

**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 an extension to OMB No. 0938-0463, the Skilled Nursing Facility (SNF) and Skilled Nursing Facility Health Care Complex Cost Report, Form CMS-2540-10.

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. Reimbursement outside of the PPS may be for payment of Medicare reimbursable bad debt.

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 Act.

The primary function of the cost report is to implement the principles of cost reimbursement which require all SNFs to maintain sufficient financial records and statistical data for proper determination of costs. The S series of worksheets collects statistical data that identify the provider's location, CBSA, date of certification, questions relative to their operations, average length of stay, number of visits and discharges. The A series of worksheets collects the provider's trial balance of expenses for overhead costs, and revenue and non-revenue generating cost centers. The B series of worksheets allocates the overhead costs to the revenue and non-revenue generating cost centers using functional statistical bases. The C series of worksheets collects charges for the revenue generating cost centers and computes a cost to charge (CCR) ratio for each cost center. The D series of worksheets are Medicare specific and are used to determine Medicare reasonable costs. The E series of worksheets are settlement worksheets used to determine

the amount due to or from the provider or program. The G series of worksheets are used to collect a SNFs financial statement information (balance sheet and income statement).

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. The SNF Medicare cost reports are used to develop the major cost weights in the SNF market basket (developed by OACT). The SNF market basket is used to compute the annual market basket percentage increase which determines the annual SNF base payment rates. In addition, the SNF market basket is used to determine the labor-related share which is used in conjunction with the wage index to determine the geographic adjustment for SNFs. In addition, the SNF Medicare cost report data is used by the Medicare Payment Advisory Commission (MEDPAC) to calculate Medicare margins, as well as, to conduct additional analysis on the SNF PPS. MedPAC uses this information (along with various other metrics on access to care and quality measures) to evaluate the SNF PPS as well as make a recommendation to Congress on the SNF PPS annual update factor.

3. Use of Information Technology

SNFs are required by 42 CFR 413.24(f)(4) 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. This cost report has been designed with a view towards minimizing the reporting burden for small SNFs. 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 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 April 26, 2018(83FR18308) with no comments received. The 30-day Federal Register notice was published on June 29, 2018(83FR30732) and received no comments.

9. Payment/Gift to Respondent

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. Estimate of Burden (Hours and Cost)

Number of SNFs required to file the Form CMS-2540-10 (as of 02/20/2018)	14,486
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 (14,486 facilities x 202 hours)	2,926,172
Cost per SNF	\$10,094.86
Total annual cost estimate (\$10,094.86 x 14,486 SNFs)	\$146,234,142

Burden hours for each SNF are an estimate of the time (number of hours) to complete ongoing data gathering and recordkeeping tasks, search existing data resources, reviewing instructions, and completing Form CMS-2540-10. The burden estimate for each SNF is based on professional judgment of staff members at CMS. There are 14,486 SNFs filing Form CMS-2540-10 annually, with an average burden estimate per SNF of 202 hours (137 hours for recordkeeping and 65 hours for reporting). We calculated the annual burden as follows: 14,486 SNFs times 202 hours per SNF equals 2,926,172 annual burden hours.

We believe the 137 hours recordkeeping will be achieved using bookkeeping, accounting, and auditing clerks, while the 65 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 www.bls.gov/oes/current/oes433031.htm (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 137 hours, to determine the annual recordkeeping costs per SNF to be \$5,299.16 (\$38.68 x 137 hours). The mean hourly wage for Category 13-2011 www.bls.gov/oes/current/oes132011.htm (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 65 hours, to determine the annual reporting costs per SNF to be \$4,795.70 (\$73.78 x 65 hours). We've calculated the total annual cost per SNF of \$10,094.86, by adding the recordkeeping costs of \$5,299.16 plus the reporting costs of \$4,795.70. We estimated the total annual cost to be \$146,234,142 (\$10,094.86 times 14,486 SNFs).

13. Capital Cost

There are no capital costs.

14. Cost to Federal Government

<u>Annual cost to Medicare Administrative Contractors (MAC):</u> Annual costs incurred are related to processing information contained on the forms, particularly associated with achieving settlements. MAC's processing costs are based on estimates provided by the Office of Financial Management (OFM).	\$32,593,500
<u>Annual cost to CMS:</u> Total CMS processing cost is from the HCRIS Budget.	\$44,000
<u>Total Federal Cost</u>	\$32,637,500

15. Changes To Burden

The change in burden is due to two factors:

- 1) The number of respondents increased from 14,398 in 2014 to 14,486 in 2018 as a result of new SNFs being certified to participate in the Medicare program.
- 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. The cost per SNF increased by \$2,014.86 (from \$8,080 per SNF in 2014 to \$10,094.86 per SNF in 2018) due to an increased hourly wage and 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 displays the expiration date on the first page of the data collection instrument forms, in the upper right hand corner. The PRA disclosure statement with expiration date is included in the instructions on page 41-7.

18. Certification Statement

There are no exceptions to the certification statement.

C. STATISTICAL METHODS

There are no statistical methods involved in this collection.