

**SUPPORTING STATEMENT
THE HOSPICE FACILITY COST REPORT
FORM CMS-1984-14; OMB 0938-0758**

A. Background

CMS is requesting the Office of Management and Budget (OMB) review and approve this extension request for OMB No. 0938-0758, the Hospice Cost Report, Form CMS-198414. Each freestanding hospice participating in the Medicare program submits the hospice cost report 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 §§ 1815(a) and 1833(e) of the Social Security Act (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). The 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, 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 industry. CMS does not require changes in these practices to determine allowable costs under the principles of reimbursement. Essentially the methods of determining costs payable under Medicare involve making use of data available from the provider's standard accounting system, as usually maintained, to arrive at equitable and proper payment for services to beneficiaries.

CMS requires the Form CMS-1984-14 to determine a hospice's reasonable costs incurred in furnishing medical services to Medicare beneficiaries. CMS uses the Form CMS-1984-14 for rate setting; payment refinement activities; developing a market basket; Medicare Trust Fund projections; and program operations support. Additionally, the Medicare Payment Advisory Commission (MedPAC) uses the hospice cost report data to calculate Medicare margins (a measure of the relationship

between providers' Medicare payments and providers' Medicare costs) and analyze data to formulate Medicare Program recommendations to Congress.

2. Information Users

As its primary function, the hospice cost report determines hospice costs for services rendered to Medicare beneficiaries. Each hospice submits the cost report to its contractor. Section 1874A of the Act describes the functions of the contractor.

In accordance with the principles of cost reimbursement, hospices must 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, corebased 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, direct patient care services, and non-revenue generating cost centers. The B series of worksheets allocates the overhead costs to direct patient care services and non-revenue generating cost centers using functional statistical bases. The C worksheet calculates the average cost per diem by level of care. The F series of worksheets collects financial data from a provider's balance sheet and income statement.

3. Use of Information Technology

CMS regulations at 42 CFR § 413.24(f)(4) require that each hospice submit an annual cost report to their contractor in a standard American Standard Code for Information Interchange (ASCII) electronic cost report (ECR) format. A hospice submits the ECR file to contractors on a compact disk (CD) or flash drive, or through the CMS approved Medicare Cost Report E-filing (MCREF) portal, [URL: <https://mcref.cms.gov>]. The hospice cost report includes instructions on page 43-3 for cost report submission.

4. Duplication of Efforts

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

5. Small Businesses

CMS requires all hospices, regardless of size, to complete the cost report. CMS designed this cost report with a view towards minimizing the reporting burden for small hospices without Medicare utilization. CMS collects the form as infrequently as

possible (annually) and requires only those data items necessary to evaluate a provider's costs.

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 hospice submit the cost report on an annual basis with the cost reporting period based on the hospice'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.

8. Federal Register/Outside Consultation

The 60-day Federal Register notice was published on 06/27/2024 (89 FR 53625). No comments were received.

The 30-day Federal Register notice was published on 09/09/2024 (89 FR 73097).

9. Payments/Gifts to Respondents

CMS makes no payments or gifts to respondents for completion of this data collection. CMS issues claims payments to a hospice for covered services provided to Medicare beneficiaries. The cost report collects the data to determine accurate payments to a hospice. If the hospice fails to submit the cost report, the contractor imposes a penalty by suspending claims payments until the hospice submits the cost report. Once the hospice submits the cost report, the contractor releases the suspended payments. A hospice 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 & Cost)

Number of hospice facilities (as of 3/8/2024)	6,430
Hours burden per facility to complete the cost report:	188
Number of hours of reporting	53
Number of hours of recordkeeping	135
Total hours burden (6,430 hospices x 188 hours)	<u>1,208,840</u>
Average cost per hospice	<u>\$11,063.7</u>
	<u>0</u>
Total annual cost estimate (\$11,063.70 x 6,430 hospices)	<u>\$71,139,59</u>
	<u>1</u>

Only when the cost report requires information not already maintained by the provider on a fiscal basis under 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 hospice estimate time required (number of hours) to complete ongoing data gathering and recordkeeping tasks, search existing data resources, review instructions, and complete the Form CMS-1984-14. The System for Tracking Audit and Reimbursement, an internal CMS data system maintained by the Office of Financial Management (OFM), reports the current number of hospices as 6,430 that file the Form CMS-1984-14 annually. We estimate the average burden per hospice to be 53 hours for reporting and 135 hours for recordkeeping, for a total average burden per hospice of 188 hours, unchanged from the prior OMB approval of the Form CMS1984-14. 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: 6,430 hospices multiplied by 188 hours per hospice equals 1,208,840 annual burden hours.

The 135 hours for recordkeeping include hours for bookkeeping, accounting, and auditing clerks. Based on the most recent Bureau of Labor Statistics (BLS) in its 2023 Occupation Outlook Handbook, the mean hourly wage for Category 43-3031 (bookkeeping, accounting, and auditing clerks) is \$23.84¹. We added 100% of the mean hourly wage to account for fringe benefits and overhead costs, resulting in an hourly rate of \$47.68 (\$23.84 plus \$23.84). We multiplied the hourly rate of \$47.68 by 135 hours to determine the annual recordkeeping costs per hospice to be \$6,436.80.

The 53 hours for reporting include accounting and audit professionals' activities. The mean hourly wage for Category 13-2011 (accounting and audit professionals) is \$43.65². We added 100% of the mean hourly wage to account for fringe benefits and overhead costs, resulting in an hourly rate of \$87.30 (\$43.65 plus \$43.65). We multiplied the hourly rate of \$87.30 by 53 hours, to determine the annual reporting costs per hospice to be \$4,626.90.

We calculated the total average annual cost per hospice of \$11,063.70 by adding the recordkeeping costs of \$6,436.80 plus the reporting costs of \$4,626.90. We estimated the total annual cost to be \$71,139,591 (\$11,063.70 cost per hospice multiplied by 6,430 hospices).

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

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

13. Capital Costs

There are no capital costs.

14. Cost to Federal Government

<u>Annual cost to Medicare Administrative Contractors:</u>	\$785,875
Medicare contractors' processing costs are based on estimates provided by the CMS Office of Financial Management.	
<u>Annual cost to CMS:</u>	
Total CMS processing cost is from the HCRIS Budget:	<u>\$ 44,000</u>
<u>Total Federal Cost</u>	<u>\$829,875</u>

Burden to the Federal government consist of an estimated 1.4 hours for the MAC to accept, review, validate, and finalize the hospice cost report. We calculated the annual burden hours as follows: 6,430 hospices multiplied by 1.4 hours per hospice equals 9,002 annual burden hours.

The CMS Office of Financial Management (OFM) estimated the costs to the Federal government using the 2023 mean hourly wage for Category 13-2011 www.bls.gov/oes/current/oes132011.htm (accounting and audit professionals) of \$43.65. OFM added 100% of the mean hourly wage to account for fringe benefits and overhead costs, resulting in an hourly rate of \$87.30 (\$43.65 plus \$43.65). We multiplied the hourly rate of \$87.30 by the 9,002 hours to determine the annual costs to the Federal government of \$785,875 plus the costs to process the cost reports through HCRIS of \$44,000 for a total Federal cost of \$829,875.

15. Changes to Burden

The change in burden is due to two factors:

- an increased number of respondents by 2,051 (from 4,379 in 2021 to 6,430 in 2024), and
- revised hourly rates and associated administrative/overhead costs based on data from the BLS 2023 Occupation Outlook Handbook (for categories 43-3031, bookkeeping, accounting, and auditing clerks, and 13-2011, accounting and audit professionals) that resulted in an increased cost per provider of \$1,435.82 (from \$9,627.88 in 2021 to \$11,063.70 in 2024).

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 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-StatisticsData-and-Systems/Downloadable-Public-Use-Files/Cost-Reports/>.

17. Expiration Date

On the first page of the data collection instrument, CMS displays the expiration date in the upper right corner and in the PRA disclosure statement at the bottom. CMS includes the PRA disclosure statement with the expiration date in instructions on page 43-4.

18. Certification Statement

There are no exceptions to the certification statement.

C. **Statistical Methods**

There are no statistical methods involved in this collection.