

**SUPPORTING STATEMENT
THE COMMUNITY MENTAL HEALTH CENTER COST REPORT
FORM CMS-2088-17; OMB 0938-0037**

A. BACKGROUND

CMS is requesting the Office of Management and Budget (OMB) review and approve this extension request for OMB No. 0938-0037, the Community Mental Health Center (CMHC) Cost Report Form CMS-2088-17. CMHCs participating in the Medicare program submit these cost reports 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 sections 1815(a) and 1833(e) of the 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 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-2088-17 to determine a provider's reasonable cost incurred in furnishing medical services to Medicare beneficiaries and reimbursement due to or from a provider. In addition, CMHCs may receive reimbursement through the cost report for Medicare reimbursable bad debts.

CMS uses the Form CMS-2088-17 for rate setting; payment refinement activities, including market basket analysis; Medicare Trust Fund projections; and program operations support. Additionally, the Medicare Payment Advisory Commission (MedPAC) uses the CMHC 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

The primary function of the CMHC cost report determines CMHC costs for services rendered to Medicare beneficiaries. Each CMHC 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, CMHCs must maintain sufficient financial records and statistical data for proper determination of costs. The S series of worksheets collects the provider's location, core-based 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 the direct patient care and non-revenue generating cost centers using functional statistical bases. The C Worksheet calculates the apportionment of costs between Medicare beneficiaries and other patients. The D series of worksheets are Medicare specific and calculate the reimbursement settlement for services rendered to Medicare beneficiaries. The F Worksheet 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)(ii) require each CMHC submit an annual cost report to their contractor in a American Standard Code for Information Interchange (ASCII) electronic cost report (ECR) format. A CMHC submits the ECR file to contractors on a compact disk (CD), or flash drive, or the CMS approved Medicare Cost Report E-filing (MCREF) portal, [URL: <https://mcref.cms.gov>]. The CMHC cost report includes instructions on page 45-502 for cost report submission.

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

CMS requires all CMHCs, regardless of size, to complete the cost report. CMS designed this cost report with a view towards minimizing the reporting burden for CMHCs with low or no 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 CMHC submit the cost report on an annual basis with the cost reporting period based on the CMHC'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 Notice

The 60 day Federal Register notice was published on September 17, 2024 (89 FR 76115). No comments were received during the 60 day stage.

The 30-day Federal Register notice was published on December 17, 2024 (89 FR 97619).

9. Payment/Gift to Respondent

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

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| Number of CMHC facilities (as of 07/11/2024) | 191 |
| Hours burden per facility to complete the cost report: | 90 |
| Number of hours of reporting | 10 |
| Number of hours of recordkeeping | 80 |
| Total hours burden (191 CMHCs x 90 hours) | 17,190 |
| Average cost per CMHC | <u>\$4,687.40</u> |
| Total annual cost estimate (\$4,687.40, x 191 CMHCs) | <u><u>\$895,293</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 CMHC 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-2088-17. 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 CMHCs as 191, which file Form CMS-2088-17 annually. We estimate an average burden per CMHC of 90 hours (80 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: 191 CMHCs multiplied by 90 hours per CMHC equals 17,190 total annual burden hours. The 80 hours for recordkeeping include hours for bookkeeping, accounting and auditing clerks; the 10 hours for reporting include accounting and audit professionals' activities. 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, which calculates to \$47.68 (\$23.84 plus \$23.84). We multiplied the hourly rate of \$47.68 by 80 hours, to determine the annual recordkeeping costs per CMHC to be \$3,814.40 (\$47.68 per hour multiplied by 80 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 CMHC to be \$873.00 (\$87.30 per hour multiplied by 10 hours).

We calculated the total annual cost per CMHC of \$4,687.40, by adding the recordkeeping costs of \$3,814.40 plus the reporting costs of \$873.00. We estimated the total annual cost to be \$895,293.40 (\$4,687.40 costs per CMHC multiplied by 191 CMHCs).

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

14. Cost to Federal Government

Annual cost to Medicare Administrative Contractors:

Medicare contractors' processing costs are based on estimates provided by the CMS Office of Financial Management. \$50,023

Annual cost to CMS:

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

Total Federal Cost \$94,023

15. Changes To Burden

The change in burden is due to two factors:

- 1) The number of respondents increased from 184 in 2019 to 191 in 2024.
- 2) 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 \$618.80 (from \$4,068.60 per respondent in 2020 to \$4,687.40 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 included in the instructions on page 45-4.

18. Certification Statement

There are no exceptions to the certification statement.

C. STATISTICAL METHODS

There are no statistical methods involved in this collection.