

SUPPORTING STATEMENT FOR FORM CMS-2540-24
SKILLED NURSING FACILITY AND SKILLED NURSING FACILITY HEALTHCARE
COMPLEX COST REPORT

A. BACKGROUND

CMS requests the Office of Management and Budget (OMB) review and approve this request for reinstatement with change to the Skilled Nursing Facility and Skilled Nursing Facility Healthcare Complex (SNF) Cost Report, OMB No. 0938-0463, Form CMS-2540-24. The revised forms collect data used in determining the cost weights for the SNF market basket and for payment adequacy analyses.

In this Paperwork Reduction Act (PRA) package, the Form CMS-2540-24 includes the following revisions:

- Worksheet S-2:
 - Removed obsolete data collection requirements for RHC, FQHC, and CMHC
 - Removed obsolete data collection requirements for medical education programs
- Worksheet S-3:
 - Part I: Expanded reporting of statistical data to include fee-for-service (FFS) and health maintenance organization (HMO) information
 - Part II: Removed obsolete lines
 - Part V: Added direct care expenditures for home office and related party costs disclosure
- Worksheet S-4: Revised for reporting HHA data consistent with the freestanding HHA, Form CMS-1728-20
- Worksheets S-5: Redesignated to collect hospice statistical data
- Worksheets S-6, S-7, and S-8: Eliminated obsolete worksheets
- Worksheet A:
 - Included a column to separately identify contract labor
 - Added new cost centers
 - Removed obsolete cost centers
- Worksheet A-6: Added column for Worksheet A-7, Part II indicator
- Worksheet A-7, Part II: Added for reconciliation of capital cost centers
- Worksheet A-8-1: Part I: Added interrelationship indicators; Part II: Added column for home office number
- Worksheet C-6: Added new worksheet to provide an audit trail when reclassifying charges
- Worksheet D-1: Removed nursing and allied health calculation
- Worksheet E:
 - Redesignated Worksheet E, Part I, Part A, as Worksheet E, Part A
 - Redesignated Worksheet E, Part I, Part B, as Worksheet E, Part B
 - Revised consistent with other cost reporting settlement worksheets
- Worksheet G: Removed fund accounting on balance sheet
- Worksheet G-1: Removed worksheet for reporting changes in fund balances

- Worksheet G-2: Expanded reporting of patient revenues by payer
- H series: Revised consistent with the Form CMS-1728-20 and with the SNF Worksheet A
- I series: Removed obsolete worksheets
- J series: Removed obsolete worksheets
- K series and O series:
 - Redesignated O series as K series and incorporated revisions to Worksheets A and C

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 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.

The Form CMS-2540-24 cost report is needed 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-2540-24 cost report is also used for annual rate analyses and payment refinement activities, including the SNF market basket and the possible development of a SNF wage index. Additionally, the Medicare Payment Advisory Commission (MedPAC) and the Office of the Actuary (OACT) use the SNF cost report data to calculate Medicare margins, to formulate recommendations to Congress regarding the SNF prospective payment system (PPS), and to conduct additional analyses of the SNF 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 that require that SNFs maintain sufficient financial records and statistical data for proper determination of costs payable under the program. The S series of worksheets collects statistical data that identify the provider's location, CBSA, date of certification, questions relative to their operations, average length of stay, number of inpatient stays and discharges. The A series of worksheets collects the provider's trial balance of expenses for overhead costs, and revenue 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 collects charges for the revenue generating cost centers and computes a cost to charge (CCR) ratio for each cost center. The D series of worksheets are Medicare specific and are used to determine Medicare reasonable costs. The E series of worksheets are settlement worksheets used to determine the amount due to or from the provider or program. The G series of worksheets are used to collect a SNFs financial statement information (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 SNF providers to submit cost reports in an electronic format as described in 42 CFR 413.24(f)(4)(ii) requires that each SNF submit an annual cost report to their contractor in American Standard Code for Information Interchange (ASCII) electronic cost report (ECR) format. SNFs submit the ECR file to MACs using a compact disk (CD), flash drive, or the CMS approved Medicare Cost Report E-filing (MCRf) portal, [URL: <https://mcref.cms.gov>].

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 a SNF experiences low Medicare utilization. A low utilization SNF is required to complete a limited number of worksheets contained in the Form CMS-2540-24. 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 SNF submit the cost report on an annual basis with the reporting period based on the SNF'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.

8. Federal Register Notice

The 60-day Federal Register notice was published on September 27, 2023 (88 FR 66452). Ten comments were received in response to the 60-day notice. Our responses to those comments were submitted as part of the complete information collection request for OMB approval.

The 30-day Federal Register notice originally published on April 17, 2024 (89 FR 27431). No comments were received. However, due to technical delays with posting the information collection request on the CMS PRA web site, we published another 30-day notice on May 29, 2024 (89 FR 46401).

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. These reports collect the data for the costs and payments made to a SNF. If the SNF fails to submit the cost report, the MAC imposes a penalty by suspending claims payments until a report is submitted. Once the report is submitted the MAC releases the suspended payments. A SNF 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 SNF facilities Form CMS 2540-24		14,189
Hours burden per SNF		
Reporting	65	
Recordkeeping	137	
Total hours burden per facility		202
Total hours burden (14,189 facilities x 202 hours)		2,866,178
Cost per SNF		<u>\$11,670.94</u>
Total annual cost estimate (\$11,670.94 x 14,189 SNFs)		\$165,598,968

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 SNF 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-2540-24. The most recent data from 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 SNFs as 14,189 which file Form CMS-2540-24 annually.

We estimate an average burden per SNF of 202 hours (137 hours for record keeping and 65 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: 14,189 SNFs multiplied by 202 hours per SNF equals 2,866,178 total annual burden hours. The 137 hours for recordkeeping include hours for bookkeeping, accounting and auditing clerks; while the 65 hours for reporting include accounting and audit professionals' activities. Based on the most recent Bureau of Labor Statistics (BLS) in its 2022 Occupation Outlook Handbook, the mean hourly wage for Category 43-3031 (bookkeeping, accounting, and auditing clerks) is \$22.81¹. We added 100% of the mean hourly wage to account for fringe benefits and overhead costs, which calculates to \$45.62 (\$22.81 + \$22.81) and

multiplied it by 137 hours, to determine the annual recordkeeping costs per SNF to be \$6,249.94 (\$45.62 x 137 hours).

The mean hourly wage for Category 13-2011 (accounting and audit professionals) is \$41.70². We added 100% of the mean hourly wage to account for fringe benefits and overhead costs, which calculates to \$83.40 (\$41.70 + \$41.70) and multiplied it by 65 hours, to determine the annual reporting costs per SNF to be \$5,421.00 (\$83.40 x 65 hours).

We calculated the total annual cost per SNF of \$11,670.94, by adding the recordkeeping costs of \$6,249.94 plus the reporting costs of \$5,421.00. We estimated the total annual cost to be \$165,598,968 (\$11,670.94 times 14,189 SNFs).

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).

\$31,968,348

Annual cost to CMS:

Total CMS processing cost is from the HCRIS Budget:

\$44,000

Total Federal Cost

\$32,012,348

15. Changes to Burden

When the 60-day FR notice published, the CMS identifier on the information collection request was CMS-2540-23, as the process started in 2023. However, we have since revised the CMS identifier to CMS-2540-24 since we are in a new calendar year in the middle of the OMB process. Once the information collection request is reinstated, the OMB control number will remain the same, 0938-0463.

The changes in burden and cost for the Form CMS-2540-24 are a result of:

- The number of respondents decreased from 14,486 in 2018 to 14,189 in 2023, the net result of new providers entering the program and voluntary and involuntary terminations of providers from the program.
- The hourly rate increased based on the most recent BLS Occupational and Employment Data (May 2022) and to account for the associated fringe benefits and overhead costs. Accordingly, the cost per respondent increased by \$1,576.08 (from \$10,094.86 per respondent in 2018 to \$11,670.94 per respondent in 2023).
- The number of burden hours per respondent required to complete this information collection instrument remains unchanged. While the Form CMS-2540-24 requires reporting some data in more detail, the removal of obsolete data elements and worksheets, and the addition of new standard cost centers result in no change to the burden.

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. CMS also displays the PRA disclosure statement with expiration date in the instructions on page 49-5.

18. Certification Statement

There are no exceptions to the certification statement.

C. STATISTICAL METHODS

There are no statistical methods involved in this collection.