**SUPPORTING STATEMENT FOR THE FREESTANDING**

**FEDERALLY QUALIFIED HEALTH CENTER**

**COST REPORT**

**(Form CMS-224-14; OMB 0938-1298)**

**A. BACKGROUND**

CMS is requesting the Office of Management and Budget (OMB) review and approve an extension to OMB No. 0938-1298, the Federally Qualified Health Center (FQHC) Cost Report, Form CMS‑224‑14. This cost report is filed annually, by FQHCs participating in the Medicare program to collect cost and statistical data used by CMS to determine reasonable costs.

**B. JUSTIFICATION**

1. Need and Legal Basis

Under the authority of sections 1815(a) and 1833(e) Social Security 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. Furthermore, these sections of the Act provide that no Medicare payments will be made to a provider unless it furnishes the information. 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 providers submit acceptable cost reports on an annual basis and maintain sufficient financial records and statistical data, capable of verification by qualified auditors.

The Form CMS-224-14 cost report is needed to determine a provider’s reasonable cost incurred in furnishing medical services to Medicare beneficiaries and to calculate the FQHC settlement amount. These providers, paid under the FQHC prospective payment system (PPS), may receive reimbursement outside of the PPS for Medicare reimbursable bad debts, pneumococcal, influenza, and COVID-19 vaccines, and monoclonal antibody products.

CMS uses the Form CMS-224-14 for rate setting; payment refinement activities, including developing a FQHC market basket; Medicare Trust Fund projections; and to support program operations. Additionally, the Medicare Payment Advisory Commission (MedPAC) uses the FQHC Medicare cost report data to calculate Medicare margins; to formulate recommendations to Congress regarding the FQHC PPS; and to conduct additional analysis of the FQHC PPS.

1. Information Users

The primary function of the Form CMS-224-14 is to determine provider reimbursement for services rendered to Medicare beneficiaries. Each FQHC submits the cost report to its contractor for reimbursement determination. Section 1874A of the Act describes the functions of the contractor.

FQHCs 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 statistical data that identify the provider’s location, core-based statistical area (CBSA), date of certification, information relative to their operations, number of visits and discharges. 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 calculates an average cost per visit by practitioner for both medical and mental health visits. The B series of worksheets also includes calculations for graduate medical education, pneumococcal, influenza, and COVID-19 vaccine costs, and monoclonal antibody products, all paid outside the FQHC PPS. The E series of worksheets is used to determine the settlement amount due to the FQHC or program. The F series of worksheets is used to collect a FQHCs financial statement information (statement of revenues and expenses).

1. Use of Information Technology

CMS regulations at 42 CFR § 413.24(f)(4)(ii) requires that each FQHC submit an annual cost report to their contractor in American Standard Code for Information Interchange (ASCII) electronic cost report (ECR) format.  FQHCs submit the ECR file to contractors 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 FQHC cost report instructions on page 44-202.

1. Duplication of Efforts

This information collection does not duplicate any other effort and the information cannot be obtained from any other source.

1. Small Business

CMS requires all FQHCs, regardless of size, to complete the cost report. CMS designed this cost report with a view toward minimizing the reporting burden for the 2,890 FQHCs, including consolidated FQHCs certified to participate in the Medicare program. The form is collected as infrequently as possible (annually) and only those data items necessary to determine the appropriate reimbursement rates are required.

1. 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 FQHC submit the cost report on an annual basis with the reporting period based on the FQHC’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.

1. 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.

There are no special circumstances that would require an information collection to be conducted in a manner that requires respondents to:

• Report information to the agency more often than quarterly;

• Prepare a written response to a collection of information in fewer than 30 days after receipt of it;

• Submit more than an original and two copies of any document;

• Retain records, other than health, medical, government contract, grant-in-aid, or tax records for more than three years;

• Collect data in connection with a statistical survey that is not designed to produce valid and reliable results that can be generalized to the universe of study,

• Use a statistical data classification that has not been reviewed and approved by OMB;

• Include a pledge of confidentiality that is not supported by authority established in statute or regulation that is not supported by disclosure and data security policies that are consistent with the pledge, or which unnecessarily impedes sharing of data with other agencies for compatible confidential use; or

• Submit proprietary trade secret, or other confidential information unless the agency can demonstrate that it has instituted procedures to protect the information's confidentiality to the extent permitted by law.

1. Federal Register Notice

The 60-day Federal Register notice was published on 04/07/2022 (87 FR 20416).

No comments were received.

The 30-day Federal Register notice was published on 06/24/2022 (87 FR 37858).

1. Payment/Gift to Respondents

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

1. Confidentiality

Confidentiality is not assured. Medicare cost reports are subject to disclosure under the Freedom of Information Act.

1. Sensitive Questions

There are no questions of a sensitive nature.

1. Estimate of Burden (Hours and Cost)

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| --- | --- | --- | --- |
|  |  |  |  |
|  | Number of FQHC facilities (Form CMS-224-14) | 2,890 |  |
|  |  |  |  |
|  | Hours burden per FQHC |  |  |
|  | Reporting | 10 |  |
|  | Recordkeeping | 48 |  |
|  | Total hours burden per FQHC | 58 |  |
|  |  |  |  |
|  | Total hours burden (2,890 facilities x 58 hours) | 167,620 |  |
|  |  |  |  |
|  | Cost per FQHC | $2,820.40 |  |
|  | Total annual cost estimate ($2,820.40 x 2,890 FQHCs) | $8,150,956 |  |
|  |  |  |  |

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 FQHC are an estimate of the time required (number of hours) to complete ongoing data gathering, and recordkeeping tasks, search existing data resources, review instructions, and complete Form CMS-224-14. The most recent data from the System for Tracking Audit and Reimbursement (STAR), an internal CMS data system maintained by Office of Financial Management (OFM), reports that 2,890 Medicare certified FQHCs file Form CMS-224-14 annually. We estimate an average burden per FQHC of 58 hours (48 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 as follows: 2,890 FQHCs multiplied by 58 hours per FQHC equals 167,620 annual burden hours. The 48 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 2020 Occupational Employment and Wage Statistics, the mean hourly wage for Category 43-3031 (bookkeeping, accounting and auditing clerks) is $21.201. We added 100% of the mean hourly wage to account for fringe benefits and overhead costs, which calculates to $42.40 ($21.20 plus $21.20) and multiplied it by 48 hours, to determine the annual recordkeeping costs per FQHC to be $2,035.20 ($42.40 per hour multiplied by 45 hours).

The mean hourly wage for Category 13-2011 (accounting and audit professionals) is $39.262. We added 100% of the mean hourly wage to account for fringe benefits and overhead costs, which calculates to $78.52 ($39.26 plus $39.26) and multiplied it by 10 hours, to determine the annual reporting costs per FQHC to be $785.20 ($78.52 per hour multiplied by 10 hours).

We’ve calculated the total annual cost per FQHC of $2,820.40, by adding the recordkeeping costs of $2,035.20 plus the reporting costs of $785.20. We estimate the total annual cost to be $8,150,956.00 ($2,820.40 cost per FQHC multiplied by 2,890 FQHCs).

1 [www.bls.gov/oes/current/oes433031.htm](http://www.bls.gov/oes/current/oes433031.htm)

2 [www.bls.gov/oes/current/oes132011.htm](http://www.bls.gov/oes/current/oes132011.htm)

1. Capital Costs

There are no capital costs.

1. Cost to Federal Government

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| --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |
|  | Annual cost to Medicare Contractors: | | |  |  |
|  | 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). | | |  |  |
|  |  |  |
|  |  |  |
|  | $5,202,000 |  |
|  |  |  |  |  |  |
|  | Annual cost to CMS: | | |  |  |
|  | Total CMS processing cost is from the HCRIS Budget: | | | $44,000 |  |
|  |  |  |  |  |  |
|  | Total Federal Cost | | | $5,246,000 |  |
|  |  |  |  |  |  |

1. Changes to Burden

The changes in burden and cost for the Form CMS-224-14 are a result of:

1. an increase in the number of respondents enrolled in the Medicare program, from 2,240 to 2,890, as a result of voluntary and involuntary terminations and the option for RHC providers to file consolidated cost reports;

1. an hourly rate increased between 2018 and 2021 based on data from the most recent BLS Occupational Employment and Wage Statistics (May 2020) and to account for the associated increased overhead costs. The cost per FQHC increased by $174.24 (from $2,646.16 per FQHC in 2018 to $2,820.40 per FQHC in 2021) due to increases in the hourly wage and costs of overhead and fringe benefits.

1. 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/>.

1. Expiration Date

CMS displays the expiration date on the first page of the data collection instrument forms, in the upper right-hand corner. The PRA disclosure statement with expiration date is included in the instructions on page 44-3.

1. Certification Statement

There are no exceptions to the certification statement.

**C. STATISTICAL METHODS**

There are no statistical methods employed in this collection.