

## **Institutions for Mental Diseases: Frequently Asked Questions (2021)**

### **❖ *What are Institutions for Mental Diseases (IMD)?***

The Social Security Act defines an institution for mental diseases (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.”

There are three considerations for identifying an IMD:

- It is an institution;
- The institution has more than 16 beds; and,
- The institution’s primary purpose is to diagnose, treat, or care for persons with mental diseases. The term “mental diseases” includes substance use disorders.

### **❖ *Why is this important?***

The “IMD exclusion” excludes federal financial participation (FFP) for most Medicaid adult recipients receiving services in an IMD. In effect since Medicaid’s enactment in 1965, the “IMD exclusion” 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.”

This means Medicaid FFP is not generally available for adults 21 to 64 years old while they are treated in an IMD, effectively excluding them from Medicaid coverage for this treatment.

### **❖ *Are there any Medicaid exceptions to the IMD exclusion?***

Yes, there are some exceptions that allow South Carolina Healthy Connections Medicaid to reimburse for services for individuals in an IMD:

- Inpatient psychiatric hospital services in an IMD for individuals under age 21 are allowed if furnished by a psychiatric hospital, a general hospital with a psychiatric program that meets applicable conditions of participation, or an accredited psychiatric facility, such as a “Psychiatric Residential Treatment Facility.” South Carolina Healthy Connections Medicaid fee-for-service and managed care plans cover these services through the [Psychiatric Hospital Services provider manual](#).
- Inpatient psychiatric services for Medicaid recipients age 65 years and older are allowed through an exception for inpatient hospital services, nursing facility services, and intermediate care facility services even if the facility qualifies as an IMD. South Carolina Healthy Connections Medicaid fee-for-service covers this group through the Psychiatric Hospital Services benefit.

- Limited IMD reimbursement is available through South Carolina’s Healthy Connections Medicaid managed care organization (MCO) plans. MCO plans may reimburse providers up to 15 days per month of IMD placement for eligible recipients through in-lieu-of-services (ILOS). Available ILOS that are considered reimbursable in an IMD may include services such as crisis stabilization.

### ❖ *How do I determine how many beds are in my institution?*

When determining an institution’s status as an IMD, the Code of Federal Regulations definition is generally simplified to (a) consider the nature of the institution and (b) determine the number of beds in the institution. This has been a satisfactory strategy, but there is an emerging question relative to “what is an institution.” There are questions about how to determine the bed count for multicomponent institutions, specifically for “campus” or “cottage” style institutions that have two or more buildings that provide the same or different services to the same or different populations. In these situations, a facility primarily engaged in providing diagnosis, treatment, or care of persons with mental diseases may be part of a larger entity. Since bed count is a defining IMD characteristic, the question for multicomponent institutions is whether to use (a) the bed count for the component providing diagnosis, treatment, or care of persons with mental diseases or (b) the bed count for the entire larger entity.

To determine the number of beds in an institution, the following guidance can be used:

- The bed count for an individual component within a larger entity would be used to determine IMD status if the component is licensed and/or certified separately from other components of the larger entity.
- The bed count for the larger entity would be used to determine IMD status if the component is not certified separately. In such cases, the larger entity would qualify as an IMD only if the bed count of the component(s) providing diagnosis, treatment, or care of persons with mental diseases is more than 50% of the larger entity’s bed count.