



Administrator
Washington, DC 20201

August 9, 2011

Dear State Medicaid Director:

The purpose of this letter is to invite your State to apply for participation in the Medicaid Emergency Psychiatric Demonstration. The Demonstration is designed to assess whether this expansion of Medicaid coverage to include services provided in non-government inpatient psychiatric hospitals improves access to, and the quality of, medically necessary care, and whether this change in reimbursement policy is cost-effective.

Section 2707 of the Affordable Care Act authorizes a 3-year Medicaid Demonstration project under which psychiatric hospitals that are not publicly owned, or operated would receive Medicaid payment, to the extent of a State specific allotment, for providing emergency services required, pursuant to the Emergency Medical Treatment and Labor Act (EMTALA)¹, for Medicaid recipients aged 21 to 64 who have been determined to be dangerous to themselves or others.

Since the Medicaid program was first enacted, there has been a preclusion of funding for inpatient treatment of adults between the ages of 21 and 64 in any institution for mental diseases (IMD) with 17 or more beds (or any other needed care for such inpatients). This statutory funding limitation was based in part on the historic role of States in funding long-term inpatient psychiatric care and, in part, on concerns about the warehousing of psychiatric patients in large institutions. Over the past decades, however, the movement toward deinstitutionalization of long-term psychiatric inpatients, and the closure of regional State mental hospitals, means that fewer patients are served in large institutions for mental diseases. Instead, an increased number of patients receive emergency psychiatric care in overcrowded emergency rooms in general acute care hospitals. The goal of the Demonstration is to assess whether this expansion of Medicaid coverage to include certain emergency services provided in private inpatient psychiatric hospitals improves access to and quality of medically necessary care and is cost-effective. The Demonstration will also test whether such expanded coverage will reduce the burden on

general acute care hospital emergency rooms and whether and how differences in behavioral health delivery systems including the availability of various types and

¹ The Emergency Medical Treatment and Active Labor Act (EMTALA) requires that hospitals participating in Medicare provide a medical screening examination to any person who comes to the emergency department, regardless of the individual's ability to pay. If a hospital determines that the person has an emergency medical condition, it must provide treatment to stabilize the condition or provide for an appropriate transfer to another facility.

combinations of beds in the State, the level and types of investments in community-based behavioral health services by the State, and the design of the State's Medicaid program itself (including the degree of specialized managed behavioral health care) fundamentally affect the impact of any IMD policy changes on cost, quality, and access to mental health care.

The Demonstration shall be conducted for a period of 3 consecutive years. States selected to participate in the Demonstration will be asked to begin the Demonstration concurrently after an appropriate period is provided for pre-implementation activities. Payments to participating States will be an amount each quarter equal to the Federal medical assistance percentage of expenditures for services provided under this Demonstration. A total of \$75 million in Federal matching funds has been appropriated for the conduct of Demonstration. In order to achieve an equitable distribution sufficient to allow the fullest participation of each State during the Demonstration period, funding limits will be determined for participating States based on yearly estimates of the number of individuals eligible for the Demonstration and the cost of the inpatient services provided. Furthermore, the States selected shall be limited in number to ensure that sufficient funds are available in each participating State to enable an informative assessment of the effect of waiving the IMD exclusion for emergency care in private psychiatric hospitals in those States.

Enclosed is a description of the Demonstration and instructions to the State to submit an application proposal for consideration. Application proposals should be sent to the following address:

The Center for Medicare and Medicaid Innovation
ATTN: Armen H. Thoumaian, Ph.D.
Mail Stop: C3-24-07
Centers for Medicare & Medicaid Services
7500 Security Boulevard
Baltimore, MD 21244

Applications should be sent in time to be received at CMS by October 14, 2011.

If you have questions regarding this application solicitation, please contact Dr. Armen Thoumaian at (410) 786-6672 or e-mail him at Armen.Thoumaian@cms.hhs.gov.

Sincerely,

/s/

Donald M. Berwick, M.D.

Enclosure

Page 3

cc:

CMS Regional Administrators

CMS Associate Regional Administrators
Division of Medicaid and Children's Health

Ron Smith
Director
Legislative Affairs
American Public Human Services Association

Matt Salo
Executive Director
National Association of Medicaid Directors

Joy Wilson
Director, Health Committee
National Conference of State Legislatures

Dan Crippen
Executive Director
National Governors Association

Debra Miller
Director for Health Policy
Council of State Governments

Christine Evans, M.P.H.
Director, Government Relations
Association of State and Territorial Health Officials

Alan R. Weil, J.D., M.P.P.
Executive Director
National Academy for State Health Policy