

KDADS Overview of IMD Exclusion

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Overview

Medicaid Institution for Mental Disease (IMD) Definition

Medicaid IMD Exclusions:

- 1115 Waiver
- State Institution Alternative (SIA) Program
- MCO In Lieu of Service

Medicaid IMD Definition

An IMD (Institution for Mental Disease) is defined as a hospital, nursing facility, or other institution of more than 16 beds that is primarily (more than 50%) engaged in providing diagnosis, treatment, or care of persons with mental diseases, which includes substance use disorders (SUDs).

Medicaid IMD Exclusion

The IMD exclusion is found in section 1905(a)(B) of the Social Security Act, which prohibits:

“payments with respect to care or services for any individual who has not attained 65 years of age and who is a patient in an institution for mental diseases”

Except for:

“inpatient psychiatric hospital services for individuals under age 21.”

Under the 1115 Waiver

KDADS and KDHE have used the 1115 Demonstration Waiver to seek an SUD IMD Exclusion waiver that allows Medicaid to pay for patients in SUD facilities as part of KanCare.

A similar MH IMD Exclusion waiver is also available under the 1115 Demonstration Waiver that would allow Medicaid to pay for up to 15 days of inpatient psychiatric care in an IMD. KDADS preparations for that have been hampered due to response to the pandemic but this remains a strategic objective for the agency. KDADS still needs to develop an implementation plan and an evaluation plan for CMS approval.

Under SIA Program

Under the State Institution Alternative (SIA) program IMDs can be paid for services using state funds at a daily rate like the rate for the state hospital. The SIA program helps cover the cost of admissions to IMDs for both Medicaid and uninsured patients, neither of which had coverage at Private Psychiatric Hospitals in Kansas before the program.

MCOs and In Lieu of Service

Current Medicaid regulations indicate when managed care organizations (MCOs) can pay for treatment in IMDs as an in-lieu of service. An in-lieu of service is a service that is not included under the state plan, but is a clinically appropriate, cost-effective substitution for a similar, covered service. Medicaid payment for IMD services under this authority is limited to 15 days per month.