

**Responses to Comments Received for Proposed Form CMS-287-21**  
**Published September 12, 2019 (84 FR 48147)**

Comment	Response
<p>1 Commenter noted the increased costs and workload burden required to report home office costs on the proposed form CMS-287 and commented that the estimated costs and preparation hours are understated.</p>	<p>CMS appreciates the commenter's concern that the proposed form CMS-287 may cause increased cost and workload burden and that the commenter believes the burden estimate is understated. The burden estimates are an average of the time and resources that is expected for most home offices to complete their cost statement. 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.</p>
<p>2 Commenter requested the ability to continue using alternative cost report forms for the proposed form CMS-287 as was done with the form CMS 287-05.</p>	<p>CMS acknowledges the commenters' request to continue using an alternative cost report form in lieu of the approved home office cost statement. The proposed cost statement forms are designed to accommodate all scenarios, facilitate electronic preparation and submission, and permit electronic signature.</p>
<p>3 Commenter expressed concern about reporting inaccurate allocation calculations if required to allocate by individual types of expenses since they currently group expenses by department to allow costs to be allocated to the chain providers who benefit from services furnished by the applicable department. Converting to the proposed form CMS-287 will result in inaccurate allocations due to the limited allocation calculations. Additionally, the use of the new forms will result in the inability to compare home office activity from the historical forms used.</p>	<p>CMS appreciates the commenters' concerns. We have expanded the Schedule A instructions to allow subscribing of all the cost centers (lines 1 through 98) to accommodate expenses detailed by locations and departments.</p>
<p>4 Commenter expressed concern regarding the requirement that a provider must submit adequate cost data that can be verified by a qualified auditor. Requiring the home office cost statement to be reviewed by multiple auditors not only adds burden, but increases the risk of inconsistent review of information.</p>	<p>CMS appreciates the commenter's concern. The regulation at 42 CFR 413.20(d)(2) states that the provider must permit the contractor to examine records and documents as necessary to ascertain information pertinent to the determination of the proper amount of program payments due the provider(s) in the home office/chain organization. The examination is intended to assure that the home office/chain organization has an adequate ongoing system for furnishing the records needed to provide accurate cost data and other information capable of verification by qualified auditors and adequate for cost reporting purposes under §1815 of the Social Security Act.</p>
<p>5 Commenter suggested that a designated point of contact be assigned for each contractor so a chain can have a single contact for furnishing a copy of the home office cost statement. Additionally, contractor responsibility for notification and distribution of the home office cost statement should be specified.</p>	<p>CMS acknowledges the commenter's suggestions; however, the comments are beyond the scope of the proposed revisions to the home office cost statement forms and instructions.</p>

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<p>6 Commenter suggested that the proposed form CMS-287 be submitted to the MACs in an approved electronic format. This would help reduce the administrative burden and allow CMS to introduce level 1 edits to improve the accuracy and completeness of the home office cost statement data.</p>	<p>CMS notes the commenter's suggestion to require the proposed form CMS-287 be in an electronic format, and we agree. Section 4805.2 in the proposed form CMS-287-19 (4800.20 in the revised proposed form CMS-287-21) instructions states a home office is required to prepare and submit the form CMS-287-21 using CMS-approved software. Section 4801.12 in the revised proposed form CMS-287-21 states that a home office may elect to electronically submit the certification statement.</p>
<p>7 Commenter requests that CMS reconsider how salaries are reported on the home office cost statement and allow for home offices to report salaries in a separate column on Schedule B. This will allow the home office to better utilize functional statistics to allocate department costs.</p>	<p>CMS appreciates the commenter's concerns and we have updated the Schedule A instructions to allow for subscribing of all the cost centers (lines 1 through 98), including salaries on lines 8 and 9, to allow for salary costs to be detailed by locations and departments. We believe this will help the home office better utilize functional statistics to allocate its department and chain facility location costs.</p>
<p>8 Commenter requests that the proposed form CMS-287 be updated to track salary amounts throughout the cost statement and totaled on a new schedule. This would make it easier for providers to determine the home office salary amounts applicable to each IPPS hospital when completing Worksheet S-3, Part II, and make it easier for the MACs to verify the home office salary amounts for wage index review.</p>	<p>CMS appreciates the commenters' request and proposed Schedule F and F-1 that summarize all the capital and non capital allocations for direct, functional and pooled allocations of salaries to better track salary and wage related costs and aid the MACs in verifying the home office salary amounts for wage index review.</p>
<p>9 Commenter requested further clarification to specify how an entity must be structured to be considered a home office. CMS states that a home office of a chain is not in itself certified by Medicare, however, commenter has seen IPPS hospitals that have taken specific departments of the hospital and classified them as home office departments and have been issued a home office number.</p>	<p>CMS appreciates the commenters' request for further clarification as to how an entity must be structured to be considered a home office. A formal home office provider number is needed when there is a chain organization. A chain organization consists of a group of two or more health care facilities which are owned, leased, or through any other device, controlled by "one organization." Chain organizations may take a variety of structures and may have a variety of types of components; however, all chains have two basic elements: healthcare facilities and a central organizing body. Chain organizations include, but are not limited to, chains operated by proprietary organizations and chains operated by various religious, charitable, and governmental organizations. Most chain home offices are separate and distinct headquarters. The home office is usually physically and organizationally separate and easily identifiable from the facilities it serves. Most home offices provide healthcare related functions to or on behalf of the chain providers. These functions may include central management and policy direction; financial arrangements and overall financial control; centralized services such as accounting, billing, purchasing, laundry, payroll, cost report preparation, etc. Please see section 4800 of the proposed form CMS-287 instructions.</p>

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10 Commenter requested that CMS consider issuing recommended statistical bases for various functional allocations in order to help facilitate allocating costs functionally instead of pooling costs.	CMS acknowledges the commenter's request that CMS consider issuing recommended statistical bases for various functional allocations. Costs should be allocated on a statistical basis which most accurately reflects the proportionate benefits received by each chain component for each service. Examples include: centralized payroll on number of checks issued, purchasing on numbers of purchases made or requisitions handled, and data processing on machine time. It is important that chain home offices remain consistent from one accounting period to another in the selection of functional allocation bases. See CMS Pub. 15-1, chapter 21, §2156.2, for additional recommended allocation bases. If a home office cannot use the recommended bases, it may use alternative bases after obtaining the approval of the MAC in accordance with CMS Pub. 15-1, chapter 21, §2150.3(c).
11 Commenter requested that CMS survey the home office community to determine which departments and services are more common and add them as standard cost centers on Schedule B.	CMS appreciates the commenter's suggestion to add standard cost centers on Schedule B (Schedule A in revised proposed CMS-287-21). The 60-day notice and comment period followed by the 30-day comment period allows for the home office community to propose what standard cost centers to add in the proposed form CMS-287-21. Schedule A also accommodates subscribing up to 99 times for each additional cost center through line 98. For example, line 5 may be subscribed from line 5.01 through line 5.99.
12 Commenter requested that with the issuance of electronic specifications for proposed form CMS-287-19, CMS will allow for the subscribing of key officers on Schedule S-1, adjustments on Schedule C, and related organization costs on Schedule D.	CMS acknowledges the commenter's request. Please note that the revised proposed form CMS-287-21 accommodates for the subscribing of key officers on Schedule S-1, Part II, from lines 6 through 20, adjustments on Schedule A-8 from lines 18 through 99, and related organizations on Schedule A-8-1 from lines 1 through 99.
13 Commenter requested additional clarification regarding the use of inpatient days as a pooled allocation statistic on Schedule G. Instructions indicate that inpatient days may only be used when all of the components of a chain are the same type. Some home offices have argued that an IPPS hospital and a CAH are the same and the sub units which are part of these providers can substantially change the costs of the organization and would not be taken into account with an inpatient days statistic. Commenter requests more clarification for when inpatient days could be utilized as a statistic.	CMS acknowledges the commenter's request for additional clarification regarding the use of inpatient days as a pooled allocation statistic on Schedule G (Schedules E and E-1 in the revised proposed CMS-287-21). We clarified the instructions and added language that states that pooled home office costs must be allocated on the basis of inpatient days provided the entire chain consists solely of comparable inpatient health care facilities. IPPS hospitals and short term inpatient hospitals and CAHs are considered comparable inpatient healthcare facilities and would be allocated on the basis of inpatient days. For chain components that are composed of unlike health care facilities, for example, long term care hospitals, hospital complex facilities, and home health agencies, pooled home office costs must be allocated to chain components on the basis of total costs and not allocated based on inpatient days. See CMS Pub. 15-1, chapter 21, §2150.3(d)(2) for additional detail.