



COLORADO
Department of Health Care
Policy & Financing

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Accountable Care Collaborative: Role of Freestanding Psychiatric Hospitals and the Federal IMD Rule

Fact Sheet October 2020

Essential Points

- Psychiatric inpatient services are an important part of the Colorado Medicaid continuum of care.
- Federal law prohibits Medicaid from claiming federal financial participation (FFP) for any inpatient stays in an Institution for Mental Disease (IMD).
- Federal managed care rules provide an option for states to receive FFP for stays in IMDs, but with limitations.
 - ✓ Colorado Medicaid is able to claim FFP for inpatient stays less than 16 days under the authority of the behavioral health managed care program.
- The Department has actively worked with free standing psychiatric hospitals and managed care entities to successfully manage the inpatient benefit within the federal constraints.
 - ✓ The RAEs pay IMDs rates that are higher than their reported costs.

Medicaid Capitated Behavioral Health Benefit

- Since 1995, the Department of Health Care Policy and Financing (Department) has overseen a community-based behavioral health benefit.
- The benefit covers the full continuum of mental health treatment, including:
 - ✓ Inpatient psychiatric hospitalization
 - ✓ Intensive outpatient treatment
 - ✓ Crisis services
 - ✓ Traditional therapy
 - ✓ Peer support services
 - ✓ Drop-in centers.

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- One goal is to treat mental health and substance use disorders in the least restrictive environment.
- Behavioral health services are administered by a managed care entity called a Regional Accountable Entity (RAE).
 - ✓ RAEs receive a monthly capitation payment for each enrolled member
 - ✓ RAEs are at financial risk for providing all contracted services within their overall capitated budget.
 - ✓ RAEs contract with and reimburse providers for delivering services.

Federal IMD Rule

- An Institution for Mental Diseases (IMD) is a facility with more than 16 beds that is primarily engaged in providing diagnosis, treatment, or care for persons with mental health or substance use diagnoses.
- Freestanding psychiatric hospitals meet the definition of an IMD.
- Since the federal Medicaid program began in 1965, state Medicaid programs cannot receive FFP for members while they are in residence at an IMD.
- In response to State Medicaid program complaints about the IMD exclusion being a significant barrier to care, the federal government has taken the following steps:
 - ✓ 2015 Substance Use Disorder 1115 demonstration waiver opportunity
 - ✓ 2016 Medicaid and Children’s Health Insurance Program Managed Care Final Rule
 - ✓ 2018 State Plan Amendment option to cover substance use disorder treatment in IMD
 - ✓ 2018 21st Century Cures Act Serious Mental Illness demonstration waiver opportunity

Colorado Behavioral Health Managed Care and 2016 Managed Care Final Rule

- Since 1995, Colorado has operated a mental health capitation and managed care program under a 1915(b) waiver from the federal government.
- Colorado’s waiver has always included the authority to continue receiving FFP for members receiving mental health services at private freestanding psychiatric hospitals as an “in lieu of” service if the member is enrolled with a managed care entity.
- The 2016 Managed Care Final Rule:
 - ✓ States with capitated managed care programs can receive FFP for members receiving IMD services for no more than 15 days within a capitation month (42 CFR 438.6(e)).
 - ✓ IMD services must meet the definition and conditions of an “in lieu of” service.
 - ✓ When a member is in an IMD more than 15 days within the capitation month, states are required to recover all Medicaid payments made for the member for all IMD inpatient days during that month. This includes:
 - ✓ fee-for-service claims payments
 - ✓ capitation or per-member per-month payments



- Prior to the 2016 Managed Care Final Rule, the Department operated without any formal limit on the number of IMD days that could be covered.

Department IMD Management

The Department has worked extensively with the RAEs and IMDs to address payment, utilization management and implementation of the 15-day limit, while developing strategies to reduce any negative consequences for members. The Department and RAEs have also worked to reduce the financial risk for IMDs when members require stays longer than 15 days within a capitation month.

- **Management of Length of Stay.** The Department required RAEs and IMDs to partner in aggressive management of member lengths of stay to reduce the number of members who exceed 15 days during a capitation month, thereby minimizing the instances where the Department would need to recover capitation payments.
- **Value-based Payments.** The RAEs were instructed to use the flexibility of their managed care capitations to implement value-based payment arrangements that support the continued viability of the IMD business models so that inpatient services remain available in their regions. RAE payments to providers are substantially higher than the providers' actual reported costs per diem.
- **IMD Forum.** The Department re-instituted the IMD Forum in November 2018 to provide a forum for the RAEs and the IMDs to discuss and resolve operational and policy issues that affect both parties.
- **IMD Workgroups.** The Department contracted with Cole and Partners to facilitate smaller workgroups to address and document agreements for handling issues related to billing and reimbursement, admissions, discharge planning, and utilization management.
- **IMD Dashboard.** In order to monitor utilization patterns within the IMDs, the Department has created a dashboard using data provided directly by the RAEs to track admissions, denials, and length of stay.
- **Contractor Specific Oversight.** The Department also works directly with parties when it identifies practices that don't align with industry standards, or it becomes aware that parties are not able to satisfactorily resolve their operational challenges. For example, one IMD claimed that one RAE had higher denial rates than the other RAEs. The Department set up weekly meetings with the RAE and IMD to review each of their weekly admissions and denial information and to resolve the conflict.

