

Mental Health and Substance Use Disorder Coverage in Medicaid

NHeLP Summer Intern Training Series
June 8, 2026



Outline

- Introduction
- Coverage and Access: Mental Health and SUD Services in Medicaid
- Community Integration: Institutions for Mental Diseases (IMD) Exclusion and 1115 Waivers
- Work Requirements and MH/SUD

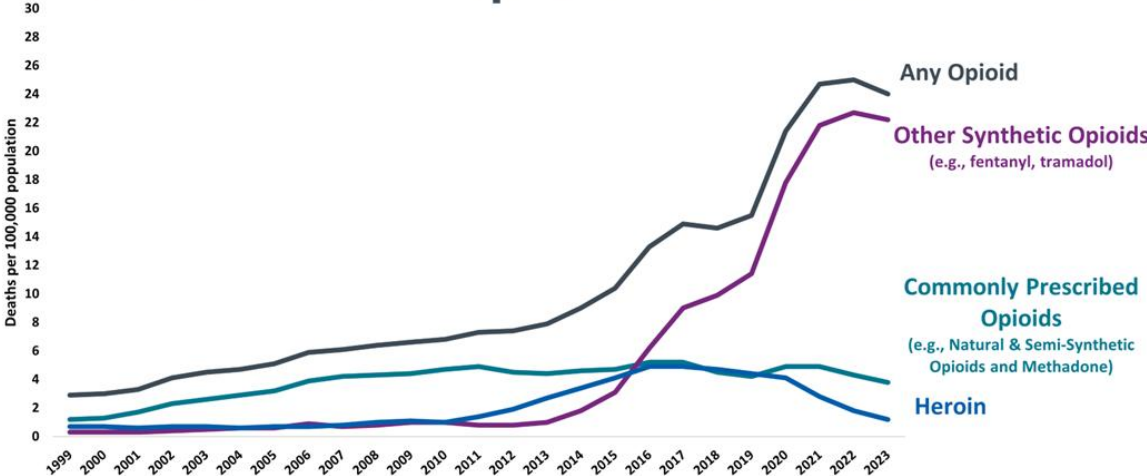
Introduction

Prevalence of Mental Health Conditions in U.S.

- One in five (23%) adults in U.S. living with a mental health condition
- 5.6% of all adults experienced a “serious mental illness” in 2024
- Rates higher among BIPOC, LGBTQI+, and minors
- High prevalence among low-income individuals
 - Medicaid covers nearly 1 in 3 of all adults with a mental health condition

Prevalence of SUD in U.S.

Three Waves of Opioid Overdose Deaths



Wave 1: Rise in Prescription Opioid Overdose Deaths Started in the 1990s

Wave 2: Rise in Heroin Overdose Deaths Started in 2010

Wave 3: Rise in Synthetic Opioid Overdose Deaths Started in 2013

SOURCE: CDC/NCHS, National Vital Statistics System, Mortality. CDC WONDER, Atlanta, GA: US Department of Health and Human Services, CDC; 2024. <https://wonder.cdc.gov/>.



Prevalence of SUD in U.S.

- One in six individuals have an SUD (half of those have an alcohol use disorder)
- Many SUDs begin during adolescence
- High prevalence among low-income individuals (Medicaid is single largest source of coverage)
- Despite availability of effective treatment, most people with an SUD do not receive care

Coverage, Access, and Services

Medicaid's Role in Behavioral Health

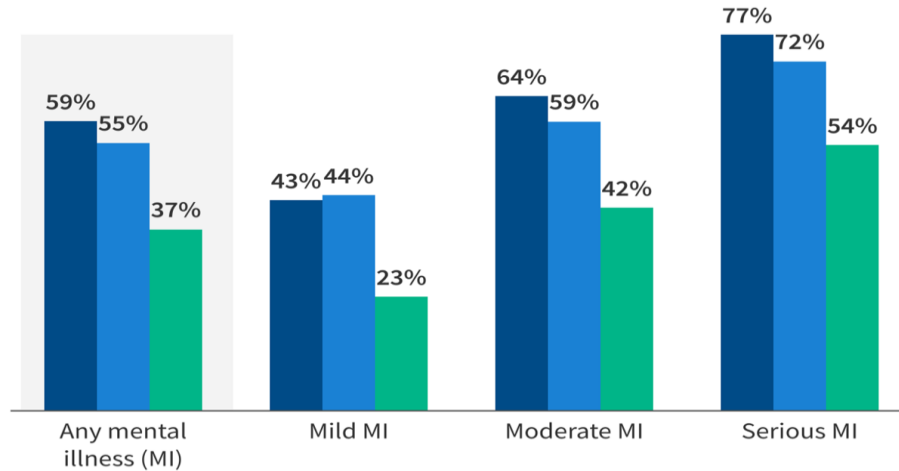
- Medicaid is the single largest payer of behavioral health services.
- Medicaid is an innovator – can provide evidence-based services that are often not covered by private insurance or Medicare.
- Access to care for mental health treatment for Medicaid enrolled adults higher or similar to those with private insurance.

Figure 2

Mental Health Treatment Rates for Medicaid-Enrolled Adults are Higher Than or Similar to Those with Private Insurance

Any mental health treatment among nonelderly adults, by coverage type and mental illness severity, 2023

■ Medicaid ■ Private ■ Uninsured



Note: Adults aged 18-64 are included in the analysis. NSDUH categorizes respondents as having a probable mild, moderate, or serious mental illness through a combination of mental health scales and indicators of functional impairment aligned with the (DSM-IV). Mental health treatment includes any inpatient, outpatient, telehealth, or prescription mental health treatment. For "any," moderate, and serious mental illness groups, Medicaid treatment rates are significantly higher than private and uninsured groups ($<.05$). The difference in Medicaid and private treatment rates for mild mental illness is not significantly different.

Source: KFF analysis on the National Survey of Drug Use and Health, 2023

Access to Care

Black Medicaid beneficiaries with mental health conditions were less likely to receive treatment than white peers. (52% vs 36%)

TABLE 2-3. Reported Use of Mental Health Treatment among Non-Institutionalized Adult Medicaid Beneficiaries Age 18–64 with Past Year Mental Illness, by Racial and Ethnic Group, 2018

Treatment characteristics	Percentage of Medicaid beneficiaries age 18–64 in each racial and ethnic group with any mental illness					
	White	Black	Hispanic	Asian American	AIAN and NHPI	Two or more races
Received any mental health treatment in the past year	52.3%	35.5%*	35.0%*	27.2%*	51.3%	31.9%*
Received treatment in a private therapist's office	14.8	7.0*	9.4*	–	–	–
Took any prescription medication for a mental health condition	46.2	30.6*	27.5*	–	–	24.6*

What Services are Available under Medicaid?

Mandatory Categories:

- Inpatient Hospital Services
- Outpatient Hospital Services
- Tobacco Cessation Counseling for Pregnant Women
- Medication-Assisted Treatment (MAT) for opioid use disorders
- Early and Periodic, Screening, Diagnostic, and Treatment (EPSDT)

Optional Categories:

- Prescription Drugs
- Rehabilitative Services
- Case Management
- Certified Community Behavioral Health Clinics (CCBHC)

*Medicaid coverage of MH/SUD must comply with the Mental Health Parity and Addiction Equity Act (MHPAEA)

Mobile Crisis Services

- Provide rapid response, individual assessment, and crisis resolution by trained behavioral health professionals
- Can connect individuals to ongoing subsequent care and reduces law enforcement interventions, use of ED, and hospitalizations
- Should be provided in any setting in which the individual is located
- Can be for adults or children, but for children, model should be child-focused. See [Children's Behavioral Health Mobile Response and Stabilization Services](#).
- Section 9813 of the American Rescue Plan Act of 2021 provides states with an FMAP bump until 2027

Medication-Assisted Treatment (MAT) for Opioid Use Disorders

- 3 FDA-approved medications: buprenorphine and methadone (most effective), and naltrexone (least effective)
- All must be covered regardless of how medication is accessed
- Benefit includes counseling and behavioral health therapy (CMS encourages use of individual and group therapy, peer support services, and crisis intervention services)

<https://www.medicaid.gov/federal-policy-guidance/downloads/sho20005.pdf>

Certified Community Behavioral Health Clinics (CCBHC)

- Optional services for Medicaid programs (possibly with enhanced federal funds)
- Statutorily required to cover key community-based BH services: crisis services, outpatient services, targeted case management, peer support
- Possibility of connecting with telehealth, mobile units, etc.
- Some studies have shown their effectiveness (including by reducing ED utilization), but others show mixed results

Early and Periodic Screening, Diagnostic, and Treatment (EPSDT) and Mental Health

- Mandatory for Medicaid-eligible children and youth up to age 21
- Requires medical screens and other required screening at preset periodic intervals and when a problem arises
- Medically necessary diagnostic and **treatment** services
- States must arrange (directly or through referral) for corrective treatment needed as a result of a screen
- Why?
 - Children are not little adults
 - Adolescents are not big children

Federal Scope of Services: EPSDT

Includes mental health and SUD services

- Psychologists and other counselors authorized by the state (social workers, LPCs, etc)
- Psychiatrists
- Medication for Opioid Use Disorder
- Inpatient hospitalization
- Intensive home and community-based behavioral health services
- Peer Support
- Mobile Crisis and Stabilization Services

Inpatient Services & Institutions for Mental Disease

Community Integration

“Historically, society has tended to isolate and segregate individuals with disabilities, and, despite some improvements, such forms of discrimination against individuals with disabilities continue to be a serious and pervasive social problem.”

--Americans with Disabilities Act

Institutions for Mental Diseases (IMD) Exclusion and Community Integration

Medical Assistance does not include:

“any such 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”

42 U.S.C. 1396d(a)(31)(B)

Institutions for Mental Diseases (IMD) Exclusion and Community Integration

Definition of IMDs:

“The term ‘institution for mental diseases’ means a 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.”

42 U.S.C. 1396d(i)

Institutions for Mental Diseases (IMD) Exclusion and Community Integration

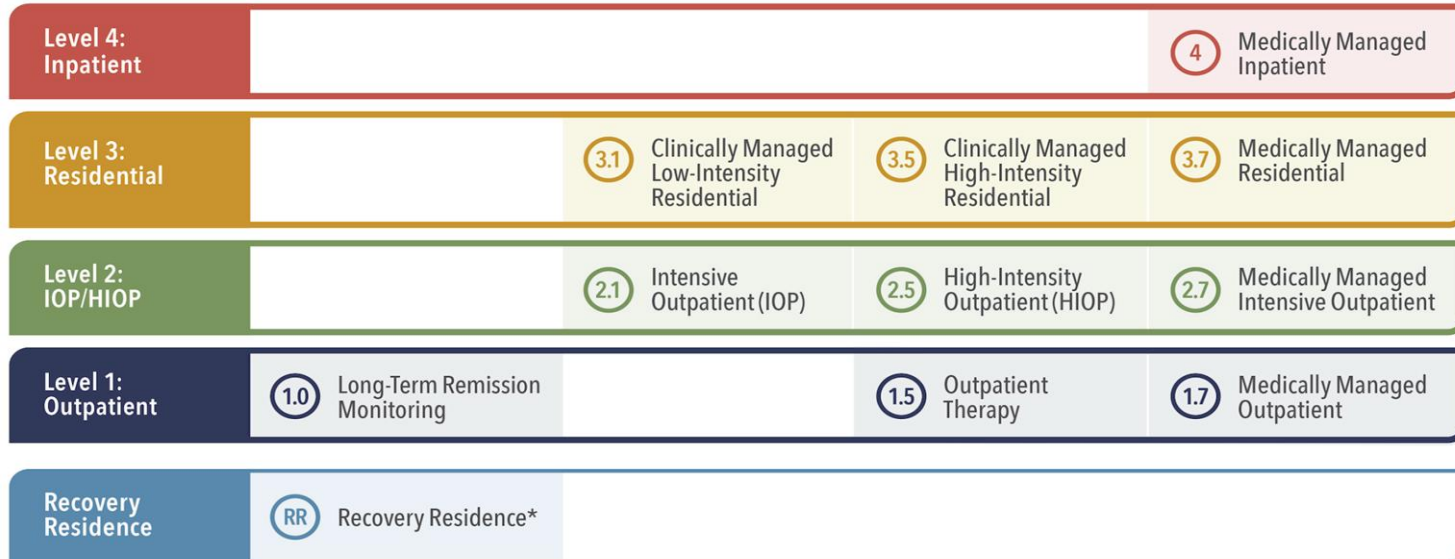
Exceptions to IMD exclusion:

- Does not prevent states from covering SUD inpatient care
- Does not prevent states from getting federal funds for intensive outpatient and inpatient SUD services in hospital settings (e.g., withdrawal management, IOT, partial hospitalization services, intensive inpatient)
- Does not prevent states from using federal funds to provide residential SUD treatment in adult settings that are 16 beds or less
- Does not apply to individuals under 21, if receiving services in approved facilities, or individuals over age 65.
- Does not apply to services rendered outside of IMDs to women who are eligible under the 60-day postpartum eligibility criteria if residing at an IMD for an SUD

American Society of Addiction Medicine (ASAM) Placement Criteria

- Does not outline services per se, but levels/settings of care
- States moving to ensure Medicaid coverage at all levels

The ASAM Criteria Continuum of Care for Adult Addiction Treatment



Section 1115 Waivers for IMD Exclusion

- Starting in 2015, the federal government began letting some states use a specific mechanism in federal law to “waive” the IMD exclusion for individuals with SUD residing in those facilities.
- Waivers allow states to collect federal \$\$ for services provided to residents of IMDs— either for SUD, for serious mental illness, or for both.

Section 1396n(I) State Plan Option

- States have the option of requesting a State Plan Amendment (SPA) to use federal funds for services rendered to individuals with SUD in IMDs
- More limited than 1115 waivers:
 - Up to 30 days in 12-month period
 - Stricter community-based funding requirements
 - Fewer states adopting SPA option

Work Requirements and Behavioral Health Conditions

Exclusion 1: Participation in Drug Addiction or Alcohol Treatment Program

Exclusion includes:

Programs defined in section 3(h) of the Food and Nutrition Act of 2008 (7 U.S.C. § 2012(h))

States may establish minimum time commitments for participation, consistent with appropriate clinical guidelines

Exclusion 2: Medical Frailty and Special Medical Needs

- Must meet at least one of the following, **AND must separately show the condition significantly impairs one's ability to meet the work requirement:**
- Blind or meets SSI/SSDI disability criteria
- Has substance use disorder (SUD), except if 5+ years in stable recovery**
- Has a “disabling mental disorder”**
- Disability that significantly impairs ≥ 1 activity of daily living
- Serious or complex medical condition
- States may not add additional categories

Exclusion #2 – continued

Disabling Mental Disorder Substance Use Disorder

No additional definition provided beyond the statutory text.

Instead, states are directed to consider whether the disabling mental disorder “significantly impairs an individual’s ability to comply with the community engagement requirement.”

Individuals with SUD, including those in recovery from SUD, except people with at least 5 years of stable recovery.

Resources

- [Children's Mental Health Services: The Right to Community-Based Care](#)
- [Children's Behavioral Health Mobile Response and Stabilization Services](#)
- [Institutions for Mental Diseases \(IMD\) Exclusion and Substance Use Disorders: Lay of the Land](#)
- [Cuts to Medicaid Expansion Harm People with Mental Health Disabilities](#)

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