



**Center for Clinical Standards and Quality/Quality, Safety & Oversight Group**

**Ref: QSO-25-08-CAH**

**DATE:** November 20, 2024

**TO:** State Survey Agency Directors

**FROM:** Directors, Quality, Safety & Oversight Group (QSOG) and Survey & Operations Group (SOG)

**SUBJECT:** Guidance for Time-share and Leased Space Arrangements in Critical Access Hospitals (CAHs)

**Memorandum Summary**

- CMS is committed to assisting CAHs that partner with other providers in the health care system to deliver high-quality care in rural communities.
- This guidance clarifies expectations related to space sharing arrangements, including time-sharing and leased space between CAHs and other health care entities.

**Background**

Section 1820(c)(2)(B)(i)(1) of the Social Security Act (the Act) and the CoP 42 CFR 485.610(c), CAHs are required to be located more than a 35-mile drive on primary roads (or, in the case of mountainous terrain or in areas with only secondary roads, a 15-mile drive) from the nearest hospital or other CAH. Under these requirements, CAHs may not co-locate with another acute care hospital or CAH, but this would not generally limit space sharing arrangements with other types of healthcare entities such as private physician practices.

Current access to care challenges in rural communities call for flexibility in health care partnerships, while simultaneously protecting the safety and quality of care for patients. In this guidance, CMS seeks to provide clarity on how a CAH may leverage space sharing arrangements with other healthcare entities to increase access to additional care and services within the community, while maintaining independent compliance with all applicable participation requirements, including the additional CoPs at 42 CFR 485.601 through 485.645.

**Discussion**

CAHs have sought to deliver increased services to the rural communities by establishing space sharing arrangements within their facilities, including time share and leased space arrangements with other healthcare entities such as private physician practices.

A time share arrangement is an arrangement where another healthcare provider or entity (that is not a hospital or other CAH) provides outpatient services at the CAH, utilizing CAH staff designated to the space, supplies, and equipment for a designated time period. These services could provide care for both CAH patients and patients within the community. Under such an arrangement, the CAH remains responsible for maintaining and demonstrating compliance with all applicable CoPs at all times including the time established under the time share arrangement.

A leased space arrangement allows another healthcare provider or entity that is not a hospital or CAH to lease the CAH facility space under specific terms of the lease agreement, as in a landlord-tenant arrangement. As the CAH would not be operating within that leased space, it would not be responsible for demonstrating compliance with the CoPs within the leased space during the term of the lease except for the requirements for the physical structure/environment of the CAH and its building that may be contained within that space.

When CAHs choose to participate in these space sharing arrangements, regardless of the arrangement, they are expected to demonstrate their independent compliance with the statutory and regulatory requirements outlined in the CoPs at all times. Before a CAH establishes a space sharing arrangement, it should consider the risk to its compliance with the CoPs because of such an arrangement. Such arrangements likely implicate the physician self-referral law (section 1877 of the Social Security Act; 42 CFR 411.350 et seq.). CAHs should ensure that any space sharing arrangement with a physician (or an immediate family member of a physician) satisfies the requirements of an applicable exception to the physician self-referral law in order to avoid the law's referral and billing prohibitions. Information about the physician self-referral law can be found at [www.cms.gov/medicare/regulations-guidance/physician-self-referral](http://www.cms.gov/medicare/regulations-guidance/physician-self-referral).

**Contact:** [QSOG\\_Hospital@cms.hhs.gov](mailto:QSOG_Hospital@cms.hhs.gov)

**Effective Date:** Immediately. This policy should be communicated with all survey and certification staff, their managers and the CMS Location training coordinators of this memorandum.

/s/

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