

**SUPPORTING STATEMENT FOR FORM CMS-287-21
HOME OFFICE COST STATEMENT**

A. BACKGROUND

CMS is requesting the Office of Management and Budget (OMB) review and approve this request for reinstatement with change to OMB No. 0938-0202, Home Office Cost Statement, Form CMS-287-21. A home office/chain organization (HO/CO) submits the home office cost statement annually as the documentary support required for a provider to be reimbursed for HO/CO costs claimed in the provider's cost report (see 42 CFR 413.24(f)(5)(i)(E)(1) and (2)). With this reinstatement with change, CMS requires that home offices submit the cost statement in an electronic cost report (ECR) format.

The relationship of the HO/CO is that of a related organization to a provider (see 42 CFR 413.17). A HO/CO usually furnishes central management and administrative services, e.g., centralized accounting, purchasing, personnel services, management direction and control, and other services. To the extent that the HO/CO furnishes services related to patient care to a provider, the reasonable costs of such services are included in the provider's cost report and are reimbursable as part of the provider's costs.

B. JUSTIFICATION

1. Need and Legal Basis

Under the authority of §§1815(a) and 1833(e) of the Social Security Act (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. A provider claiming home office cost must submit a home office cost statement annually as the documentary support for HO/CO costs claimed in their cost report. The regulation at 42 CFR 413.24(f)(5)(i)(E) requires that, for cost reporting periods beginning on or after October 1, 2018, a provider claiming cost on their Medicare cost report that were allocated from a HO/CO, submit with their cost report an acceptable home office cost statement that corresponds to the amounts claimed in the provider's cost report. CMS requires that a HO/CO follow reasonable cost principles under 1861(v)(1) (A) of the Act when completing the home office cost statement. The regulation at 42 CFR 413.20 requires that a HO/CO maintain sufficient financial records and statistical data, capable of verification by qualified auditors.

In accordance with 42 CFR 413.20(a), CMS follows standardized definitions, accounting, statistics, and reporting practices that are widely accepted in the hospital and related fields. Changes in these practices and systems are not required in order to determine allowable costs under the principles of reimbursement. Essentially the methods of determining allowable costs under Medicare involve making use of data available from the HO/CO's standard cost accounting system, as usually maintained, to arrive at equitable and allowable costs.

CMS requires the form to determine a HO/CO's reasonable cost incurred in furnishing management and administrative services to Medicare providers, who include the costs in their cost report for reimbursement. Costs allocated from the home office cost statement to a Medicare-certified provider are included in the provider's costs used for rate setting; payment refinement activities, including developing a market basket; and Medicare Trust Fund projections; and to support program operations. Additionally, the Medicare Payment Advisory Commission (MedPAC) uses the cost report data to calculate Medicare margins (a measure of the relationship between Medicare's payments and providers' Medicare costs) and analyze data to formulate Medicare Program recommendations to Congress.

2. Information Users

The primary function of the home office cost statement is to provide the documentary support required for a Medicare provider to claim reimbursement for HO/CO costs in their Medicare cost report. A HO/CO must submit an acceptable home office cost statement directly to the servicing contractors for its providers that received a home office cost allocation for reimbursement determinations. Section 1874A of the Act describes the functions of the contractor.

The home office cost statement schedules collect the cost data required to support home office costs claimed in a provider's Medicare cost report. The Schedule S includes the certification statement where the HO/CO attests to the accuracy of the information and allows the HO/CO the opportunity to electronically sign and electronically submit the home office cost statement. The Schedule S-1 collects identifying data about the home office and key officers/employees of the home office. The Schedule S-2 collects identifying information for healthcare provider components, non-healthcare components, and region/division components of the HO/CO, and provides the structure for reporting costs for those components throughout the cost statement. The A series of schedules collects the HO/CO trial balance of expenses, reclassifications, and adjustments, for allocation of the HO/CO costs to its components. On the B series of schedules, the home office directly allocates costs directly attributable to specific components. On the C and D series of schedules, the HO/CO functionally allocates costs to components in a manner that reasonably relates to the services provided to the components. On the E series of schedules, the HO/CO allocates pooled costs (costs not directly assigned or functionally allocated) to the components. On the F series of schedule, the HO/CO summarizes the cost allocations by component. On the G series of schedules, the HO/CO reports financial data from their balance sheet and income statement.

3. Use of Information Technology

To facilitate the efficient collection and ensure the mathematical accuracy of home office cost statement data, CMS requires that HO/COs submit cost reports to their contractor in a standard (ASCII) ECR format effective for reporting periods beginning on or after January 1, 2021.

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

CMS designed this home office cost statement with a view toward minimizing the reporting burden. CMS collects the form as infrequently as possible (annually) and only the schedules necessary to determine proper cost allocation are required.

6. Less Frequent Collection

Under the authority of 1861(v)(1)(F) of the Act, as defined in regulations at 42 CFR 413.20 and 413.24, CMS requires that each provider submit the cost report on an annual basis with the reporting period based on the provider's accounting period, which is generally 12 consecutive calendar months. Additionally, under the authority of the regulations at 42 CFR 413.24(f)(5)(i)(E)(1) and (2), CMS requires that an acceptable cost report submission from a provider claiming costs allocated from a HO/CO include a home office cost statement that corresponds to the amounts allocated from the HO/CO to the provider. A less frequent collection would impede the annual rate setting process and adversely affect provider payments.

7. Special Circumstances

This information collection complies with all general information collection guidelines in 5 CFR 1320.6.

8. Federal Register Notice

The 60-day Federal Register notice published on September 12, 2019 (84 FR 48145). We have included our responses to comments in the files submitted with this information collection request.

The 30-day Federal Register notice published on November 27, 2020 (85FR 76079)

9. Payment/Gift to Respondent

CMS makes no payments or gifts to a respondent for completion of this data collection. CMS issues claims payments to healthcare provider components of the HO/CO for covered services provided to Medicare beneficiaries. If the HO/CO fails to submit the home office cost statement, the contractor may reject any healthcare provider component's cost report that includes home office/chain costs.

10. Confidentiality

Confidentiality is not assured. Home office cost statements 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 home office facilities as of 10/20/2020	1,626
Hours burden per facility:	
Reporting	138
Recordkeeping	328
Total hours burden per facility	466
Total hours burden (1,626 facilities x 466 hours)	757,716
Cost per home office	\$24,097.88
Total annual cost estimate (\$24,097.88 x 1,626 hospitals)	\$39,183,153

Only when the standardized definitions, accounting, statistics and reporting practices defined in 42 CFR 413.20(a) are not already maintained by the provider on a fiscal basis does CMS estimate additional burden for the required recordkeeping and reporting.

Burden hours for each home office estimate the time required (number of hours) to complete ongoing data gathering and recordkeeping tasks, search existing data resources, review instructions, and complete the Form CMS-287-21. The System for Tracking Audit and Reimbursement, an internal CMS data system maintained by the Office of Financial Management (OFM), tracks the current number of home offices as 1,626 that submit the Home Office Cost Statement, Form CMS-287, annually. We estimate an average burden per home office of 466 hours (328 hours for recordkeeping and 138 hours for reporting). We recognize the burden hours may vary depending on the HO/CO size and complexity. We invite public comment on the burden hours as well as the staffing requirements utilized to compile and complete the Medicare cost report.

We calculated the annual burden hours as follows: 1,626 HO/COs multiplied by 466 hours per HO/CO equals 757,716 annual burden hours.

The 328 hours for recordkeeping include hours for bookkeeping, accounting and auditing clerks; the 138 hours for reporting include accounting and audit professionals' activities. Based on the most recent Bureau of Labor Statistics (BLS) in its 2019 Occupation Outlook Handbook, the mean hourly wage for Category 43-3031 (<https://www.bls.gov/oes/current/oes433031.htm>), for bookkeeping, accounting and auditing clerks, is \$20.65. We added 100% of the mean hourly wage to account for fringe benefits and overhead costs, which calculates to \$41.30 (\$20.65 + \$20.65) and multiplied it by 328 hours to determine the annual recordkeeping costs per HO/CO to be \$13,546.40 (\$41.30 x 328 hours).

The mean hourly wage for Category 13-2011 (www.bls.gov/oes/current/oes132011.htm), for accounting and audit professionals, is \$38.23. We added 100% of the mean hourly wage to account for fringe and overhead benefits, which calculates to \$76.46 (\$38.23 + \$38.23) and multiplied it by 138 hours to determine the annual reporting costs per home office to be \$10,551.48 (\$76.46 x 138 hours). We calculated the total annual cost per HO/CO of \$24,097.88 by adding the recordkeeping costs of \$13,546.40 plus the reporting costs of \$10,551.48. We estimated the total annual cost to be \$39,183,153 (\$23,097.88 times 1,626 home offices).

13. Capital Cost

There are no capital costs.

14. Cost to Federal Government

Annual Federal costs incurred, based on estimates provided by the OFM, for contractors processing information contained on the forms is estimated at \$7,745,451.

15. Changes To Burden

The changes in burden and cost for the Form CMS-287-21 are a result of:

- 1) a decrease in the number of respondents by 60 (from 1,686 in 2014 to 1,626 in 2020); and
- 2) increases in the hourly rates and associated administrative/overhead costs based on data from the BLS 2019 Occupation Outlook Handbook (for categories 43-3031, bookkeeping, accounting and auditing clerks, and 13-2011, accounting and audit professionals) that resulted in an increased cost per provider from \$9,320.00 in 2014 to \$24,097.88 in 2020.

16. Publication and Tabulation Dates

The data submitted on the cost statement is supporting documentation and not published or tabulated. The home office cost statement data is not maintained in the Healthcare Provider Cost Reporting Information System (HCRIS).

17. Expiration Date

CMS displays the expiration date on the first page of the data collection instrument in the upper right hand corner. The PRA disclosure statement with expiration date appears in the instructions on page 48-4.

18. Certification Statement

There are no exceptions to the certification statement.

C. STATISTICAL METHODS

There are no statistical methods involved in this collection.