

Supporting Statement for  
Medicare Geographic Classification Review Board (MGCRB) Procedures  
and Supporting Regulations in 42 CFR, Section 412.256 & 412.230  
(CMS-R-138)

A. BACKGROUND

Section 1886(d)(10) of the Social Security Act (the Act) established the Medicare Geographic Classification Review Board (MGCRB), an entity that has the authority to accept short-term hospital inpatient prospective payment system (IPPS) hospital applications requesting geographic reclassification for wage index or standardized payment amounts and to issue decisions on these requests. Since it is important to ensure the accuracy of the MGCRB decisions and remain apprised of potential payment impacts, the regulations note that CMS should also receive a copy of any hospital's application to the MGCRB. The collection of this information by CMS was approved under OMB control number 0938-0573.

At this time, we are seeking an extension of the approval for the information collection associated with OMB control number 0938-0573.

B. JUSTIFICATION

1. Need and Legal Basis

During the first few years of IPPS, hospitals were paid strictly based on their physical geographic location concerning the wage index (Metropolitan Statistical Areas (MSAs)) and the standardized amount (rural, other urban, or large urban). However, a growing number of hospitals became concerned that their payment rates were not providing accurate compensation. The hospitals argued that they were not competing with the hospitals in their own geographic area, but instead that they were competing with hospitals in neighboring geographic areas. At that point, Congress enacted Section 1886(d)(10) of the Act which enabled hospitals to apply to be considered part of neighboring geographic areas for payment purposes based on certain criteria.

The application and decision process is administered by the MGCRB which is not a part of CMS so that CMS could not be accused of any untoward action. However, CMS needs to remain apprised of any potential payment changes. Hospitals are required to provide CMS with copy of any applications that they made to the MGCRB. CMS also developed the guidelines for the MGCRB that were published in the September 6, 1990, interim final issue of the Federal Register, and must ensure that the MGCRB properly applied the guidelines.

This check and balance process also contributes to limiting the number of hospitals that ultimately need to appeal their MGCRB decisions to the CMS Administrator.

2. Information Users

The information submitted by the hospitals is used by CMS staff to determine the validity of the hospitals' requests and the discretion used by the MGCRB in reviewing and making decisions regarding hospitals' requests for geographic reclassification. Since CMS wrote the guidelines for the MGCRB, it is essential that CMS staff monitor this process.

3. Improved Information Technology

This collection does not lend itself to electronic submission. However, the MGCRB has prepared a standard application for the hospitals to use in applying for reclassification. This significantly reduces the amount of paperwork that a hospital could potentially submit and CMS would have to process if no direction were provided. Therefore, the burden of hard copy reporting is significantly reduced.

4. Duplication

The information we are requesting is different and does not duplicate any other effort.

5. Small Business

The CMS-R-138 does not affect small businesses.

6. Less Frequent Collection

The information is submitted once a year, at the beginning of the Federal fiscal year. It is not possible for this information to be received any less frequently as it would interfere with the annual calculation of the IPPS rates.

7. Special Circumstances

There are no special circumstances.

8. Federal Register Notice/Outside Consultation

A 60-day Federal Register notice was published on July 6, 2017 (82FR31331). The 30-day notice published on September 15, 2017 (82FR43378) with no comments received.

Hospitals were encouraged to comment regarding this collection in the interim final rule (September 6, 1990, Federal Register). No negative comments were received concerning this reporting process; therefore, we did not seek further outside consultation. Further, to date no negative comments have been received.

9. Payment/Gift to Respondent

There is no payment/gift to respondent.

10. Confidentiality

The data collected is not required to be protected under the Privacy Act.

11. Sensitive Questions

There are no questions of a sensitive nature involved in the MGCRB application data collection.

12. Burden Estimate (Hours) & (Wages)

Section §412.256

Section §412.256 specifies the application process for geographic reclassification. The total estimated burden for hospitals to prepare and complete the application is 300 hours due to the fact that approximately 300 hospitals submit applications each year employing hospital staff time of approximately 1 hour per application. The time estimate for preparation of this Medicare Geographic Classification Review Board reclassification application is based upon the professional judgment of staff members at the Centers for Medicare and Medicaid Services. We have calculated the hours as follows:

300 applications x 1 hour each = 300 hours

The cost to applicant hospitals should be minimal due to CMS's efforts to design the process so that hospital staff could understand and complete an application in a short period of time. When computed, assuming a current salary of \$32.00 per hour (based on data from the Bureau of Labor and Statistics website at <https://www.bls.gov/ooh/office-andadministrative-support/secretaries-and-administrative-assistants.htm#tab-5> for the position of Secretaries and Administrative Assistants) plus 100 percent for fringe benefits (( $\$32.00 \text{ per hour} \times 1 \text{ hour per hospital} \times 2$ ), the estimated cost of burden for this collection period is \$64.00 per hospital.

300 applications x 1 hour/hospital x \$64.00 (wages of \$32/hour x 2 (fringe benefits) per hour = \$19,200.

There has been no change in the process from the last PRA Collection in 2016. There are on average 300 applicants to the MGCRB, once granted reclassification, the applicant does not have to reapply for reclassification for another three years. Section 1886(d)(10)(D)(v) of the Act establishes that hospital reclassifications are effective for three years.

Section §412.230

Section §412.230 specifies the criteria and conditions for reclassification. For example, it specifies that the wage data a hospital provides on its application must be taken from the CMS hospital wage survey which is used to construct the wage index. Further, a new hospital must accumulate and provide at least 1 year of wage data for the purpose of applying for geographic reclassification. Additionally, section §412.230 provides proximity requirements and other rules for reclassification. There is no burden associated with §412.230, the burden is captured in the analysis of §412.256.

### 13. Capital Costs

There are no capital costs. Other than the costs above, we do not expect hospitals to purchase any additional software or systems as this collection of information is available from a payroll system and software that the hospital has purchased for purposes other than this collection.

### 14. Cost to Federal Government

The applications are received by the Center for Medicare Management and reviewed for policy implications. The data contained in the applications is ultimately entered into a database for future reference in determining hospital payments. There has been no change in the process from the last PRA Collection in 2016. There are on average 300 applicants to the MGCRB, once granted reclassification, the applicant does not have to reapply for reclassification for another three years. Section 1886(d)(10)(D)(v) of the Act establishes that hospital reclassifications are effective for three years.

We estimate the average response time to be 1 hour for each application. The time estimate for is based upon the historical data and the professional judgment of staff members at the Centers for Medicare and Medicaid Services. It is estimated that CMS will receive 300 applications annually and it will take 1 hour for a mid-level CMS staff to process.

As referenced earlier, we believe midlevel staff will be receiving and processing the MGCRB reclassification applications. Using the 2017 Federal Pay Scale (<https://www.opm.gov/policy-data-oversight/pay-leave/salaries-wages/2017/general-schedule/>) We estimated staff at the GS 9, 11 and 12 levels to process the applications. Therefore, the cost to the Federal Government is based on the following assumptions:

- 300 applications annually x 1 hour each= 300 hours annually
- \$32.00/hr (average salary GS 9, 11, 12) X 300 hours =\$19,200.

### 15. Program Changes

This collection does not include any program changes. There are on average 300 applicants to the MGCRB, once granted reclassification, the applicant does not have to reapply for reclassification for another three years. Section 1886(d)(10)(D)(v) of the Act establishes that hospital reclassifications are effective for three years.

16. Publication and Tabulation Dates

The hospital application data is not to be published for statistical use.

17. Expiration Date

This collection will expire July 31, 2020.

18. Certification Statement

There are no exceptions to the certification statement.

C. COLLECTIONS OF INFORMATION EMPLOYING STATISTICAL METHODS

This section does not apply because statistical methods were not employed for this collection.