

**SUMMARY OF OCTOBER 16, 2006 CONFERENCE CALL ON FRONTIER  
EXTENDED STAY CLINIC (FESC) DEMONSTRATION**

A. Introduction

This conference call is intended to provide information and answer questions about the Frontier Extended Stay Clinic Demonstration, or the FESC, as we call it. The goal of this project is to test a new type of provider in very remote rural areas. In certain situations, clinics will be permitted to provide services to patients for longer periods of time than a usual clinic visit. They will also be able to receive Medicare reimbursement for Medicare extended stay patients.

A request for proposals for the FESC was released on August 25 and applications are due to CMS on November 24. If you have not already accessed the RFP, it is available on the CMS web site. From the CMS home page, click on Medicare, then on Medicare Demonstrations, then in the top left corner on Medicare Demonstrations again. The next page will give a long list of demonstration projects. You can scroll down almost to the bottom to the Frontier Extended Stay Clinic demonstration. We will post on the web page a summary of this presentation and the questions and answers.

B. A Summary of Section 434 of the Medicare  
Modernization Act- The Authorizing Statute

The law mandates that the project last for 3 years. The FESC must be located in a community which is at least 75 miles away from the nearest acute care hospital or critical access hospital or which is inaccessible by public road.

Section 434 allows clinics, which are currently not licensed to provide inpatient services, to provide services to patients for more extended periods than are entailed in routine physician visits. The project must be budget neutral to the Medicare program.

C. Policy

The FESC provider model is targeted at clinics located in remote rural areas. Rural health clinics and federally qualified health centers are especially appropriate for the FESC model, but there is no requirement that a provider seeking to participate in the demonstration be of any particular clinic type, so long as it can provide primary care, ambulatory care, and extended stay services.

FESCs may vary as far as their architectural design and original type of provider. We expect applicants for the demonstration to have a dedicated physically separate area for

extended stay FESC patients.

Two categories of patients are eligible:

The first category is

1) Weathered-in patients with an emergency medical condition who require an extended stay due to weather or other conditions that preclude transport to an acute care hospital;

The second category is

2) ill or injured patients who receive an extended stay because they do not meet Medicare inpatient hospital admission criteria but do need monitoring and observation. Unless a patient is not able to be transported to an acute care hospital, he or she must be discharged within 48 hours.

#### C. The Medicare Payments for the FESCs

According to the authorizing statute, this demonstration must be budget neutral. This means that the expected Medicare payments for the care of Medicare patients treated by FESCs under the demonstration may be no more than the Medicare payments for such patients in the absence of the demonstration.

In order to achieve budget neutrality, we are looking for a savings offset to the additional Medicare payments that will be made for extended stay patients.

We are asking in the application for prospective sites to identify, from historical data, the numbers of Medicare patients expected to be treated by the FESC and the potential savings from avoided medical costs, including air ambulance transfers, acute care hospitalizations and hospital observation stays.

We are not planning to adopt cost-based reimbursement of FESC services.

Instead, CMS will identify prospective payment rates in the demonstration terms and conditions at the time of final award, following a review period of the initial submitted applications. The Medicare payment rate is likely to apply to 4-hour blocks of time AFTER the first four hours of the stay. The amount of payment will be based on the amount of money saved from foregone transfers.

D. FESC Conditions of Participation, or the rules that apply to the clinic's services and operations

CMS plans to collaborate on certification of FESC providers with the licensure department of each state in which a FESC is awarded a demonstration. The RFP details the CMS requirements for participation in the FESC Demonstration program. These requirements pertain to the scope of services

provided by the extended stay clinic, for example, surgeries will not be allowed in the FESC beyond what is allowable in physician offices.

There are also requirements on staffing and availability of practitioners to the remote clinic.

The FESC must adhere to the requirements in the Ambulatory Health Care Occupancy chapters of the National Fire Prevention Association 101 Life Safety Code, 2000 edition. In addition, sprinklers are required for fire safety.

#### E. Evaluation and Reporting Requirements

We plan to award a contract to an independent research organization to evaluate the FESC demonstration. Awardees for the demonstration would agree to cooperate with our evaluation contractor, participate in periodic site visits, and provide information necessary to conduct the evaluation. The specific FESC evaluation requirements will be finalized once an evaluation contract has been awarded.

The application for the demonstration asks for the clinic or consortium of clinics to provide information about their facility and services. We want to get a picture of your clinic and the situation that it faces. If you are currently serving extended stay patients, these questions will not be hard to answer.

In particular, the application asks for certain financial information, so that CMS can conduct the budget neutrality analysis. For example, based on historical data, for what fraction of FESC patients could hospitalizations be avoided in a year? How many hours were these patients kept at the applicant FESC? To what extent would hospital, physician, and ambulance payment be avoided by Medicare for these patients? What were the diagnosis codes (ICD-9 codes) of FESC patients?

We understand that this information may be difficult for a clinic to provide. We ask that if your clinic is interested in participating that you do your best in answering these questions even if you provide estimates.

We aim to help in this process. If you have any questions after today, please call me, Sid Mazumdar at 410 786-6673 or send an e-mail at [Siddhartha.Mazumdar@cms.hhs.gov](mailto:Siddhartha.Mazumdar@cms.hhs.gov). Before we open it up to questions, I want to say that we are very excited about this project and feel that it can meet a real need in the most remote areas. About 15 years ago, there was legislation for demonstrations of limited service hospitals, which were subsequently developed into the Critical Access Hospitals of today. We are now facing a similar challenge to develop a provider that can serve the most remote

rural communities.