

**SUPPORTING STATEMENT A**  
**COMMUNITY MENTAL HEALTH CENTER COST REPORT**  
**(CMS-2088-17; OMB 0938-0037)**

**A. BACKGROUND**

CMS is requesting the Office of Management and Budget (OMB) review and approve this extension request for OMB No. 0938-0037, the Community Mental Health Center (CMHC) Cost Report Form CMS-2088-17. CMHCs participating in the Medicare program submit these cost reports annually to report cost and statistical data used by CMS to determine reasonable costs and rate refinements.

**B. JUSTIFICATION**

1. Need and Legal Basis

Under the authority of sections 1815(a) and 1833(e) of the Act (42 USC 1395g), CMS requires that providers of services participating in the Medicare program submit information to determine costs for health care services rendered to Medicare beneficiaries. CMS requires that providers follow reasonable cost principles under 1861(v)(1)(A) of the Act when completing the Medicare cost report. Regulations at 42 CFR 413.20 and 413.24 require that providers submit acceptable cost reports on an annual basis and maintain sufficient financial records and statistical data, capable of verification by qualified auditors. In addition, the regulations require that providers furnish such information to the contractor as may be necessary to assure proper payment by the program, receive program payments, and satisfy program overpayment determinations. In accordance with 42 CFR 413.20(a), CMS follows standardized definitions, accounting, statistics, and reporting practices that are widely accepted in the healthcare fields. Changes in these practices and systems are not required in order to determine costs payable under the principles of reimbursement. Essentially the methods of determining costs payable under Medicare involve making use of data available from the provider's accounting records, as usually maintained, to arrive at equitable and proper payment for services to beneficiaries.

CMS requires the Form CMS-2088-17 to determine a provider's reasonable cost incurred in furnishing medical services to Medicare beneficiaries and reimbursement due to or from a provider. In addition, CMHCs may receive reimbursement through the cost report for Medicare reimbursable bad debts.

CMS uses the Form CMS-2088-17 for rate setting; payment refinement activities, including market basket analysis; Medicare Trust Fund projections; and to support program operations.

2. Information Users

The primary function of the cost report is to determine provider reimbursement for services rendered to Medicare beneficiaries. Each CMHC submits the cost report to its

contractor for reimbursement determination. Section 1874A of the Act describes the functions of the contractor.

CMHCs must follow the principles of cost reimbursement, which require they maintain sufficient financial records and statistical data for proper determination of costs. The S series of worksheets collects the provider's location, CBSA, date of certification, operations, and unduplicated census days. The A series of worksheets collects the provider's trial balance of expenses for overhead costs, direct patient care services, and non-revenue generating cost centers. The B series of worksheets allocates the overhead costs to the direct patient care and non-revenue generating cost centers using functional statistical bases. The Worksheet C computes the apportionment of costs between Medicare beneficiaries and other patients. The D series of worksheets are Medicare specific and calculate the reimbursement settlement for services rendered to Medicare beneficiaries. The Worksheet F collects the provider's revenues and expenses data from the provider's income statement.

### 3. Use of Information Technology

CMS regulations at 42 CFR § 413.24(f)(4)(ii) require that each CMHC submit an annual cost report to their contractor in a standard American Standard Code for Information Interchange (ASCII) electronic cost report (ECR) format. CMHC's submit the ECR file to contractor using a compact disk (CD), flash drive, or the CMS approved Medicare Cost Report E-filing (MCREF) portal, [URL: <https://mcref.cms.gov>]. The instructions for submission are included in the CMHC cost report instructions on page 45-502.

### 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

These cost reporting forms have been designed with a view toward minimizing the reporting burden when a CMHC experiences low Medicare utilization. A low utilization CMHC is required to complete a limited number of worksheets contained in the Form CMS-2088-17. The Form CMS-2088-17 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

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 CMHC submit the cost report on an annual basis with the reporting period based on the CMHC's accounting period, which is generally 12 consecutive calendar months. 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 as described in 5 CFR 1320.6 without the existence of special circumstances.

8. Federal Register Notice

The 60-day Federal Register Notice was published on 2/5/2021 (86 FR 8362).  
No comments were received.

The 30-day Federal Register Notice was published on 4/13/2021 (86 FR 19267).

9. Payment/Gift to Respondent

CMS makes no payments or gifts made to respondents for completion of this data collection. CMS issues claims payments for covered services provided to Medicare beneficiaries. These reports collect the data to determine accurate payment to a CMHC. If the CMHC fails to submit the cost report, the contractor imposes a penalty by suspending claims payments until a report is submitted. Once the report is submitted, the contractor releases the suspended payments. A CMHC that submits the cost report timely experiences no interruption in 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)

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Number of CMHC facilities Form CMS 2088-17		184
	<u>Hours burden per CMHC</u>	
Reporting		10
Recordkeeping		80
Total hours burden per CMHC		90
Total hours burden (184 facilities x 90 hours )		16,560
	Cost per CMHC	<u>\$4,068.60</u>
Total annual cost estimate (\$4,068.60 x 184 CMHCs)		<u><u>\$748,622</u></u>

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 CMHC 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-2088-17. The System for Tracking Audit and Reimbursement (STAR), an internal CMS data system maintained by the Office of Financial Management (OFM), tracks the current number of Medicare certified CMHCs as 184, which file Form CMS-2088-17 annually. We estimate an average burden per CMHC of 90 hours (80 hours for recordkeeping and 10 hours for reporting). We recognize this average varies depending on the provider size and complexity. We invite public comment on the hours estimate as well as the staffing requirements utilized to compile and complete the Medicare cost report.

We calculated the annual burden hours as follows: 184 CMHCs multiplied by 90 hours per CMHC equals 16,560 total annual burden hours. The 80 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 2019 Occupation Outlook Handbook, the mean hourly wage for Category 43-3031 (bookkeeping, accounting and auditing clerks) is \$20.65<sup>1</sup>. We added 100% of the mean hourly wage to account for fringe benefits and overhead costs, which calculates to \$41.30 (\$20.65 plus \$20.65) and multiplied it by 80 hours, to determine the annual recordkeeping costs per CMHC to be \$3,304.00 (\$41.30 per hour multiplied by 80 hours).

The mean hourly wage for Category 13-2011 (accounting and audit professionals) is \$38.23<sup>2</sup>. We added 100% of the mean hourly wage to account for fringe benefits and overhead costs, which calculates to \$76.46 (\$38.23 plus \$38.23) and multiplied it by 10 hours, to determine the annual reporting costs per CMHC to be \$764.60 (\$76.46 per hour multiplied by 10 hours).

We calculated the total annual cost per CMHC of \$4,068.60, by adding the recordkeeping costs of \$3,304.00 plus the reporting costs of \$764.60. We estimated the total annual cost to be \$748,622 (\$4,068.60 costs per CMHC multiplied by 184 CMHCs).

<sup>1</sup> <https://www.bls.gov/oes/current/oes433031.htm>

<sup>2</sup> <https://www.bls.gov/oes/current/oes132011.htm>

### 13. Capital Cost

There are no capital costs

### 14. Cost to Federal Government

Annual cost to MACs:

Annual costs incurred are related to processing information contained on the forms, particularly associated with achieving settlements. Medicare contractors' processing costs are based on estimates provided by the Office of Financial Management (OFM). \$552,000

Annual cost to CMS:

Total CMS processing cost is from the HCRIS Budget: \$44,000

Total Federal Cost \$596,000

15. Changes to Burden

The change in burden is due to two factors:

- 1) The number of respondents decreased from 219 in 2016 to 184 in 2020 due to voluntary and involuntary termination from the Medicare Program.
- 2) The hourly rate increased based on the most recent BLS Occupational and Employment Data (May 2019) and to account for the associated fringe benefits and overhead costs. The cost per respondent increased by \$236.40 (from \$3,832.20 per respondent in 2016 to \$4,068.60 per respondent in 2020).

16. Publication and Tabulation Dates

CMS requires that each Medicare-certified provider submit an annual cost report to their contractor. The cost report contains provider information such as facility characteristics, utilization data, cost and charges by cost center, in total and for Medicare, Medicare settlement data, and financial statement data. The provider must submit the cost report in a standard (ASCII) ECR format. CMS maintains the cost report data in the Healthcare Provider Cost Reporting Information System (HCRIS). The HCRIS data supports CMS's reimbursement policymaking, congressional studies, legislative health care reimbursement initiatives, Medicare profit margin analysis, market basket weight updates, and public data requirements. CMS publishes the HCRIS dataset for public access and use at <https://www.cms.gov/Research-Statistics-Data-and-Systems/Downloadable-Public-Use-Files/Cost-Reports/>.

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 included in the instructions on page 45-4.

18. Certification Statement

There are no exceptions to the certification statement.

**C. STATISTICAL METHODS**

There are no statistical methods involved in this collection.