

Dated: August 4, 2003.

Donald S. Welsh,

Regional Administrator, Region III.

■ For the reasons set out in this document, 40 CFR part 300 is amended as follows:

#### PART 300—[AMENDED]

■ 1. The authority citation for part 300 continues to read as follows:

**Authority:** 33 U.S.C. 1321(c)(2); 42 U.S.C. 9601–9657; E.O. 12777, 56 FR 54757, 3 CFR, 1991 Comp., p. 351; E.O. 12580, 52 FR 2923, 3 CFR, 1987 Comp., p. 193.

#### Appendix B—[Amended]

■ 2. Table 1 of Appendix B to Part 300 is amended by removing the site for “Resin Disposal, Jefferson Borough, PA.”

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## DEPARTMENT OF HEALTH AND HUMAN SERVICES

### Centers for Medicare & Medicaid Services

#### 42 CFR Part 413

[CMS–1199–F]

RIN 0938–AL51

#### Medicare Program; Electronic Submission of Cost Reports

**AGENCY:** Centers for Medicare & Medicaid Services (CMS), HHS.

**ACTION:** Final rule.

**SUMMARY:** This final rule amends regulation by requiring that, for cost reporting periods ending on or after December 31, 2004, all hospices, organ procurement organizations, rural health clinics, Federally qualified health centers, community mental health centers, and end-stage renal disease facilities must submit cost reports currently required under the Medicare regulations in a standardized electronic format. This rule also allows a delay or waiver of this requirement when implementation would result in financial hardship for a provider. The provisions of this rule allow for more accurate preparation and more efficient processing of cost reports.

**DATES:** *Effective Date:* The provisions of this final rule are effective September 22, 2003.

*Applicability Date:* The provisions of this final rule are effective for cost reporting periods ending on or after December 31, 2004.

**FOR FURTHER INFORMATION CONTACT:** Larry Stevenson, (410) 786–5529.

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#### I. Background

Generally, under the Medicare program, hospices, organ procurement organizations (OPOs), rural health clinics (RHCs), Federally qualified health centers (FQHCs), community mental health centers (CMHCs), and end-stage renal disease (ESRD) facilities are paid for the reasonable costs of the covered items and services they furnish to Medicare beneficiaries. Sections 1815(a) and 1833(e) of the Social Security Act (the Act) provided that no payments will be made to a provider unless it has furnished the information, requested by the Secretary of the Department of Health and Human Services (the Secretary), needed to determine the amount of payments due the provider. In general, providers submit this information through cost reports that cover a 12-month period. Rules governing the submission of cost reports are set forth in title 42 of the Code of Federal Regulations (CFR) 413.20 and 413.24.

Under § 413.20(a), all providers participating in the Medicare program are required to maintain sufficient financial records and statistical data for proper determination of costs payable under the program. In addition, providers must use standardized definitions and follow accounting, statistical, and reporting practices that are widely accepted in the health care industry and related fields. Under § 413.20(b) and § 413.24(f), providers are required to submit cost reports annually, with the reporting period

based on the provider's accounting year. Additionally, under § 413.24, all hospitals participating in the prospective payment system must meet cost reporting requirements set forth at § 413.20 and § 413.24.

Section 1886(f)(1)(B)(i) of the Act requires the Secretary to establish a standardized electronic cost reporting system for all hospitals participating in the Medicare program. This provision was effective for hospital cost reporting periods beginning on or after October 1, 1989. On January 2, 1997, we revised our regulations at § 413.24(f)(4)(ii) to extend the electronic cost reporting requirement to skilled nursing facilities (SNFs) and home health agencies (HHAs) (62 FR 26–31).

The required cost reports must be electronically transmitted to the intermediary in American Standard Code for Information Interchange (ASCII) format. In addition to the electronic file, hospitals, SNFs, and HHAs were initially required to submit a hard copy of the full cost report. We later revised our regulations in § 413.24(f)(4)(iv) to state that providers were required to submit, instead, a hard copy of a one-page settlement summary, a statement of certain worksheet totals found in the electronic file, and a statement signed by the provider's administrator or chief financial officer certifying the accuracy of the electronic file. In order to preserve the integrity of the electronic file, in the January 1997 final rule we specified procedures regarding the processing of the electronic cost report once it is submitted to the intermediary (62 FR 27).

#### II. Provisions of the Proposed Regulations

With the exception of revising the first cost reporting period affected from those ending on or after December 31, 2002 to those ending on or after December 31, 2004, we have adopted the provisions as set forth in our proposed rule, published in the **Federal Register** on July 26, 2002 (67 FR 48840–48844). We revised the cost reporting periods affected to take into account the publication date for this final rule. We discuss the finalized provisions in section IV of this final rule.

#### III. Analysis of and Responses to Public Comments

We received approximately 20 comments on the proposed electronic submission of cost reports requirements. These comments were from providers, professional organizations, trade associations, vendors and individuals. Summaries of the public comments