

## **FACT SHEET**

Updated October 23, 2024

### **Frontier Community Health Integration Project (FCHIP) Demonstration Extension**

Five Critical Access Hospitals (CAHs) are currently participating in the Frontier Community Health Integration Project (FCHIP) Demonstration Extension, which aims to test new models of health care delivery in the most sparsely populated rural counties with the goal of improving health outcomes and reducing Medicare expenditures. In the initial demonstration period, the Centers for Medicare & Medicaid Services (CMS) received applications representing critical access hospitals (CAHs) in Montana, Nevada, and North Dakota (though eligible to apply, CAHs in Alaska and Wyoming did not apply). The initial Demonstration began August 1, 2016, and ran through July 31, 2019. Section 129 of the Consolidated Appropriations Act of 2021 authorizes the extension for the Frontier Community Health Integration Project (FCHIP) Demonstration. The FCHIP demonstration extension resumed on the participants' next cost report period beginning on or after January 1, 2022.

The FCHIP Demonstration is another example of how the Administration is working to ensure that Americans receive better care, spend their health care dollars more wisely, and are generally healthier people.

#### **Purpose**

CAHs often serve as the hubs for health care in the most sparsely populated areas, where essential services may not be financially viable given low patient volumes. The goal of the FCHIP Demonstration is to test whether enhanced payments for certain services will facilitate better access to care for patients, increase the integration and coordination of care among providers within the community, and reduce avoidable hospitalizations, admissions, and transfers, therefore improving the quality of care for Medicare beneficiaries and lowering costs. A specific objective is to support the CAH and local delivery system in keeping patients within the community who might otherwise be transferred to distant providers. As required by the authorizing legislation, the FCHIP Demonstration Extension is projected to be budget neutral.

#### **Legislative Authority**

The initial FCHIP Demonstration was authorized under section 123 of the Medicare Improvements for Patients and Providers Act of 2008 (MIPPA), as amended by section 3126 of the Affordable Care Act. The statute authorized a three-year Demonstration “to develop and test new models for the delivery of health care services in eligible counties for the purpose of improving access to, and better integrating the delivery of, acute care, extended care, and other essential health care services to Medicare beneficiaries.”

Section 129 of the Consolidated Appropriations Act of 2021 authorizes the extension for the Frontier Community Health Integration Project (FCHIP) Demonstration. The FCHIP demonstration extension resumed on participants' next cost report period beginning on or after January 1, 2022.

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### **Implementation**

The waivers cover the following service categories: 1) Skilled Nursing Facility (SNF)/Nursing Facility (NF) beds within the CAH, 2) telehealth (both originating and distant site), and 3) ambulance.

#### *Skilled Nursing Facility (SNF)/Nursing Facility (NF) Beds:*

CAHs are currently required to maintain no more than twenty-five inpatient beds, which can be used to provide acute or swing bed services. The FCHIP Demonstration will allow selected CAHs to maintain up to thirty-five inpatient beds. The ten additional inpatient beds can only be used to provide SNF or NF level of care. Medicare services shall be paid according to the standard Medicare payment rules for CAHs.

#### *Telehealth Services:*

Under current Medicare payment policy, a CAH serving as the originating site for a telehealth encounter is paid a fixed facility fee. The distant site practitioner is paid “an amount equal to the amount that such practitioner would have been under this title had such services been furnished without the use of a telecommunications system.” The FCHIP Demonstration will pay participating CAH originating sites at 101 percent of cost for overhead, salaries, fringe benefits, and the depreciation value of the telehealth equipment instead of the physician fee schedule fixed fee. For the FCHIP Demonstration Extension, CMS added a waiver for CAHs participating in the telehealth intervention which allows them to provide telehealth distant site services and reimburses the participating CAHs 101 percent of actual cost for these services as well.

#### *Ambulance Services:*

Currently, Medicare requires that in order for a CAH or a CAH-owned and operated entity to be paid 101 percent of its reasonable costs of furnishing ambulance services, there can be no other provider or supplier of ambulance services located within a thirty-five mile drive of the CAH. The FCHIP Demonstration allows the selected CAHs to be paid 101 percent of reasonable costs of furnishing ambulance services irrespective of other providers or suppliers of ambulance services located within a thirty-five mile drive of the CAH. All other rules affecting the provision of ambulance services still apply.

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The following CAHs and interventions are participating in the Demonstration extension:

<b>Project Sites (CAHs)</b>	<b>Interventions</b>
Dahl Memorial Healthcare Association Ekalaka, MT	Telehealth
Roosevelt Medical Center Culbertson, MT	SNF/NF Beds, Ambulance, Telehealth
Jacobson Memorial Hospital Care Center Elgin, ND	SNF/NF Beds, Ambulance, Telehealth
McKenzie County Healthcare Systems Watford City, ND	Telehealth
Southwest Healthcare Services Bowman, ND	SNF/NF Beds, Ambulance, Telehealth*
<i>*Southwest added the telehealth intervention to their participation agreement in January 2024.</i>	

The Medicare payment changes went into effect on January 1, 2022, for Southwest Healthcare Services, on May 1, 2022, for Roosevelt Medical Center and on July 1, 2022, for the other CAHs. CMS will monitor payments under the Demonstration to ensure budget neutrality, as well as the impact on quality of care to beneficiaries and Medicare expenditures for other providers.

### Report to the Congress

CMS will prepare a Report to the Congress (RTC) per the authorizing legislation. The RTC will update the initial demonstration reports (released in 2018 and 2020) and will synthesize the demonstration project findings covering the demonstration extension.

For more information, please visit: <https://www.cms.gov/priorities/innovation/innovation-models/frontier-community-health-integration-project-demonstration>.