

Medicaid Reimbursement for Institutions for Mental Diseases

Change will be effective July 1, 2017

- Since 1965, the Medicaid Institutions for Mental Diseases (IMD) exclusion has prohibited the use of federal Medicaid funds for care provided to most patients in mental health and substance use disorder residential treatment facilities larger than 16 beds. An IMD is a hospital, nursing facility, freestanding psychiatric hospital, or other institution with more than sixteen beds which primarily provides diagnosis, inpatient psychiatric treatment or care for persons with mental diseases, including medical attention, nursing care and related services.
- In April 2016, the Centers for Medicare and Medicaid Services issued final regulations that revise and significantly strengthen existing Medicaid managed care rules. Under the final rule, states can, for the first time, receive federal matching funds for capitation payments for adults who receive psychiatric or substance use disorder (SUD) inpatient services in an IMD for no more than 15 days in a month. The change is intended to improve access to short-term inpatient psychiatric and SUD treatment for Medicaid managed care enrollees.
- ***Ohio Medicaid will implement the CMS allowance to pay for a stay in an IMD through managed care contracts beginning July 1, 2017.*** These services are not reimbursable through Medicaid fee-for-service (the IMD exclusion still applies to FFS), but the Executive Budget proposes to expand Medicaid managed care to all remaining FFS enrollees in January 2018, which will further expand access to psychiatric or SUD inpatient services
- The new IMD policy will expand the Medicaid-reimbursable inpatient psychiatric provider network, expand private inpatient provider capacity, and reduce stress on emergency services. It will provide Medicaid managed care plan members access to more timely, medically appropriate, and cost-effective services by allowing IMDs to be used in addition to other covered settings, such as inpatient psychiatric units in general medical hospitals and state-funded regional psychiatric hospitals.
- Ohio Medicaid will require managed care plans to contract with private IMD facilities and maintain provider network adequacy standards, which means the plans will have to build an IMD provider network that provides access to intensive mental health treatment and timely access to inpatient psychiatric services closer to home. Managed care plans also will be required to coordinate with the IMD to transition members back to the community with appropriate services and supports.