Supporting Statement – Part A
CMS–276: PREPAID HEALTH PLAN COST REPORT

A. Background

CMS is requesting approval of a revised version of the currently approved Form CMS 276 (OMB No.0938-0165). This Cost Report outlines the provisions for implementing Section 1876 (h) and Section 1833 (a)(1)(A) of the Social Security Act. Organizations contracting with the Secretary under Section 1876 and Section 1833 of the Social Security Act provide health services on a prepayment basis to enrolled members and are required to submit adequate cost and statistical data, based on financial records, in order to be reimbursed on reasonable cost basis by CMS. These organizations include Health Maintenance Organizations (HMOs) and Competitive Medical Plans (CMPs) under Section 1876, in addition to, Health Care Prepayment Plans (HCPPs) under Section 1833. These entities may be collectively referred to as Managed Care Organizations (MCOs). The cost and statistical data is submitted to CMS within the cost report, Form CMS 276 (OMB No.0938-0165). CMS is responsible for the receipt and processing of Form CMS 276. Form CMS 276, provided by CMS as excel worksheets, covers the prescribed format for the cost reports. The purposes of the revisions were to clarify certain instructions and update outdated issues within the Cost Report.

B. Justification

1. Need and Legal Basis

Health Maintenance Organizations and Competitive Medical Plans (HMO/CMPs) contracting with the Secretary under Section 1876 of the Social Security Act are required to submit a budget and enrollment forecast, semi-annual interim report, 4th Quarter interim report (CMS has waived this annual submission), and a final certified cost report in accordance with 42 CFR 417.572 – 417.576. The submission, receipt and processing of the cost reports is imperative to determine if MCOs are paid on a reasonable basis for the covered services furnished to Medicare enrollees. CMS reviews the data submitted within the cost reports to establish monthly payment rates, monitor interim rates, and determine the final reimbursement.

Health Care Prepayment Plans (HCPPs) contracting with the Secretary under Section 1833 of the Social Security Act are required to submit a budget and enrollment forecast, semi-annual interim report, and final cost report in accordance with 42 CFR 417.808 and 42 CFR 417.810.

2. Information Users

Introduction:

The reporting requirements of a prepaid health care plan that has contracted with CMS are specifically defined in 42 C.F.R. §417.572, §417.574, §417.576 and §417.808. For reimbursement purposes, these plans can be grouped into two major categories - Health Maintenance Organizations/Competitive Medical Plans (HMOs/CMPs) and Health Care Prepayment Plans (HCPPs).

An HMO/CMP is a health care delivery system that furnishes directly or arranges for the delivery of the full spectrum of Part A and/or Part B health services to an enrolled population. If it elects and qualifies to contract with the Secretary, it can receive reimbursement for all covered services furnished to a Medicare enrollee.

An HCPP is a health care delivery system that furnishes directly or arranges for the delivery of certain physician and diagnostics services up to the full spectrum of non-provider Part B health services to an enrolled population.

Cost plans (HMO/CMP/HCPPs) are public or private entities that are organized under the laws of a State to provide health services on a prepayment basis to enrolled members. These cost plans are eligible to enter into contracts with the Secretary of the Department of Health and Human Services established under §1876 and §1833 of the Social Security Act (the Act) to furnish services to Medicare beneficiaries. Collectively these plans are referred to as cost-based Managed Care Organizations (MCOs).

CMS is responsible for the receipt and processing of cost reports (Form 276 included within the PRA package) prepared by HMOs/CMPs under Section 1876 of the Social Security Act and by HCPPs under Section 1833 of the Social Security Act. CMS reimburses these organizations on a reasonable cost basis. Form 276, provided by CMS as excel worksheets, covers the prescribed format for the cost reports. Electronic copies of the worksheets for each category of filing are accessible through CMS' Health Plan Management System (HPMS). The cost report worksheets are designed to be of sufficient flexibility to take into account the diversity of operations, yet provide the necessary cost and statistical information to enable CMS to determine the proper amount of payment to the Plan. Cost-based MCOs must submit through HPMS an annual Budget Forecast, semi-annual interim, and final cost report to CMS, all of which are included in this collection. Additionally, HMOs/CMPs are required to submit fourth quarter interim reports annually to CMS; however, the required submission of 4th quarter interim reports is waived until further notice by CMS.. Please note that HCPPs are not required to submit fourth quarter interim reports.

Budget Cost Report

The HMO or CMP must submit an annual operating budget and enrollment forecast, in the form and detail required by CMS, at least 90 days before the beginning of each contract period.

An HCPP must submit to CMS an annual operating budget and enrollment forecast, in the form and detail specified by CMS, at least 60 days before the beginning of each contract period.

The forecast must be based on financial and statistical data and records that can be verified if CMS requires a detailed review of supporting records. The budget cost report establishes reasonable interim payment rate & suggests Medicare deductible & co-insurance premium.

Interim Cost Reports

All Cost–based MCOs are required to submit a semi-annual interim cost report. Semi-annual interim cost reports are due 60 days after the close of the first 6 months of the contract period for HMOs/CMPs and 45 days for HCPPs after the close of the first 6 months of the contract period. The semi-annual interim reports is used to evaluate the payment rate and adjust if necessary.

Additionally, HMOs/CMPs are required to submit fourth quarter interim reports and must be filed, using the worksheets for the Final Cost Report. The fourth quarter interim report is due 60 days after the close of the contract period; however, CMS has waived this annual submission. The fourth quarter interim report provides an estimate of the costs of services provided for the entire reporting period.

The objective for submitting interim reports is to avoid having excessive balances due to or from the plan at the end of the reporting period.

Final Cost Report

The HMO or CMP must submit to CMS an independently certified final cost report and supporting documents, in the form and detail required by CMS, no later than 180 days after the end of each contract period.

An HCPP must submit to CMS a final cost report and supporting documents in the form and detail specified by CMS, no later than 120 days following the close of a contract period. An independent certification is not required for HCPPs.

The final cost report provides an accumulation of costs of services for the contract year. The final cost report should include the per capita costs incurred in furnishing covered services to its Medicare enrollees for the contract year. After receipt of acceptable reports, CMS determines the total payment due the MCOs for furnishing covered services to its Medicare enrollees and makes a retroactive adjustment to bring interim payments into agreement with the payable amount due the MCOs.

Summary:

Cost-based MCOs are paid in advance each month based on an interim per capita rate for each Medicare enrollee. Monthly payment to the plan is determined by multiplying the interim per capita rate by the number of Medicare enrollees for the month. Retroactive adjustments can be made any time before final settlement with the organizations during or after the cost reporting period. Total Medicare reimbursement for cost-based MCOs is based on the information reported on the plan's final cost report. Final settlement is authorized based on reconciliation of interim payments and Medicare reimbursable costs per the final cost report, normally at the conclusion of an audit.

MCOs are reimbursed for the reasonable cost of the covered services furnished to their Medicare enrollees. All necessary and proper expenses of the plan in providing Medicare-covered services are recognized. The determination of reasonable costs is based on Medicare reimbursement principles addressed in 42 Code of Federal Regulations (CFR) Part 417, Medicare Managed Care Manual, Subpart N and O for HMOs/CMPs and Subpart U for HCPPs. The cost report Form 276 and instructions provide detailed reporting and calculation requirements.

3. Use of Information Technology

This collection of information currently requires electronic submission; CMS has automated the cost report process through the Health Plan Management System (HPMS) and requires that 1876 and 1833 cost plans to electronically submit the cost reports (budget forecast report, semi-annual interim report, 4th quarter interim report and final cost report) to CMS. HPMS is a web-enabled information system and data exchange mechanism that serves a critical role in both the ongoing operations and for data related to MCOs. By serving as the centralized repository for Medicare Managed Care data, HPMS provides its users with access to this information and an analytical framework for exploring data. The cost report process has been automated to reduce processing time.

Form 276, provided by CMS as excel worksheets, covers the prescribed format for the cost reports and are provided in Excel format. Electronic copies of the worksheets for each category of filing are accessible through CMS' Health Plan Management.

4. Duplication of Efforts

This report will be used to establish the reasonable cost of delivering covered services furnished to Medicare enrollees. This will be done on a prospective, interim and retrospective basis to ensure that payment to these organizations does not exceed reasonable cost of services. At this time, no other forms have been developed that can be used to establish the reasonable cost of providing covered services to a Medicare enrollee by an HMO/CMP or HCPP.

5. Small Businesses

The cost report has been developed with a view toward minimizing the reporting for small businesses.

6. Less Frequent Collection

Without these worksheets, the Centers for Medicare & Medicaid Services (CMS) would not have documentation needed to reimburse the organizations on a reasonable cost basis. All physician services would have to be billed through the area carrier on a fee-for-service basis. In addition, the organizations could not be reimbursed for any service furnished by a provider of service (hospital, SNF, and HHA). Legislation as it now exists, could not be implemented.

7. Special Circumstances

The submission dates for the cost reports differ depending on the type of delivery system:

A. HMO/CMP

a. Budget - Due 90 days prior to the beginning of the contract period
b. Semi-Annual Interim - Due 60 days after the close of each quarter
c. 4th Quarter Interim – Due 60 days after the close of the contract period
d. Final - Due 180 days after the close of the contract period; the report must be certified

B. HCPP

a. Budget - Due 60 days prior to the beginning of the contract period
b. Semi-Annual Interim - Due 45 days after the close of the first six-month period of a contract period
c. Final - Due 120 days after the close of the contract period

Health Care Plans are required to retain financial records relating to their cost reports for three years after final settlement has occurred. Note that this period is longer than three years after date of submission.

8. Federal Register/Outside Consultation

The 60-day Federal Register notice published on January 31, 2019(84FR731) and the 30-day Federal Register Notice published on April 16, 2019(84FR15615). No comments received.

9. Payments/Gifts to Respondents

There has been no decision to provide any payment or gift to respondents. As part of contracting with the Secretary under Section 1876 and Section 1833 of the Social Security Act, MCOs are required to submit cost reports. The submission, receipt and processing of the cost reports is imperative to determine if MCOs are paid on a reasonable basis for the covered services furnished to Medicare enrollees. CMS reviews the data submitted within the cost reports to establish monthly payment rates, monitor interim rates, and determine the final reimbursement.

10. Confidentiality

Medicare cost reports are subject to requests made under the Freedom of Information Act; however, they have been protected from disclosure under **42 CFR 5.65 Exemption four: Trade secrets and confidential commercial or financial information**. The report includes commercial and financial information considered confidential but that is mandatory for an organization to report to seek reimbursement on a reasonable cost basis as an HMO and as an HCPP.

11. Sensitive Questions

This report form does not request any information that is of a sensitive nature. No questions were asked dealing with religious or political beliefs, sexual behavior and attitudes, or other matters commonly considered private.

12. Burden Estimates (Hours & Wages)

1. For HMO/CMPs

	Budget	Final	Semi-Annual Interim	Total/Average
Avg. Completion Time Per Report (Hours)	24	80	4	36*
Times Estimated Number of Respondents for FY 19	10	10	10	30*
Times Annual Frequency	1	1	1	1*
= Burden	240	800	40	1,080

* 36 is the average completion time ((24+80+4)/3) for total.

* 1 is the average annual frequency (1+1+1/3) for total

* 30 includes budget forecast, semi-annual Interim and Final being submitted (10+10+10) in total. At this time, 4th quarter interim reports are waived from submission by CMS.

Total HMO/CMP hours	**1,080**

Cost Per Hour	$79.80
Total Annual Cost	$86,184

2. For HCPPs	Budget	Final	Semi-Annual Interim	Total/Average
Avg. Completion Time Per Report (Hours)	16	60	4	26.67*
Times Estimated Number of Respondents for FY 19	9	9	9	27
Times Annual Frequency	1	1	1	1*
= Burden	144	540	36	720

*26.67 is the average completion time ((16+60+4)/3) for total.
*1 is the average annual frequency (1+1+1/3) for total.

Total HCPP hours	**720**
Cost Per Hour	$ 79.80
Total Annual Cost	$ 57,456

* The burden estimate for each MCOs is primarily affected by the collection of the data needed to complete the Form CMS-276. 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 accounting and audit professionals. Specifically, the hourly rates for accounting/audit professionals ($39.90) were weighted to determine the rate of approximately $39.90 per hour based on data from the 2017 survey (http://www.bls.gov/oes/current/oes132011.htm). An additional $39.90 per hour is added to cover the cost of overhead and fringe benefits resulting in a total value of $79.80 per hour.

The rate per hour reflects the use of accounting and audit professionals for the preparation and completion of the cost report (Form 276) and, and a moderate use of other senior financial professionals within the MCOs for information verification, review of the prepared cost report and electronics submission to CMS as stated above.

13. Capital Costs

There is no capital costs associated with this collection.

14. Cost to Federal Government

These annual costs are incurred in processing information contained on the form, particularly with regard to the collection of the additional data necessary to meet the law. Effective fiscal year 2006, this function has been contracted out due to A-76 study.

Cost to the Federal Government

		Final	Budget & Semi-Annual Interim	Sum of Total Hours
1.	Estimated Number of Respondents - HMO/CMP	10	10	
2.	Responses per Respondents	1	2	
3.	Total # of Responses	10	20	
4.	Processing Hours Per Response	20	8	
5.	**Total # of Hours - HMO/CMP**	**200**	**160**	**360**
6.	Estimated Number of Respondents - HCPP	9	9	
7.	Responses Per Respondents	1	2	
8.	Total # of Responses	9	18	
9.	Processing Hours Per Response	16	8	
10.	**Total # of Hours - HCPP**	**144**	**144**	**288**
11.	**Grand Total (Line 5 + Line 10)**	**344**	**304**	**648**
12.	Avg. Cost Per Hour	114.00	114.00	114.00
13.	Line 11 x 12 (Rounded)	39,216	34,656	73,872
14.	Estimated Printing			2,000
15.	Total Cost to Government			**$75,872**

15. Changes to Burden

There were no program changes. There were only minor changes to the worksheets and

instructions. Since our last submission to OMB, 6 cost-based MCOs have terminated, which has affected the estimated total number of respondents. As a result, the estimated number of respondents for HMO/CMPs have been reduced from 16 to 10 since our last submission. Additionally, at this time, 4th quarter interim reports are temporarily waived from submission by CMS until further notice is given by CMS. As such, the burden hours were impacted because of reduction in respondents. These changes do not impact the preparation time to complete the worksheets.

16. Publication/Tabulation Dates

There are no publication plans for this data.

17. Expiration Date

The expiration date is displayed on all cost reports.

A. Budget- Worksheet S, Row 68
B. Semi-Annual Interim- Worksheet S, Row 68
C. 4th Quarter Interim- Worksheet S, Row 68
D. Final- Worksheet S, Row 68

18. Certification Statement

There are no exceptions to the certification statement.