**Supporting Statement - A**
**Independent Renal Dialysis Facility Cost Report**
**(CMS-265-11; OMB 0938-0236)**

## A. BACKGROUND

CMS is requesting the Office of Management and Budget (OMB) review and approve this reinstatement with change of the currently approved Independent Renal Dialysis Facility Cost Report Form CMS-265-11, OMB No. 0938-0236, for facilities providing end stage renal dialysis (ESRD) services. ESRD facilities participating in the Medicare program submit these cost reports annually to report cost and statistical data used by CMS to determine reasonable costs incurred for furnishing dialysis services to Medicare beneficiaries and to effect the year-end cost settlement for Medicare bad debts. In this Paperwork Reduction Act (PRA) package, we propose the following:

- Revising Worksheet S-1 and instructions to add pediatric labor categories
- Revising Worksheet A to add line 9.01 to report the cost of pediatric supplies
- Adding Worksheet A-7 to report the analysis of capital cost centers
- Revising Worksheets B and B-1 to report the cost allocation of pediatric supplies
- Revising the Worksheet E instructions to reflect the suspension of the sequestration adjustment
- Revising Worksheet E-1 to report payments for TDAPA, TPNIES, and HDPA

## 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. CMS requires that providers follow reasonable cost principles under 1861(v)(1)(A) of the Act when completing the Medicare cost report (MCR). 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 hospital and related 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 institution's basis accounts, as usually maintained, to arrive at equitable and proper payment for services to

beneficiaries.

CMS requires the Form CMS-265-11 to determine an ESRD facility's reasonable costs incurred in furnishing medical services to Medicare beneficiaries. ESRD facilities paid under the ESRD prospective payment system (PPS) may receive reimbursement in addition to the ESRD PPS payment for Medicare reimbursable bad debts.

CMS uses the Form 265-11 for annual rate setting; payment refinement activities, including developing a ESRD 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 cost report is to determine provider costs for services to Medicare beneficiaries. Each ESRD facility submits the cost report to its contractor for reimbursement determination. Section 1874A of the Social Security Act describes the functions of the contractor.

ESRD facilities must follow the principles of cost reimbursement, which require that ESRD facilities maintain sufficient financial records and statistical data for proper determination of costs. The S series of worksheets collects statistical data such as the provider's location, core-based statistical area, date of Medicare certification, provider operations, and utilization data. 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 allocates the costs from the A series to the ESRD modalities of treatment as well as to non-reimbursable cost centers using statistical bases. The C series of worksheets computes total facility treatments and average cost per modality of treatment. The D series of worksheets determines payment amounts to the ESRD facility by modality of treatment. The E series of worksheets determines reimbursement due to the provider or program for Medicare bad debts. The F series of worksheets collects data from the ESRD facility's balance sheet and income statement.

3. Use of Information Technology

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

4. Duplication of Efforts

This information collection does not duplicate any other effort and CMS cannot obtain the information from any other source.

5. Small Businesses

In accordance with the regulations at 42 CFR 413.24((g) and (h), CMS designed these cost reporting forms with a view toward minimizing the reporting burden when an ESRD facility experiences no or low Medicare utilization by requiring completion of a limited number of worksheets. CMS collects the Form CMS-265-11 as infrequently as possible (annually) and only requires those data items necessary to determine the appropriate
reimbursement rates.

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 ESRD'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 / Outside Consultation

The 60-day Federal Register notice (87 FR 9627) was published on 02/22/2022.

No comments were received during the 60-day comments period.

The 30-day Federal Register notice (87 FR 26760) was published on 05/05/2022.

9. Payments/Gifts to Respondents

CMS makes no payments or gifts 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 payments to the ESRD facility. If the ESRD facility fails to submit the cost report, the contractor imposes a penalty by suspending claims payments until the ESRD facility submits the cost report. Once the ESRD facility submits the cost report, the contractor releases the suspended payments. An ESRD facility that submits the cost report timely experiences no interruption in claims payments.

10. Confidentiality

Confidentiality is not assured. MCRs are subject to disclosure under the Freedom of Information Act.

11. Sensitive Questions

There are no questions of a sensitive nature.

12. Burden Estimates (Hours and Wages)

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|---|---|---|
| Number of ESRD facilities | | 7,492 |
| Hours burden per facility | | |
| Reporting | 16 | |
| Recordkeeping | 50 | |
| Total hours burden per facility | | 66 |
| Total hours burden (number of facilities x hours per facility) | | 494,472 |
| Cost per ESRD | | $3,376.32 |
| Total respondent cost estimate | | $25,295,389 |

Only when data required in the cost report is not already maintained by the ESRD facility on a fiscal basis as part of the standardized definitions, accounting, statistics and reporting practices defined in 42 CFR 413.20(a) does CMS estimate additional burden for the required recordkeeping and reporting.

Burden hours for each ESRD facility 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-265-11. 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 ESRD facilities as 7,492 ESRD facilities, which file Form CMS-265-11 annually. We estimate the proposed changes to the Form CMS-265-11 to increase the average burden per ESRD facility by 1 hour for reporting for a total of 66 hours per ESRD facility (50 hours for recordkeeping and 16 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: 7,492 ESRD facilities multiplied by 66 hours per ESRD facility equals 494,472 annual burden hours.

The 50 hours for recordkeeping include hours for bookkeeping, accounting and auditing clerks; the 16 hours for reporting include hours for accounting and audit professionals. Based on the May 2020 Occupational Employment and Wage Statistics (OEWS) from the U.S. Bureau of Labor Statistics (BLS) Occupation Outlook Handbook, the mean hourly wage for Category 43-3031 (Bookkeeping, Accounting, and Auditing Clerks) is $21.20[1]. We added 100% of the mean hourly wage to account for fringe and overhead benefits, which calculates to $42.40 ($21.20 plus $21.20) and multiplied it by 50 hours, to determine the annual recordkeeping costs per ESRD facility to be $2,120.00 ($42.40 multiplied by 50 hours). The mean hourly wage for Category 13-2011 (Accountants and

Auditors) is $39.26[2]. We added 100% of the mean hourly wage to account for fringe and overhead benefits, which calculates to $78.52 ($39.26 plus $39.26) and multiplied it by 16 hours, to determine the annual reporting costs per ESRD facility to be $1,256.32 ($78.52 multiplied by 16 hours).

We calculated the total annual cost per ESRD facility of $3,376.32 by adding the recordkeeping costs of $2,120.00 plus the reporting costs of $1,256.32. We estimated the total annual cost to be $ 25,295,389 ($3,376.32 multiplied by 7,492 ESRD facilities, rounded).

1 www.bls.gov/oes/current/oes433031.htm
2 www.bls.gov/oes/current/oes132011.htm

13. Capital Costs

There are no capital costs.

14. Cost to Federal Government

| | |
|---|---|
| Annual cost to MACs:<br>Annual costs incurred are related to processing information on the forms to achieve settlement. MAC processing costs are based on estimates provided by the Office of Financial Management. | $29,969,098 |
| Annual cost to CMS:<br>Total CMS processing cost is from the HCRIS Budget: | 44,000 |
| Total Federal Cost | $30,013,098 |

15. Changes to Burden

We determined that the revisions to Worksheets A, B, and B-1, resulted in minor change to the burden. The change in burden is due to the following factors:

1) an increase in the number of respondents by 671 (from 6,821 in 2017 to 7,492 in 2021), the net result of new ESRD facilities certified to participate in the Medicare program and existing ESRD facilities terminated from the Medicare program;
2) increases in the hourly rates and associated administrative/overhead costs, based on the May 2020 OEWS from the BLS Occupation Outlook Handbook, for categories 43-3031, Bookkeeping, Accounting, and Auditing Clerks; and 13-2011, Accountants and Auditors, that resulted in an increased cost per provider from $2,980.00 in 2017 to $3,376.32 in 2021;
3) an increase in the burden hours from 65 in 2017 to 66 in 2021 due to the proposed Worksheet A-7.

16. Publication/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 corner. The PRA disclosure statement with the expiration date appears in the instructions beginning on page 42-3.

18. Certification Statement

There are no exceptions to the certification statement.

## C. STATISTICAL METHODS

There are no statistical methods employed in this collection.