

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

A. BACKGROUND

CMS requests the Office of Management and Budget (OMB) review and approve an extension to OMB. No. 0938-1298, Form CMS-224-14, Federally Qualified Health Center (FQHC) Cost Report. FQHCs participating in the Medicare program file these cost reports annually to report cost and statistical data used by CMS to determine reasonable costs.

B. JUSTIFICATION

1. Need and Legal Basis

Under the authority of sections 1815(a) and 1833(e) of the Act, CMS requires that providers of services participating in the Medicare program submit information to determine costs for health care services rendered to Medicare beneficiaries. Furthermore, these sections of the Act provide that no Medicare payments will be made to a provider unless it furnishes the information. CMS requires that providers follow reasonable cost principles under 1861(v)(1)(A) of the Act when completing the Medicare cost report. Under the regulations at 42 CFR 413.20 and 413.24, CMS defines adequate cost data and requires cost reports from providers on an annual basis.

The Form CMS-224-14 cost report is needed to determine a provider's reasonable cost incurred in furnishing medical services to Medicare beneficiaries and to calculate the FQHC settlement amount. These providers, paid under the FQHC prospective payment system (PPS), may receive reimbursement outside of the PPS for Medicare reimbursable bad debts and pneumococcal and influenza vaccines.

The FQHC cost report is also used for rate setting and payment refinement activities, including developing a FQHC market basket. Additionally, the Medicare Payment Advisory Commission (MedPAC) uses the FQHC Medicare cost report data to calculate Medicare margins, to formulate recommendations to Congress regarding the FQHC PPS, and to conduct additional analysis of the FQHC PPS.

2. Information Users

The primary function of the cost report is to determine provider reimbursement for services rendered to Medicare beneficiaries. Each FQHC submits the cost report to their Medicare Administrative Contractor (MAC) for reimbursement determination. The functions of the MAC are described in section 1874A of the Act.

FQHCs must follow the principles of cost reimbursement which require that FQHCs 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, core-based statistical area (CBSA), date of certification, information relative to their operations, 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 calculates an average cost per visit by practitioner for both medical and mental health visits. The B series of worksheets also includes calculations for graduate medical education and pneumococcal and influenza vaccine costs, both paid outside the FQHC PPS. The E series of worksheets is used to determine the settlement amount due to the FQHC or program. The F series of worksheets is used to collect a FQHCs financial statement information (statement of revenues and expenses).

Additionally, CMS uses the cost report data to support program operations and payment refinement activities, and to project Medicare Trust Fund balances.

3. Use of Information Technology

FQHCs are required by 42 CFR 413.24(f)(4) to submit cost reports in an electronic format.

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

CMS requires all FQHCs, regardless of size, to complete the cost report. CMS designed this cost report with a view toward minimizing the reporting burden for the 2,240 FQHCs, including consolidated FQHCs certified to participate in the Medicare program, 36 of which 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 proper payments under the Medicare program and will be unable to support annual payment refinement activities. An FQHC that 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.

8. Federal Register Notice

The 60 day Federal Notice published on October 23, 2018(83FR53474) and the 30-day Federal Register Notice published on January 31, 2019(84FR734) with no comments received.

9. Payment/Gift to Respondents

CMS makes no payments or gifts to respondents for completion of this data collection. The payments are made for services rendered to our beneficiaries. These reports collect the data to determine accurate payments to an FQHC. If the FQHC fails to submit the cost report, the MAC imposes a penalty by suspending claims payments until the report is submitted. Once the report is submitted, the MAC releases the suspended payments. If the FQHC files 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 & Cost)

Number of FQHCs required to file the Form CMS-224-14 (as of July 2018)	2,240
Number of hours of reporting	10
Number of hours of recordkeeping	48
Hours burden per facility to complete the cost report (reporting hours plus recordkeeping hours)	58
Total hours burden (2,240 FQHCs multiplied by 58 hours each)	129,920
Cost per FQHC (10 reporting hours multiplied by \$74.92 per hour, plus 48 recordkeeping hours multiplied by \$35.92 per hour)	\$2,646.16
Total annual cost estimate (\$2,646.16 x 2,240 FQHCs)	\$5,927,398.40

Burden hours for each FQHC are an estimate of the time (number of hours) to complete ongoing data gathering, and recordkeeping tasks, search existing data resources, review instructions, and complete Form CMS-224-14. The most recent data from the System for Tracking Audit and Reimbursement, an internal CMS data system maintained by OFM, reports that 2,240 FQHCs file Form CMS-224-14 annually. We estimate an average burden per FQHC of 58 hours (48 hours for recordkeeping and 10 hours for reporting). We calculated the annual burden as follows: 2,240 FQHCs times 58 hours per FQHC equals 129,920 annual burden hours.

The 48 hours for recordkeeping include hours for bookkeeping, accounting, and auditing clerks; the 10 hours for reporting include accounting and audit professionals' activities. Based on the most recent Bureau of Labor Statistics (BLS) in its 2017 Occupation Outlook Handbook the mean hourly wage for Category 43-3031 www.bls.gov/oes/current/oes433031.htm (bookkeeping, accounting and auditing clerks) is \$19.76. We added 100% of the mean hourly wage to account for fringe and overhead benefits, which amounts to \$39.52 (\$19.76 + \$19.76) and multiplied it by 48 hours, to determine the annual recordkeeping costs per FQHC to be \$1,896.96 (\$39.52 x 48 hours).

The mean hourly wage for Category 13-2011 www.bls.gov/oes/current/oes132011.htm (accounting and audit professionals) is \$37.46. We added 100% of the mean hourly wage to account for fringe and overhead benefits, which amounts to \$74.92 (\$37.46 + \$37.46) and multiplied it by 10 hours, to determine the annual reporting costs per FQHC to be \$749.20 (\$74.92 x 10 hours). We calculated the total annual cost per FQHC of \$2,646.16 by adding the recordkeeping costs of \$1,896.96 plus the reporting costs of \$749.20. We estimated the total annual cost to be \$5,927,398.40 (\$2,646.16 times 2,240 FQHCs).

13. Capital Costs

There are no capital costs.

14. Cost to Federal Government

<u>Annual cost to 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).	\$4,032,000
<u>Annual cost to CMS:</u> Total CMS processing cost is from the HCRIS Budget.	\$44,000
<u>Total Federal Cost</u>	\$4,076,000

15. Changes To Burden

The changes in burden and cost for the Form CMS-224-14 are a result of an increase in the number of respondents enrolled in the Medicare program, from 1,296 to 2,240, and a refinement to our burden hour estimate. The number of hours approved has increased from the currently approved amount of 75,618 to 129,920. The hourly burden to complete the cost report has not changed. However, we broke down the hourly burden hours into reporting and recordkeeping to reflect a more accurate estimate, that also reflects an increase in the hourly rates of categories 43-3031 (bookkeeping, accounting and auditing clerks) and 13-2011 (accounting and audit professionals).

16. Publication and Tabulation Dates

The data 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 44-3.

18. Certification Statement

There are no exceptions to the certification statement.

C. **STATISTICAL METHODS**

There are no statistical methods employed in this collection.