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CMS Announces New Medicaid Demonstration Opportunity to Expand Mental Health Treatment Services

CMS letter to State Medicaid Directors outlines new opportunities for states to receive payment for residential treatment services

Today, the Centers for Medicare & Medicaid Services (CMS) sent a letter to State Medicaid Directors that outlines both existing and new opportunities for states to design innovative service delivery systems for adults with serious mental illness (SMI) and children with serious emotional disturbance (SED). The letter includes a new opportunity for states to receive authority to pay for short-term residential treatment services in an institution for mental disease (IMD) for these patients. CMS believes these opportunities offer states the flexibility to make significant improvements on access to quality behavioral health care.

Medicaid is the single largest payer of behavioral health services, including mental health and substance use services in the U.S. By one estimate, more than a quarter of adults with a serious mental illness rely on Medicaid. Approximately 10.4 million adults in the United States had an SMI in 2016, but only 65 percent received mental health services in that year. Serious mental health conditions can have detrimental impacts on the lives of individuals with SMI or SED and their families and caregivers. Since these conditions often arise in adolescence or early adulthood and often go untreated for many years, individuals with SMI or SED are less likely to finish high school and attain higher education, disrupting education and employment goals.

"More treatment options for serious mental illness are needed, and that includes more inpatient and residential options. As with the SUD waivers, we will strongly emphasize that inpatient treatment is just one part of what needs to be a complete continuum of care, and participating states will be expected to take action to improve community-based mental health care," said Health and Human Services Secretary Alex Azar. "There are effective methods for treating the seriously mentally ill in the outpatient setting, which have a strong track record of success and which this administration supports. We can support both inpatient and outpatient investments at the same time. Both tools are necessary, and both are too hard to access today."

CMS currently offers states the flexibility to pursue similar demonstration projects under Section 1115 (a) of the Social Security Act, regarding substance use disorders (SUDs), including opioid use disorder. To date, CMS has approved this authority in 17 states, where it is already improving outcomes for beneficiaries. For example, early results in Virginia show a 39 percent decrease in opioid-related emergency room visits, and a 31 percent decrease in substance-use related ER visits overall after implementation of the demonstration. With this new opportunity, CMS will be able to offer a pathway forward to the 12 states who have already expressed interest in expanding access to community and residential treatment services for the full continuum of mental health and substance use disorders. About a quarter of individuals with SMI have a co-occurring SUD.

States participating in the SMI/SED demonstration opportunity will be expected to commit to taking a number of actions to improve community-based mental health care. These commitments to improving community-based care are linked to a set of goals for the SMI/SED demonstration opportunity and will include actions or milestones to ensure good quality of care in IMDs, to improve connections to community-based care following stays in acute care settings, to ensure a continuum of care is available to address more chronic, on-going mental health care needs of beneficiaries with SMI or SED, to provide a full array of crisis stabilization services, and to engage beneficiaries with SMI or SED in treatment as soon as possible. States are encouraged to build on the opportunities for innovative service delivery reforms discussed in the first part of this letter and summarized below in order to achieve these milestones and goals.

Through this demonstration opportunity, federal Medicaid reimbursement for services will be limited to beneficiaries who are short-term residents in IMDs primarily to receive mental health treatment. CMS will not approve a demonstration project unless the project is expected to be budget neutral to the federal government.

States will also be expected to report information detailing actions taken to achieve the milestones and goals of these demonstrations as well as data and performance measures identified by CMS as key indicators of progress toward meeting the goals of this initiative.

In addition to the 1115 demonstration opportunity the letter also describes strategies under existing authorities to support innovative service delivery systems for adults with SMI and children with SED, that address the following issues:

- Earlier identification and engagement in treatment, including improved data-sharing between schools, hospitals, primary care, criminal justice, and specialized mental health providers to improve communications;
- Integration of mental health care and primary care that can help ensure that individuals with SMI or SED are identified earlier and connected with the appropriate treatment sooner;
- Improved access to services for patients across the continuum of care including crisis stabilization services and support to help transition from acute care back into their communities;
- Better care coordination and transitions to community-based care; and

- Increased access to evidence-based services that address social risk factors including services designed to help individuals with SMI or SED maintain a job or stay in school.

CMS is announcing this new demonstration opportunity following the publication of the Medicaid Managed Care proposed rule. States identified key concerns in the 2016 final rules limitation regarding 15-day length of stay for managed care beneficiaries in an IMD. CMS did not propose any changes to this requirement at this time; however, CMS is asking for comment from states for data that could support a revision to this policy. Meanwhile, this new demonstration opportunity will give interested states the ability to seek federal authority to have greater flexibility to pay for residential treatment services in an IMD as part of broader delivery system improvements.

For more information, please visit: https://www.medicaid.gov/federal-policy-guidance/downloads/smd18011.pdf.

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