

SUPPORTING STATEMENT-A
FORM HOME HEALTH AGENCY COST REPORT
(CMS-1728-20; OMB 0938-0022)

A. BACKGROUND

CMS is requesting the Office of Management and Budget (OMB) review and approval of this reinstatement without changes to the previously approved package (OMB No. 0938-0022, the Home Health Agency (HHA) Cost Report Form CMS-1728-20). HHAs 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 home health services to Medicare beneficiaries.

B. JUSTIFICATION

1. Need and Legal Basis

Under the authority of sections 1815(a) and 1833(e) of the 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. CMS requires that providers follow reasonable cost principles under 1861(v)(1)(A) of the Act when completing the Medicare cost report. Under the regulations at 42 CFR 413.20 and 413.24, CMS defines adequate cost data and requires cost reports from providers on an annual basis.

The Form CMS-1728-20 cost report is used to determine a provider's reasonable cost incurred in furnishing medical services to Medicare beneficiaries and reimbursement due to or from a provider. The Form CMS-1728-20 cost report is also used for annual rate setting and payment refinement activities, including developing a home health market basket. Additionally, the Medicare Payment Advisory Commission (MedPAC) uses the home health cost report data to calculate Medicare margins, to formulate recommendations to Congress regarding the HHA PPS, and to conduct additional analysis of the HHA PPS.

Providers receiving Medicare reimbursement must provide adequate cost data based on financial and statistical records that can be verified by qualified auditors.

2. Information Users

Under the authority of 1816 of the Act, CMS requires providers to file cost reports with the provider's Medicare Administrative Contractor (MAC). The functions of the MAC are described in section 1874A of the Act.

The primary function of the cost report is to implement the principles of cost reimbursement which require that HHAs maintain sufficient financial records and statistical data for proper determination of costs payable under the program. 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 by

level of care, and non-revenue generating cost centers. The B series of worksheets allocates the overhead costs to the revenue and non-revenue generating cost centers using functional statistical bases. The C series of worksheets computes the average cost per visit for HHA services. The D series of worksheets are Medicare specific and are used to determine reimbursement due to the provider or program. The F series of worksheets collect data from a provider's balance sheet and income statement.

Additionally, the cost report is used by CMS to support program operations, payment refinement activities, and to make Medicare Trust Fund projections.

3. Use of Information Technology

CMS requires HHA providers to submit cost reports in an electronic format as described in 42 CFR 413.24(f)(4).

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

This cost report has been designed with a view towards minimizing the reporting burden for small HHAs. The form 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

If the annual cost report is not filed, CMS will be unable to determine whether proper payments are being made under Medicare. A home health agency that fails to file a cost report by the statutory due date is notified that interim payments will be reduced, suspended or deemed overpayments.

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.

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.

8. Federal Register Notice

The 60-day Federal Register notice was published on May 11, 2023 (88 FR 30309).
No comments received.

The 30 day Federal Register notice was published on July 21, 2023 (88 FR 47144).

9. Payment/Gift to Respondent

There are no payments or gifts made to a respondent for completion of this data collection. The payments are made for services rendered to our beneficiaries. These reports collect the data for the costs and payments made to a provider. If they fail to submit these reports, there are penalties that are applied. The penalty is the suspension of claims payments until a report is submitted. Once the report is submitted the payments for claims are released. When the provider files the report timely there are no interruptions in the claim's 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)

Number of HHA facilities Form CMS 1728-20		10,944
Hours burden per HHA		
Reporting	55	
Recordkeeping	140	
Total hours burden per facility		195
Total hours burden (10,944 facilities x 195 hours)		2,134,080
Cost per HHA	\$10,516.70	
Total annual cost estimate (\$10,516.70 x 10,944 HHAs)	\$115,094,765	

Burden hours for each HHA 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-1728-20. The most recent data from the System for Tracking Audit and Reimbursement, an internal CMS data system maintained by the Office of Financial Management (OFM), reports that 10,944 Medicare certified HHAs file Form CMS-1728-20 annually. We estimate an average burden per HHA of 195 hours (140 hours for recordkeeping and 55 hours for reporting). We calculated the annual burden hours as follows: 10,944 HHAs times 195 hours per HHA equals 2,134,080 total annual burden hours.

The 140 hours for recordkeeping include hours for bookkeeping, accounting and auditing clerks; the 55 hours for reporting include accounting and audit professionals' activities. Based on the most recent Bureau of Labor Statistics (BLS) in its 2021 Occupation Outlook Handbook, the mean hourly wage for Category 43-3031 (bookkeeping, accounting and auditing clerks) is \$21.70¹. We added 100% of the mean hourly wage to account for fringe benefits and overhead costs, which calculates to \$43.40 (\$21.70 + \$21.70) and multiplied it by 140 hours, to determine the annual recordkeeping costs per HHA to be \$6,076.00 (\$43.40 x 140 hours). The mean hourly wage for Category 13-2011 (accounting and audit professionals) is \$40.37². We added 100% of the mean hourly wage to account for fringe benefits and overhead costs, which calculates to \$80.74 (\$40.37 + \$40.37) and multiplied it by 55 hours, to determine the annual reporting costs per HHA to be \$4,440.70 (\$80.74 x 55 hours). We calculated the total annual cost per HHA of \$10,516.70, by adding the recordkeeping costs of \$6,076.00 plus the reporting costs of \$4,440.70. We estimated the total annual cost to be \$115,094,765 (\$10,516.70 x 10,944 HHAs).

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

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

13. Capital Cost

There are no capital costs as this data collection tool, Form CMS-1728-20.

14. Cost to Federal Government

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). \$ 6,955,471

Annual cost to CMS:

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

Total Federal Cost \$ 6,999,471

15. Changes To Burden

The changes in burden and cost are due to two factors:

- 1) The number of respondents increased from 10,139 in 2020 to 10,944 in 2023.
- 2) The hourly rates and associated administrative/overhead costs increased based on the most recent BLS Occupational and Employment Data (May 2021) (for categories 43-3031, bookkeeping, accounting, and audit clerks, and 13-2011, accounting and auditing clerks). This resulted in an increased cost per respondent of \$679 (from \$9,838 per respondent in 2020 to \$10,517 per respondent in 2023).

16. Publication and Tabulation Dates

The data submitted on the cost report is not published or tabulated.

17. Expiration Date

CMS will display 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 included in instructions appears in the fourth paragraph on page 47-3.

18. Certification Statement

There are no exceptions to the certification statement.

C. STATISTICAL METHODS

There are no statistical methods involved in this collection.