

Guidance on using federal funds via 1115 MH 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 2018, the Centers for Medicare & Medicaid Services (CMS) issued guidance letters providing opportunities for states to design innovative service delivery systems which would permit a state to use federal funds participation (FFP) for MH services in IMDs under 1115 demonstration waivers.

- Such waivers are conditioned upon specific requirements. The milestones of the 1115 MH Waiver focus specifically on:
- Ensuring quality of care in psychiatric hospitals and residential settings
- Improving care coordination and transitions to community-based care
- Increasing access to continuum of care including crisis stabilization services

ESSB 6032 (2018) 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 only applied to SUD treatment. With subsequent updated guidance from CMS, DBHR has applied for and received approval from CMS for an 1115 MH waiver on November 6, 2020, and approval of the implementation plan on December 23, 2020.

Both the SUD and MH IMD waivers are part of the broader Medicaid Transformation Project (MTP) 1115 Demonstration, which was renewed this year for another five-year period (July 1, 2023, through June 30, 2028).

Under the special terms and conditions of the waiver agreement, services are limited to stays in

facilities focused on short term/acute care (facilities with an average length of stay of 30 days or less) with a 60-day limit per client stay. If a stay lasts more than 60 days, it must be paid for with state funds.

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 psychiatric services are covered under Medicaid. These services are authorized if a determination is made that the individual meets medical necessity criteria for acute inpatient psychiatric services. 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 MH waiver fall under both the oversight of the Washington 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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