



## **Center for Clinical Standards and Quality/Survey & Certification Group**

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**Admin Info: 16-11-Hospice**

**DATE:** December 11, 2015

**TO:** State Survey Agency Directors

**FROM:** Director Survey and Certification Group

**SUBJECT:** Reporting IMPACT Act Hospice Expenses on CMS Form 435

### **Memorandum Summary**

- **Special Funding:** The IMPACT Act of 2014 (“Improving Medicare Post-Acute Care Transformation”) provided separate funds to enable every hospice program to have a recertification survey at least every 36 months, as required by the Act. IMPACT funds must be reported on a separate CMS 435 form.
- **CMS Form 435:** States must report total hospice survey & certification work expenses on the special IMPACT CMS-435, and – in addition - report hospice expenses that exceed that State’s IMPACT Act allocation (the “overage”) on a Miscellaneous line of the MAIN CMS 435 form (but no hospice expenses on other lines of the MAIN CMS-435).

### **A. Background**

Each Medicare certified hospice was is required to be surveyed no less frequently than every 36 months. To achieve this mandate, additional funding has been made available through 2025 via the IMPACT Act. Because the statute now specifies this 36-month frequency, hospice recertification surveys are now a Tier 1 priority.

The IMPACT funding is appropriated from an account that is separate from other survey and certification Medicare funds. CMS must therefore track and account for each State’s use of IMPACT funds. To do so, we created the IMPACT CMS-435.

We seek to (a) satisfy the need for proper fiscal accounting while also providing States with (b) as much clarity and simplicity in reporting expenditures as we are able, and (c) maximizing the effective and efficient use of funds, including any reassignment of funds that are unspent by some States, accomplished either by a reallocation process late in the same fiscal year (FY) or reassignment of unspent funds via the post-hoc fiscal year close-out process for States that reported allowable expenses that exceeded their FY allocations. The expense reporting procedures described here are intended to address all of these goals.

For some States, the hospice IMPACT funding will cover the cost of all of the Survey Agency’s (SA’s) workload. For all others, the IMPACT funds should be used first for all hospice work expenses, with the regular S&C funds used only to defray the costs that exceed the State’s IMPACT

act allocation (i.e., the “overage”).

## **B. Cumulative End-of-Year Report - Procedures for Reporting SA Hospice Expenses**

1. ***IMPACT CMS-435 – Report All Costs:*** Report TOTAL hospice costs from all sources on the IMPACT CMS-435, not just what the State believes will be covered from the IMPACT Act. This should include the costs of any validation surveys. States will still receive a supplemental allocation for validation surveys, either from IMPACT funds or from regular Medicare S&C funds.

*Note: If total federal expenses exceed the State’s total IMPACT Act allocation, the overage will be reported on the main cumulative CMS-435 as described in step 2.*

2. ***Main Cumulative CMS 435-*** The State does NOT include any expenses for hospice survey work on the Main Cumulative CMS-435 EXCEPT for the hospice expenses which exceed the State’s IMPACT Act allocation (i.e., the overage), AND it reports the overage ONLY on the next available “Miscellaneous” sub-line below its other sub-lines, labeling the sub-line “Impact/Hospice Overage.” On this Miscellaneous sub-line the State shows a single Medicare hospice overage amount in the Medicare NLTC column, and a single corresponding Licensure amount in the NLTC License column (if the State licenses hospices).

*Note: With the overage figures present, the CMS-435 form will clearly indicate the full reported S&C spending including hospice expenditures that exceed the IMPACT allotment. Having the IMPACT overage on a single “Miscellaneous” line will make it easy for the RO to remove the hospice overage amounts to analyze the Main CMS-435 form as they would normally.*

## **C. Quarterly Reporting on Forms CMS-435**

During the course of the year, the quarterly reports should be treated in accordance with the same procedures as the Cumulative End-of-Year report. States should use all IMPACT Act funds first, so that for most States there will not be any overage to report on the Miscellaneous line of the Main CMS-435 until the third or fourth quarters.

## **D. Post Hoc Fiscal Year Close-Out Procedures**

Following the fiscal year being reported on, and after the CMS Regional Offices have approved the States’ CMS-435 cumulative reports, CMS identifies States that had allowable S&C expenses that exceeded the States’ allocation of funds. If other States did not expend their full allocation for that FY, CMS applies the unspent funds to those States that experienced overages.

We apply the above close-out process to both the regular S&C funds and to the special IMPACT Act funds. Just like the regular S&C budget process, CO will look at the IMPACT CMS-435 form cumulative reports to analyze underspending and overspending nationally, and will assign unspent IMPACT dollars, as available, to those States whose allowable expenses for hospice

work exceeded their initial award. However, it may be necessary for the States that fiscally benefit from this process to make some adjustments to the Main Cumulative CMS-435 form as part of the close-out process. Below we explain these close-out procedures.

1. ***Scenario #1: State Receives Close-Out IMPACT Funds for ALL Hospice Work:*** If the State reported overage expenses on the Main Cumulative CMS-435, and later receives close-out IMPACT funds that fully reimburse the State for all hospice expenses (i.e., thereby removing any overage), then:
  - a. CO informs the RO and the State of the amount of the additional IMPACT funds allocated to the State.
  - b. The RO will un-certify the State's Main Cumulative CMS-435 and instruct the State to remove the figures from the Impact/Hospice Overage "Miscellaneous" sub-line.
  - c. The RO will then approve the revised Main Cumulative CMS-435 report.
  - d. The result is two accurate cumulative expenditure reports, one for IMPACT/Hospice and the other for everything else. CO will deal with the level of spending shown on the Main Cumulative CMS-435 as usual.
2. ***Scenario #2: State Receives IMPACT Funds for SOME (but not all) Overage:*** In this case, the State is partially reimbursed with IMPACT funds for its hospice overage and:
  - a. CO informs the RO and the State of the amount of the additional IMPACT funds allocated to the State.
  - b. The RO will un-certify the State's cumulative CMS-435 form and instruct the State to reduce the figures from the Impact/Hospice Overage "Miscellaneous" sub-line to the new overage amount.
  - c. The RO will then approve the revised Main Cumulative CMS-435 report.
  - d. The result is two accurate cumulative expenditure reports, one for IMPACT/Hospice and the other for everything else plus clearly shown costs for hospice overage work. The report of overage costs on the main CMS-435 is a report of costs unreimbursed by IMPACT Act funds, after the reassignment of IMPACT funds unspent by other States. CO will deal with the level of spending shown on the main cumulative CMS-435 as usual.
3. ***Scenario #3: NO Close-Out Reassignment of IMPACT Funds:*** In this scenario, the State is not reimbursed from IMPACT funds for any of its hospice overage. There is no need to revise the Main Cumulative CMS-435 form, since the Impact/Hospice Overage sub-line will accurately report the full amount of overage. CO will deal with the level of spending shown on the main cumulative CMS-435 form as usual.

Although the IMPACT funds are limited, CMS will make every attempt possible to ensure that all costs for hospice work are reimbursed, since hospice surveys are now a Tier 1 priority.

**Contact:** If you have any questions regarding this memorandum, please contact Bary Slovikosky at [Bary.Slovikosky@cms.hhs.gov](mailto:Bary.Slovikosky@cms.hhs.gov) or 410-786-2107.

**Effective Date:** Immediately. The information contained in this memorandum should be communicated with all survey and certification staff, their managers and the State/Regional Office training coordinators within 30 days of this memorandum.

/s/

Thomas E. Hamilton

cc: Survey and Certification Regional Office Management