1995, the first electronic cost report would be due February 28, 1997.

The use of electronically prepared cost reports would be beneficial for SNFs and HHAs because the cost reporting software for these reports would virtually eliminate computational errors and substantially reduce preparation time. Preparation time would be decreased because providers would no longer have to perform mathematical computations to complete the cost report. Instead, the provider would only need to enter the correct costs and statistics, and the software would determine the appropriate amount of Medicare payment due the provider based on these figures. We note that the costs and statistics that would be entered into the electronic software are the same as those that are currently required for Medicare cost reports. This proposed rule would not require the reporting of any additional information.

The use of cost reporting software would also save time when the provider discovers that it needs to change individual entries in the cost report. Rather than recalculating the entire cost report, the provider would merely enter the new figures, and the software would generate a new cost report that would reflect all necessary recalculations. The use of cost reporting software would also eliminate the need for several administrative tasks associated with filing a cost report. Specifically, the provider would no longer be required to photocopy, collate, and mail a hard copy of the cost report, which is a relatively large, cumbersome document. Instead, the completed cost report would be electronically filed with the fiscal intermediary. That is, the provider would submit a disk containing the required cost report data to the fiscal intermediary.

In all, we estimate that the use of electronically prepared cost reports would result in an average of 4 to 5 hours less preparation time for an HHA and 8 to 10 hours less time for an SNF. We recognize that, initially, the preparation time saved may not be as great as we have estimated for providers that need time to become familiar with the cost reporting software. However, we believe that once providers overcome this small "learning curve," the accuracy of cost reports would increase and the preparation time would decrease in line with this estimate. We welcome comments on our estimate of time savings as well as on other advantages or disadvantages of electronic cost reporting.

We propose that the provider's software must be able to produce a

standardized output file in American Standard Code for Information Interchange (ASCII) format. All intermediaries have the ability to read this standardized file and produce an accurate cost report. SNFs and HHAs would be required to use HCFAapproved software to submit cost reports to the intermediary. HCFA's approval process requires each vendor to submit for review a hard copy cost report produced from their software. The purpose of this review process is to establish that the commercial vendor's software can produce a completed cost report in accordance with the Medicare rules and instructions.

There are approximately 17 commercial software vendors servicing HHAs and SNFs that have developed HCFA-approved software programs capable of producing an electronic cost report. In addition, HCFA has developed a software package that will enable SNFs and HHAs to file an electronic data set to the fiscal intermediary in order to generate an electronic cost report. Providers would be able to use either these existing commercial software packages or HCFA's free software to comply with the requirements in this proposed rule. To receive the free software, providers may contact their intermediaries or send a written request to the following address: Health Care Financing Administration, Division of Cost Principles and Reporting, Room C5-02-23, Central Building, 7500 Security Blvd., Baltimore, Maryland 21244–1850.

We also propose that if a SNF or HHA believes that implementation of the electronic submission requirement would cause a financial hardship, it may submit a written request for a waiver or a delay of these requirements. This request, including supporting documentation, would have to be submitted to a provider's intermediary at least 120 days before the end of the provider's cost reporting period. The intermediary would review the request and forward it, with a recommendation for approval or denial, to the HCFA central office within 30 days of such request. HCFA central office would either approve or deny the request by response to the intermediary within 60 days of receipt of the request. Each delay or waiver would be considered on a case-by-case basis.

We considered proposing set criteria (possibly based on a provider's bed size or capacity, for example) under which a SNF or HHA could be exempted automatically from the electronic cost reporting requirement. However, we have not done so because we do not believe that a characteristic such as a

provider's size is necessarily a reliable indicator that electronic cost reporting would impose a financial hardship, since even the smallest SNFs and HHAs are quite likely to already be using computer equipment. We welcome comments on the process for obtaining a waiver, whether set criteria for obtaining a waiver would be beneficial, as well as on the number of providers that may request a waiver.

We note that the electronic cost reporting provision would only apply to those providers that are required to file a full Medicare cost report. Those providers that are not required to file a full cost report (for example, a SNF that furnishes fewer than 1500 Medicare covered days in a cost reporting period) would not be subject to the electronic cost reporting requirement, and therefore would not have to request a waiver.

If a SNF or HHA (not granted a hardship exemption) does not submit its cost report electronically, Medicare payments to that provider may be suspended under the provisions of sections 1815(a) and 1833(e) of the Act. These sections of the Act provide that no Medicare payments will be made to a provider unless it has furnished the information, requested by the Secretary, that is needed to determine the amount of payments due the provider under the Medicare program. Section 405.371(d) provides for suspension of Medicare payments to a provider by the intermediary if the provider fails to submit information requested by the intermediary that is needed to determine the amount due the provider under the Medicare program.

The general procedures that are followed when Medicare payment to a provider is suspended for failure to submit information needed by the intermediary to determine Medicare payment are located in section 2231 of the Medicare Intermediary Manual (HCFA Pub. 13). Those procedures include timeframes for "demand letters" to providers. Demand letters remind providers to file timely and complete cost reports and explain possible adjustments of Medicare payments to a provider and the right to request a 30-day extension of the due date.

Under this proposed rule, we essentially would apply the current hospital reporting requirements to SNFs and HHAs. In our final rule with comment period published May 25, 1994, we required that, in accordance with section 1886(f)(1)(B)(I) of the Act, all hospitals must submit cost reports in a uniform electronic format for cost reporting periods beginning on or after October 1, 1989 (59 FR 26960). All