

Supporting Statement
Medicare Geographic Classification Review Board (MGCRB) Procedures
and Supporting Regulations in 42 CFR, Section 412.256 & 412.230
(CMS-R-138; OMB-0938-0573)

A. BACKGROUND

Section 1886(d)(10) of the Social Security Act (the Act) established the Medicare Geographic Classification Review Board (MGCRB), an entity that has the authority to accept acute care hospital inpatient prospective payment system (IPPS) applications requesting geographic reclassification for wage index or standardized payment amounts and to issue decisions on these requests. The collection of this information by CMS was approved under OMB control number 0938-0573.

We are making changes to this package's burden and the information collection instrument to reflect the electronic filing requirement through the Office of Hearings Case and Document Management System ("OH CDMS"). Prior to the implementation of the OH CDMS, by regulation, hospitals were required to submit paper applications to the MGCRB. Beginning with the Federal Fiscal Year 2020 reclassification application cycle, the MGCRB requires all individual and group applications, as well as all supporting documentation and follow-up correspondence, to be filed electronically via the OH CDMS.

It is noted that Statewide applications are excluded from the use of OH CDMS. Relevant statewide application and affidavit forms are included at <https://www.cms.gov/medicare/regulations-guidance/geographicclassification-review-board/mgcrb-rules> and are to be filed in hard copy by mail or courier service. Correspondence is not accepted by email.

The last OMB approved version of this information collection request expired January 31, 2021. The approval lapsed due to an administrative oversight. At this time, we are seeking a reinstatement with changes of a previous approval for the information collection associated with OMB control number 0938-0573.

B. JUSTIFICATION

1. Need and Legal Basis

During the first few years of IPPS, hospitals were paid strictly based on their physical geographic location concerning the wage index (Metropolitan Statistical Areas (MSAs)) and the standardized amount (rural, other urban, or large urban). However, a growing number of hospitals became concerned that their payment rates were not providing accurate compensation. The hospitals argued that they were not competing with the hospitals in their own geographic area, but instead that they were competing with hospitals in neighboring geographic areas. At that point, Congress enacted Section 1886(d)(10) of the Act which enabled hospitals to apply to be considered part of neighboring geographic areas for payment purposes based on certain criteria.

The application and decision process are administered by the MGCRB which is not a part of CMS so that CMS could not be accused of any untoward action. However, CMS needs to remain apprised of any potential payment changes. CMS developed the guidelines for the MGCRB that were published in the September 6, 1990, interim final issue of the **Federal Register** and subsequent revisions. CMS must ensure that the MGCRB properly applies the guidelines. This check and balance process also contributes to limiting the number of hospitals that ultimately need to appeal their MGCRB decisions to the CMS Administrator by mitigating denials due to incorrect application of the guidelines by the MGCRB.

2. Information Users

The information submitted by the hospitals is used by CMS staff to determine the validity of the hospitals' requests and the discretion used by the MGCRB in reviewing and making decisions regarding hospitals' requests for geographic reclassification. Since CMS wrote the guidelines for the MGCRB, it is essential that CMS staff be involved in this process.

3. Improved Information Technology

The MGCRB has established electronic filing available through the Office of Hearings Case and Document Management System ("OH CDMS") beginning with Fiscal Year 2020. The MGCRB requires reclassification applications, supporting documents, and subsequent correspondence to be filed through OH CDMS. The MGCRB also makes all the notices and decisions it issues accessible through OH CDMS. Guidance is provided to assist with the registration process at <https://www.cms.gov/medicare/regulations-guidance/geographic-classification-review-board/mgcrb-electronic-filing>

4. Duplication

The information we are requesting is different and does not duplicate any other effort.

5. Small Business

The CMS-R-138 does not affect small businesses.

6. Less Frequent Collection

The information is submitted once a year, at the beginning of the Federal fiscal year. It is not possible for this information to be received any less frequently as section 1886(d)(10) of the Act provides that an IPPS hospital can apply to request a change to its geographic classification for a fiscal year and receiving the information less frequently would interfere with the annual calculation of the IPPS rates.

7. 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/Outside Consultation

The 60-day Federal Register Notice was published TBD (FR).

9. Payment/Gift to Respondent

There is no payment/gift to respondent. Respondents will have their requests considered by the MGCRB and requests to be considered part of neighboring geographic areas for payment purposes will be approved or denied based on successfully meeting the reclassification criteria.

10. Confidentiality

The data collected is not required to be protected under the Privacy Act. CMS will only protect privacy to the extent provided by law.

11. Sensitive Questions

There are no questions of a sensitive nature involved in the MGCRB application data collection.

12. Burden Estimate (Hours) & (Wages)

Section §412.256

Section §412.256 specifies the application process for geographic reclassification. The total estimated burden for hospitals to prepare and complete the application is 850 hours since approximately 700 hospitals submitted applications last year with an estimated volume increase of 50 additional applications/year for the next three years based on recent trends. We estimate employing hospital staff time of approximately 1 hour per application. The time estimated for preparation of this Medicare Geographic Classification Review Board reclassification application is based upon the professional judgment of staff members at the Centers for Medicare and Medicaid Services. We have calculated the hours as follows:

850 applications x 1 hour each = 850 hours

The cost to applicant hospitals should be minimal due to CMS's efforts to design the process so that hospital staff could understand and complete an application in a short period of time. When computed, assuming a current mean wage of \$35.42 per hour (based on data from the Bureau of Labor and Statistics website at <https://www.bls.gov/oes/2023/may/oes436011.htm> for the position of Executive Secretaries and Executive Administrative Assistants) plus 100 percent for fringe benefits ((\$35.42 per hour x 1 hour per hospital) * 2), the estimated cost of burden for this collection period is \$70.84 per hospital.

850 applications x 1 hour/hospital x \$70.84 (wages of \$35.42/hour x 2 (fringe benefits) per hour = \$60,214.

There has been a change in the submission process from the last PRA Collection, but the estimated time needed to submit the application remains unchanged. As previously mentioned, applicants are required to use an information collection instrument to reflect the electronic filing requirement through the Office of Hearings Case and Document Management System ("OH CDMS"). Also, due to a change in regulation that permitted hospitals with rural status via § 412.103 to apply for MGCRB reclassification, there are on average 800 applicants to the MGCRB annually with an anticipated upward submission trend of 50 additional applications/year. Once granted reclassification, the applicant does not have to reapply for reclassification for another three years. Section 1886(d)(10)(D)(v) of the Act establishes that hospital reclassifications are effective for three years.

Section §412.230

Section §412.230 specifies the criteria and conditions for reclassification. For example, it specifies that the wage data a hospital provides on its application must be taken from the CMS hospital wage survey which is used to construct the wage index. Further, a new hospital must accumulate and provide at least 1 year of wage data for the purpose of applying for geographic reclassification. Additionally, section §412.230

provides proximity requirements and other rules for reclassification. There is no burden associated with §412.230, the burden is captured in the analysis of §412.256.

13. Capital Costs

There are no capital costs. Other than the costs above, we do not expect hospitals to purchase any additional software or systems as this collection of information is available from a payroll system and software that the hospital has purchased for purposes other than this collection.

14. Cost to Federal Government

The applications received in the Office of Hearings Case and Document Management System ("OH CDMS") are reviewed for policy implications and the data contained in the applications is ultimately used in determining hospital payments. There are on average 800 applicants to the MGCRB each year with an anticipated upward submission trend of 50 additional applications/year. Once granted reclassification, the applicant does not have to reapply for reclassification for another three years. Section 1886(d)(10)(D)(v) of the Act establishes that hospital reclassifications are effective for three years.

We estimate the average review time to be 1 hour for each application. The time estimate for is based upon the historical data and the professional judgment of staff members at the Centers for Medicare and Medicaid Services. It is estimated that CMS will receive 800 applications with an anticipated upward submission trend of 50 additional applications annually and it will take 1 hour for a mid-level CMS staff to process.

As mentioned, we believe midlevel staff will be receiving and processing the MGCRB reclassification applications. Using the 2025 Federal Pay Scale <https://www.opm.gov/policy-data-oversight/pay-leave/salaries-wages/2025/general-schedule/>, we estimated staff at the GS 9, 11 and 12 levels to process the applications. Therefore, the cost to the Federal Government is based on the following assumptions:

- 850 applications annually x 1 hour each = 850 hours annually
- \$36.98/hr (average STEP 1 salary GS 9, 11, 12) X 850 hours X 2 (fringe benefits) per hour = \$31,433.

15. Program Changes

This collection does not include any program changes. However, as previously stated, the MGCRB now requires reclassification applications, supporting documents, and subsequent correspondence to be filed through OH CDMS. Guidance is provided assist with the registration process.

<https://www.cms.gov/medicare/regulations-guidance/geographic-classification-review-board/mgcrb-electronic-filing>. Additionally, due to the change in regulation that permitted hospitals with rural status via § 412.103 to apply for MGCRB reclassification, there are now on average 800 applications to the MGCRB with an anticipated upward submission trend of 50 additional applications/year.

16. Publication and Tabulation Dates

The hospital application data is not to be published for statistical use.

17. Expiration Date

The collection expiration date will be included on page 1 of the application.

18. Certification Statement

There are no exceptions to the certification statement.

C. COLLECTIONS OF INFORMATION EMPLOYING STATISTICAL METHODS

This section does not apply because statistical methods were not employed for this collection.