no capital costs.

14. Cost to Federal Government

<u>Annual cost to MACs:</u>	
Annual costs incurred are related to processing information on the forms to achieve settlement. MAC processing costs are based on estimates provided by the Office of Financial Management.	\$27,285,000
<u>Annual cost to CMS:</u>	
Total CMS processing cost is from the HCRIS Budget:	44,000
Total Federal Cost	<u><u>\$27,329,000</u></u>

15. Changes to Burden

The total burden for the Form CMS 265-11 is estimated to be 443,365 hours. Changes to the burden and cost are a result of:

1. An increase in to the number of respondents from 5,677 in 2014 to 6,821 in 2017.
2. The hourly rate increased based on data from the BLS 2016 Occupation Outlook Handbook and to account for the associated increased administrative/overhead costs.

16. Publication/Tabulation Dates

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

17. Expiration Date

CMS displays the expiration date on the first page of the forms in the upper right corner. The PRA disclosure statement with the expiration date appears in the instructions beginning on page 42-3.

18. Certification Statement

There are no exceptions to the certification statement.

C. STATISTICAL METHODS

There are no statistical methods employed in this collection.