

**SUPPORTING STATEMENT FOR THE
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 this extension without change to OMB No. 0938-1298, the Federally Qualified Health Center (FQHC) Cost Report, Form CMS-224-14. FQHCs 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 services to Medicare beneficiaries and to claim reimbursement for Medicare bad debt.

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. 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.

In addition, FQHCs may receive reimbursement through the cost report for Medicare reimbursable bad debts. CMS uses Form CMS-224-14 for rate setting; payment refinement activities, including market basket analysis; Medicare Trust Fund projections; and to support program operations.

2. Information Users

CMS requires Form CMS-224-14 to determine an FQHC's reasonable costs incurred in furnishing medical services to Medicare beneficiaries and reimbursement due to or from an FQHC. Each FQHC submits the cost report to its contractor for a 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 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 applies productivity standards and determines allowable costs applicable to FQHC services. The C series of worksheets computes the average cost per visit for FQHC services and compares this amount to the maximum rate per visit and provides for a reconciliation of those costs.

3. 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.

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 towards minimizing the reporting burden when an FQHC experiences low Medicare utilization. A low utilization FQHC is required to complete a limited number of worksheets contained in the Form CMS-224-14. 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

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.

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 September 30, 2024 (FR 89 79612). No comments were received during the 60-day phase.

The 30-day Federal Register notice was published on December 9, 2024 (FR 89 97619).

9. Payment/Gift to Respondent

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. The cost report collects the data to determine accurate payment to an FQHC. If the FQHC fails to submit the cost report, the contractor imposes a penalty by suspending claims payments until a report is submitted. Once the cost report is submitted the contractor releases the suspended payments. An FQHC 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)

Number of FQHC facilities (Form CMS-224-14)		2,967
Hours burden per FQHC		
Reporting	10	
Recordkeeping	48	
Total hours burden per FQHC		58
Total hours burden (2,967 facilities x 58 hours)		172,086
Average Cost per FQHC		<u>\$3,161.64</u>
Total annual cost estimate (\$3,161.64 x 2,967 FQHCs)		<u><u>\$9,380,586</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 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 the Form CMS-224-14. 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 FQHCs as 2,967 which 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 hours as follows: 2,967 FQHCs multiplied by 58 hours per FQHC equals 172,086 annual burden hours. The 48 hours for recordkeeping include hours for bookkeeping, accounting and auditing clerks; while the 10 hours for reporting include accounting and audit professionals' activities. Based on the most recent Bureau of Labor Statistics (BLS) in its 2023 Occupational Employment and Wage Statistics, 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, which calculates to \$47.68 (\$23.84 plus \$23.84) and multiplied it by 48 hours, to determine the annual recordkeeping costs per FQHC to be \$2,288.64 (\$47.68 per hour multiplied by 48 hours).

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, which calculates to \$87.30 (\$43.65 plus \$43.65) and multiplied it by 10 hours, to determine the annual reporting costs per FQHC to be \$873.00 (\$87.30 per hour multiplied by 10 hours).

We've calculated the total annual cost per FQHC of \$3,161.64, by adding the recordkeeping costs of \$2,288.64 plus the reporting costs of \$873.00. We estimate the total annual cost to be \$9,380,586 (\$3,161.64 cost per FQHC multiplied by 2,967 FQHCs).

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

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

13. Capital Cost

There are no capital costs.

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).

\$3,691,022

Annual cost to CMS:

Total CMS processing cost is from the HCRIS Budget:

\$44,000

Total Federal Cost

\$3,735,022

Burden to the Federal government consist of an estimated 14.25 hours for the MAC to accept, review, validate, and finalize the FQHC cost report. We calculated the annual burden hours as follows: 2,967 FQHCs multiplied by 14.25 hours per FQHC equals 42,279.75 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 42,279.75 hours to determine the annual costs to the Federal government of \$3,691,022 plus the costs to process the cost reports through HCRIS of \$44,000 for a total Federal cost of \$3,735,022.

15. 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 from 2,890 in 2021 to 2,967 in 2024 the net result of new providers entering the program, voluntary and involuntary terminations, and the option for FQHC providers to file consolidated cost reports.
- 2) The hourly rate increased based on the most recent BLS Occupational and Employment Data (May 2023) and to account for the associated fringe benefits and overhead costs. Accordingly, the cost per respondent increased by \$325.40 from \$2,820.40 per respondent in 2021 to \$3,161.64 per respondent in 2024.

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 is included in the instructions on page 44-3.

18. Certification Statement

There are no exceptions to the certification statement.

C. STATISTICAL METHODS

There are no statistical methods involved in this collection.