



Repeal Medicaid's IMD Exclusion



The Issue: IMD Limits Access to Care

Medicaid beneficiaries are among the hardest hit by the ongoing dual behavioral health and substance use disorder (SUD) crises and face substantial barriers to care.

To offset this crisis, we must remove **arbitrary obstacles to care, such as the 60-year-old Institutions for Mental Diseases (IMD) exclusion policy**. Doing so would expand access to care – especially critical for medically complex Medicaid beneficiaries requiring hospital-level care.



Background

Suicide is among the leading cause of death with about 50,000 suicide-related deaths and 1.6 million suicide attempts in 2022. Also, that year, the rate of death by suicide was 4 times greater among men.

For opioid-related deaths, the Centers for Disease Control and Prevention estimates 90,000 deaths for the 12-month period ending Aug. 2024. Synthetic opioids, in particular fentanyl, accounted for 78% of overdose deaths in 2023, with prescription pain relievers and heroin also contributing to these tragic losses. Further, sadly, 321,000 children in the United States have had parents die from overdoses in the past decade, per the National Institute on Drug Abuse. In 2024, the Johns Hopkins Bloomberg School of Public Health estimated economic costs associated with the opioid crisis as exceeding \$1 trillion annually.

Waitlists for important behavioral healthcare services reflect urgent shortages of providers, especially in rural communities. For example, in 2023, over half (56%) of psychologists reported having no openings for new patients. Wait times were three months or longer and nearly 40% reported longer waitlists than in 2022. Similarly, in 2022, waitlists for psychiatrists ranged from a few weeks to more than a year.

Congress created the IMD exclusion when Medicaid was established in 1965. The policy does not apply to inpatient psychiatric units. The policy remains a strong financial deterrent against opening and maintaining IMD-level services. IMDs are defined in statute as healthcare facilities with more than 16 beds that primarily engage in diagnosing, treating, or caring for people with mental diseases, including SUDs.

How the IMD Exclusion Policy Works: Under the IMD exclusion – updated in 2024 – federal Medicaid funds cannot be used to pay for mental health services provided to Medicaid enrollees ages 21 to 64 who use IMD inpatient or outpatient services. In 2024, Congress authorized the use of matching dollars for up to 30 days of SUD services per year.

Physician-led Clinical Decisions: Rather than this outdated and arbitrary limit, coverage of IMD services should be based on the expert judgment of treating physicians and other practitioners treating the patient to determine the level of clinical services that are necessary.



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IMDs Fill a Critical Need: IMDs – including hospitals, nursing homes, and other facilities – provide a wide range of behavioral healthcare services, including SUD treatments (65% of all IMDs), outpatient services (27%), adolescent care (23%), and geriatric care (31%). In addition, residential services in IMDs treat patients who have not improved in outpatient settings, with unstable living arrangements, and who lack support from their social network.

Medicaid Managed Care Plans Are Covering IMD Services: Medicaid managed-care plans in at least 32 states cover IMD services without excessive institutionalization. Rather, the average length of stay in IMDs in these states is fewer than 10 days per episode. These relatively short lengths of stay mirror those of commercial and Medicare managed care plans – neither of which is subject to the IMD exclusion.

1115 Waivers Bypass IMD Exclusion; Redirect Medicaid Dollars to Improving Care: Many states use Section 1115 waivers for SUD services provided in IMDs. However, these waivers are rarely granted for mental health services. According to the Kaiser Family Foundation, as of September 2023, 35 states had Section 1115 waivers for SUD services while 11 states had mental health service waivers.

Jails and Prisons are the Default Behavioral Healthcare Provider: Due to the lack of alternatives, too many behavioral healthcare patients end up in jails and prisons, the largest providers of mental health services in the country, with 44 states' jails and prisons holding more mentally ill individuals than the largest state psychiatric hospital.



LEGISLATIVE REQUEST

NABH urges Congress to fully repeal Medicaid's IMD exclusion, building upon improvements enacted in 2024, which lowered the restrictions of the IMD exclusion policy by allowing federal Medicaid dollars to apply to SUD services.