

Guidance on using federal funds via 1115 SUD IMD waivers

Background

Federal Medicaid policy restricts use of federal financial participation (FFP) ‘match dollars’ when enrollees over age 21 and under age 65 reside in facilities larger than 16 beds where more than 50% of their patients are admitted for psychiatric disorder treatment. Such facilities are termed Institutions for Mental Disease or IMDs.

In 2017, the Centers for Medicare & Medicaid Services (CMS) issued guidance letters providing opportunities for states to purchase IMD services using federal funds participation under the 1115 waiver. This subsequently provides states with additional tools to combat the opioid epidemic, specifically substance use disorder (SUD) and opioid use disorder (OUD).

Demonstration waivers offer states greater flexibility in designing and implementing Medicaid programs that meet specific requirements. The 1115 SUD Demonstration Waiver requires active reporting and system changes for six milestones:

- Access to critical levels of care of OUD and other SUD diagnoses
- Widespread use of evidence-based, SUD-specific patient placement criteria
- Use of nationally recognized, evidence-based SUD program standards to set residential treatment provider qualifications
- Sufficient provider capacity at each level of care
- Implementation of comprehensive treatment and prevention strategies to address opioid abuse and OUD
- Improved care coordination and transitions between levels of care

Since 2018, ESD 6032 has mandated that the Washington State Health Care Authority (HCA) apply for an IMD rule waiver for both mental health and SUD treatment. However, CMS informed the state that the 1115 IMD waiver applies only to SUD treatment. For this reason, HCA included SUD IMD

facilities in the March 2018 waiver application submitted to CMS. (The 1115 MH IMD waiver was sought and approved in November 2020.)

Waiver duration

The 1115 SUD waiver amendment, Initiative 4 of the Medicaid Transformation Project (MTP), was approved in July 2018. Its end date follows other MTP initiatives. A five-year renewal period began July 1, 2023, and will continue through June 30, 2028.

Eligibility

Adults who are 21 to 65 years old who are participating in SUD IMDs are eligible.

Authority

42 CFR 431.408
42 CFR 431.412
ESSB 6032

Budget

Inpatient SUD services are covered under Medicaid. These services are authorized if a determination is made that the individual meets medical necessity criteria. State dollar funding is used for services when FFP is not available.

Partners

Partners for these waivers include the following relevant parties:

- Managed care organizations (MCO) providing integrated medical care (IMC)
- Behavioral health services-only organizations (BH-SO)
- Behavioral health administrative services organizations (BH-ASO)
- Mental health agencies
- Hospitals

Oversight

The providers impacted by the 1115 SUD Waiver fall under both the oversight of the Department of Health and HCA’s contracted managed care plans. Additionally, CMS actively monitors 1115 via quarterly reporting and third-party evaluators.

More information

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