Institution for Mental Disease (IMD) in Arizona Medicaid

Background: IMD Federal Landscape

Section 1905(i) of the Social Security Act (SSA) defines an IMD as any "hospital, nursing facility, or other institution of more than 16 beds, that is primarily engaged in providing diagnosis, treatment, or care of persons with mental diseases, including medical attention, nursing care, and related services." The Medicaid IMD exclusion under 1905(a)(B) of the SSA prohibits the use of federal Medicaid financing for mental health/substance use disorder (MH/SUD) care provided to most adult patients in residential treatment facilities larger than 16 beds. The exclusion applies to all beneficiaries under age 65 who are in an IMD, except for payments for inpatient psychiatric services provided to beneficiaries under age 21. However, under "in-lieu of" authority, Medicaid managed care rules do permit federal financial participation (FFP) for capitation payments to Medicaid MCOs for enrollees that are in an IMD only when the stay is for no more than 15 days during a calendar month.

In 2017 and 2018, AHCCCS' federal partners at the Centers for Medicare and Medicaid Services (CMS) released guidance on how states can pursue program innovations to address the opioid epidemic and delivery system needs for members with a serious mental illness (SMI)/serious emotional disturbance (SED) designation. In this guidance, CMS included an opportunity for states to "waive" the IMD exclusion for members that meet applicable criteria.

Background: IMDs and AHCCCS

Currently, AHCCCS covers IMD stays for up to 15 days per calendar month under the "in-lieu of" authority afforded to states under the Medicaid managed care rules. In 2017, AHCCCS requested an amendment to the state's existing 1115 waiver, seeking a waiver from the IMD exclusion, with the goal of maintaining and enhancing beneficiary access to behavioral health services in appropriate settings and ensuring that individuals receive care in the facility most appropriate to their needs. In June 2017, CMS indicated that the only path forward was for an IMD waiver for individuals with SUD needs, as part of a comprehensive state SUD strategy. AHCCCS' waiver proposal, submitted before the June 2017 clarification, was not limited to individuals with SUD needs, is still with CMS, and has not been formally approved or denied.

When CMS released additional guidance in 2018, AHCCCS evaluated the benefits of pursuing a waiver under the updated guidance. The guidance afforded states the opportunity to waive the IMD exclusion for a broader population but also included a number of eligibility, monitoring, reporting, and financial requirements. Throughout 2019, AHCCCS evaluated the requirements, engaged and surveyed stakeholders, and ultimately decided against pursuing an IMD waiver, given certain challenges posed by the parameters of the updated guidance. In the beginning of 2022, and upon the urging of stakeholders, AHCCCS again initiated discussions with CMS around a potential path toward an IMD exclusion waiver approval that included alternative reporting and monitoring requirements that would be less burdensome to the State and providers.

IMD Waiver Options for AZ

	No Changes to IMD Policy	IMD Waiver Allowances/Requirements
Eligible Individuals	Members aged 21-64 who are receiving treatment for a MH and/or SUD condition in IMDs.	Members aged 21-64 who are receiving treatment for a MH and/or SUD condition in IMDs.
Eligible Facilities	All facilities that qualify as an IMD. There are 115 facilities that qualify as AHCCCS registered IMDs. **	Limited to IMDs that meet the following requirements: ● Must offer medication assisted treatment (MAT) ● Must be accredited by a nationally recognized accreditation entity including the Joint Commission or the Commission on Accreditation of Rehabilitation Facilities (CARF) Must implement a publicly available patient assessment tool to evaluate level of care and length of stay NFs do not qualify.
Benefit limitations	No more than 15 days per calendar month (180 days per year).	IMD stays, for qualifying facilities, would be limited to no more than 60 consecutive days as long as the state continues to meet the required statewide average length of stay of 30 days or less. States may not claim for any part of a stay (days 0 to 60) that exceeds 60 days. If the state does not show that it is meeting the expectation of a statewide average length of stay of 30 days or less, the state may only claim FFP for stays up to a maximum of 45 consecutive days. States may not claim for any part of a stay (days 0 to 45) that exceeds 45 days.
Reporting Requirements	N/A	The state must submit the following to CMS: ● An implementation protocol ● Annual assessment ● Monitoring protocol ● Mid-point assessment report ● Health Information Technology plan ● Evaluation design plan ● Interim evaluation report ● Summative evaluation report The state would work with MCO and provider partners to establish and report on these additional requirements.
Reporting Measures	N/A	Requires a multitude of measures to be collected from providers and managed care organizations (MCOs) and reported to CMS for both SUD and mental health. Some examples include: ● Initiation and engagement of alcohol and other drug dependence treatment ● Continuity of pharmacotherapy for opioid use disorder (OUD) ● Follow-up after discharge from an emergency department for mental health or alcohol or other drug dependence

		• Number of overdose deaths (and specifically deaths due to the overdose of any opioid) among Medicaid beneficiaries in the reporting year • Emergency department visits for SUD-related diagnoses and specifically for OUD /1,000 member months • Inpatient admissions for SUD and specifically OUD among Medicaid beneficiaries/1,000 member months.
Budget/ Finance	MCOs are currently funded for providing IMD services with a benefit limit of 15 days per month. If a stay exceeds 15 days, AHCCCS recoups the MCO capitation payment associated with this stay.	Budget neutrality, maintenance of effort, and financing plan requirements all apply. FFP for services in IMDs may be withheld if the State is not making adequate progress in meeting the milestones and goals of the demonstrations.

**Based on a 2022 survey, not every IMD in Arizona would qualify to participate under the waiver.

Arizona IMD Data

In 2020, out of 28,601 unique IMD admits, only 1,084 resulted in a stay in excess of 15 days. As a result, about 3.8 percent of AHCCCS' IMD stays would be impacted by the IMD exclusion waiver, if approved. Also, AHCCCS currently has 115 unique providers that qualify as IMDs across the state. Based on a provider survey conducted by AHCCCS when the IMD exclusion waiver option was being evaluated, not every IMD in Arizona would qualify to participate under the waiver.

In addition to the $26.2 million annualized total fund cost of the longer lengths of stay permitted under an IMD exclusion waiver, the State would also incur administrative costs amounting to approximately $181,100 on an annual basis, and approximately $1.3 million in costs associated with each five-year waiver demonstration period for required evaluation, monitoring, and system change activities.

Medically Necessary IMD Stays:

While MCOs' capitation payments are recouped whenever a member exceeds 15 IMD days per calendar month, the MCO is contractually obligated to authorize and pay for all medically necessary, Medicaid compensable services during that same month. MCOs must still comply with discharge planning and ensure safe and appropriate IMD discharges despite the 15 day federal limit, thus necessitating stays exceeding 15 days when clinically warranted. Identifying the least restrictive, most appropriate level of care for a member's needs is at the forefront of these decisions.