



Medicaid Mental Health Coverage

TAHP

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Full Continuum of Mental Health Services

Inpatient Hospital



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Most intensive level of care/monitoring for people with complex needs

Residential Treatment

Crisis Intervention Services

- Emergency room
- Crisis stabilization & crisis respite

\$\$\$ Short term stabilization for people in crisis



Outpatient Services

- Counseling/medication management
- Partial hospitalization (PHP) and intensive outpatient (IOP) programs
- Intensive therapy for at-risk youth (MST/FFT)

\$\$ Community based treatment and support



Prevention & Early Intervention

- Media campaigns & community resources
- School counselors

\$ Promote behavioral health wellness



Texas Medicaid Mental Health Coverage Gaps

Texas Medicaid only covers two ends of the spectrum, counseling and psychiatric medications or intensive inpatient hospitalization:



Texas Medicaid’s limited mental health coverage leaves millions, especially children, without essential services available in the private market, increasing risks of foster care placement, crises, and hospitalizations, while raising state costs.

Texas has Supported these Services, But Comprehensive Coverage Is Still a Problem

- **Texas Attempts:** Through various pilots, Local Mental Health Authority (LMHA) programs, foster care and ILOS plans, Texas has recognized the need for expanded mental health services.
- **This Approach is Not Working:** Without statewide, comprehensive, and predictable coverage, Texas cannot build the necessary provider base, families lack awareness of the benefits, and children are falling through the cracks, not getting the care they need.
- **ILOS Challenges:** SB 1177 (86R, 2019) expand many of these services through in lieu of services (ILOS), but new CMS rules add excessive documentation, complex waivers, and case-by-case approvals, making it administratively burdensome and ineffective.
- **Implementation Slows:** Five years later, phase 1 of SB 1177 implementation is still pending, delaying critical services to later phases.
- **Better Way:** Texas should add these as standard covered Medicaid benefits, ensuring parity with medical benefits like asthma and diabetes care.
 - The Texas Legislature and HHSC have already identified many of these services as evidence-based, medically necessary, and cost-effective.

Ensuring Comprehensive Texas Medicaid Coverage

Texas Medicaid covers 50% Texas kids, creating a meaningful opportunity to increase access to mental health services for millions of children.

- #1 Create coverage for “step-down” services** like intensive outpatient and partial hospitalization programs (IOP and PHP) which are routinely covered by private insurers, but not in Medicaid.
- #2 Focus on at-risk youth with coverage for short-term, effective community services** like functional family therapy (FFT) and multisystemic therapy (MST).
- #3 Add comprehensive crisis services as Medicaid benefits** including crisis stabilization and crisis respite to step in when families need in-home and out-of-home crisis support.
- #4 Provide psychiatric residential treatment for youth** by aligning licensure with federal PRTF Medicaid requirements so these services can be added as a Medicaid benefit.
- #5 Expand coverage for psychiatric hospital stays for adults** longer than 15 days through an 1115 waiver to the IMD exclusion.

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Cover Intensive Outpatient Therapy (IOP) & Partial Hospitalization Programs (PHP)

IOP and PHP are intensive mental health services that act as hospital “step up” and “step down” programs, similar to rehab or physical therapy for post-surgery recovery. These programs, which can help avoid hospitalization, are offered in hospitals or clinics, running 3-8 hours per day, 3-5 days a week. Patients receive treatment during the day and return home at night.

Populations Served: Texans who don't need 24-hour hospital level of care but need more than regular therapy.

Other States: Over 30 states cover [IOP](#) and [PHP](#).



Outcomes: Reduce costs and children can live at home

- ✓ **Reduce costs through fewer ER visits and hospital stays**, up to thousands of dollars over 2 years.
- ✓ **Children can keep going to school** and living successfully in their communities.

Previous Texas Legislation: [HB 2337 \(88R\)](#)

Texas Fiscal Estimate: \$3M GR annually (for both children and adults).

2 Cover Outpatient Services: Better Options for At-Risk Youth

Functional family therapy (FFT) & multisystemic therapy (MST) are evidence-based, intensive, in-home or outpatient therapy programs targeting complex family dynamics and youth behavioral issues. These services improve family communication and relationships, prevent out-of-home placements, and reduce juvenile delinquency.

Populations Served: At-risk youth with violent offenses, serious mental health or substance use concerns, or a history of abuse or neglect.

Other States: 19 other states, + DC (MST)



Outcomes: Youth remain healthy at home and taxpayer savings

- ✓ **Cost savings** nearly double the anticipated cost. New Mexico Medicaid program saved \$133m over 2 years.
- ✓ **Significant reductions in substance use and arrests**, reduced recidivism, and youth remain at home and in school or working.

Previous Texas Legislation: HB 2638 & HB 2404 (88R)

Texas Fiscal Estimate:

- MST & FFT will cost **\$8m GR** annually, with \$1.4m GR savings after 5 years.

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Cover Crisis Stabilization and Crisis Respite

Crisis Stabilization provides immediate support to address acute symptoms through face-to-face assistance/counseling. This can occur at a facility such as a crisis stabilization unit or other locations like home or school, as an alternative to hospital admission.

Crisis Respite provides short-term relief for families struggling to care for a loved one with severe mental illness, either in-home or out-of-home, ranging from a few hours to a few days.

Populations Served: Individuals experiencing a behavioral health crisis, at risk of harm to themselves or others, and/or at high risk of admission to a psychiatric hospital.

Other States: [28 states](#) cover crisis stabilization & [10 states](#) cover crisis respite.



Outcomes: Comprehensive crisis services ensure patients receive clinically appropriate, timely care.

- ✓ **Help avoid costly ER and hospital stays.**
- ✓ **200% return on investment for every dollar spent on crisis stabilization services.**

Previous State Efforts: Texas funded GR grants to some LMHAs, primarily serving uninsured adults in a few areas of state.

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Cover Psychiatric Residential Treatment Facilities

Psychiatric Residential Treatment Facilities (PRTF) are a type of high quality youth residential treatment center for providing 24-hour care that is comprehensive and tailored, physician driven care with the goal of achieving discharge as soon as possible and promoting continuity of care in the community.

Populations Served: Children with serious emotional and behavioral disorders.

Other States: Over 30 other states cover PRTF.

Outcomes: A systematic review of studies show treatment in PRTFs result in improved youth mental health outcomes.



Previous Texas Legislation: Texas passed [HB 3121](#) (87R) in 2019, creating a voluntary heightened licensure standard, however, it has not been implemented and does not meet federal Medicaid requirements. HHSC has drafted rules and TAHP has [suggested](#) bringing these standards in alignment with federal requirements, so that Texas has the option to provide coverage.

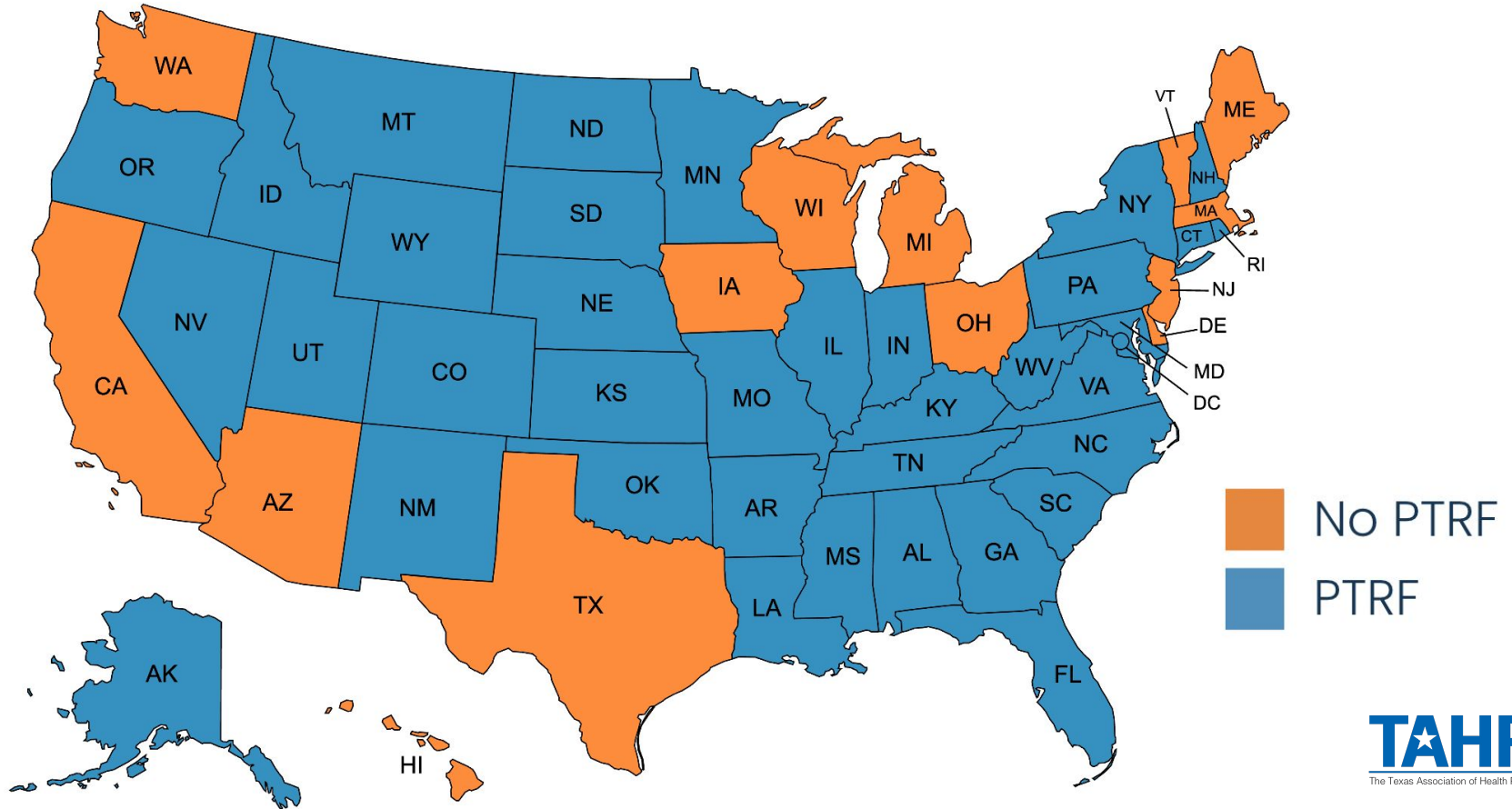
Texas Fiscal Estimate: \$56m GR annually.

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Psychiatric Residential Treatment Facilities: Licensure Issues Create Coverage Obstacles

- **Residential Treatment Centers (RTCs) for youth:** Currently, RTCs serving youth in Texas are only required to get a general child care license, falling short of federal Medicaid requirements for treating children with complex mental health needs. **Psychiatric Residential Treatment Centers (PRTFs) are high quality RTCs.**
- **Two Part Process:** In order for Texas Medicaid patients to access psychiatric residential treatment, the state must both reform licensure standards to meet federal PRTF requirements and approve the benefit.
- **Both Steps Missing:** Texas doesn't currently license PRTFs or offer this benefit in Medicaid, leaving families without these treatment options.
- **Foster Care Loophole:** However, Texas foster care does offer licensed residential treatment (including with federal matching funds) leaving some parents to place their children in foster care to gain access to needed care.

Psychiatric Residential Treatment Facilities by State



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Cover Institutions of Mental Disease (IMD) for 30 Days by Waiving the IMD Exclusion

Inpatient Psychiatric Hospital Care is intensive, 24-hour mental health treatment provided either at an acute care hospital or at a freestanding psychiatric hospital.

Without an 1115 waiver, federal Medicaid policy prohibits coverage of more than 15 days of adult inpatient IMD hospitalization. (Unlike medical care coverage that allows for 30 days.) Short lengths of stay are linked to increased suicide risk and costly readmissions.

Populations Served: individuals with complex and/or acute behavioral health conditions needing 24-hour inpatient hospital care

Other States: 22 states have approved or have pending waivers for the IMD exclusion.

Outcomes:

- ✓ **Reduction in hospital readmission & suicide**
- ✓ **Reduced anxiety and depression**
- ✓ **Improved emotional regulation & executive function**



Previous State Efforts

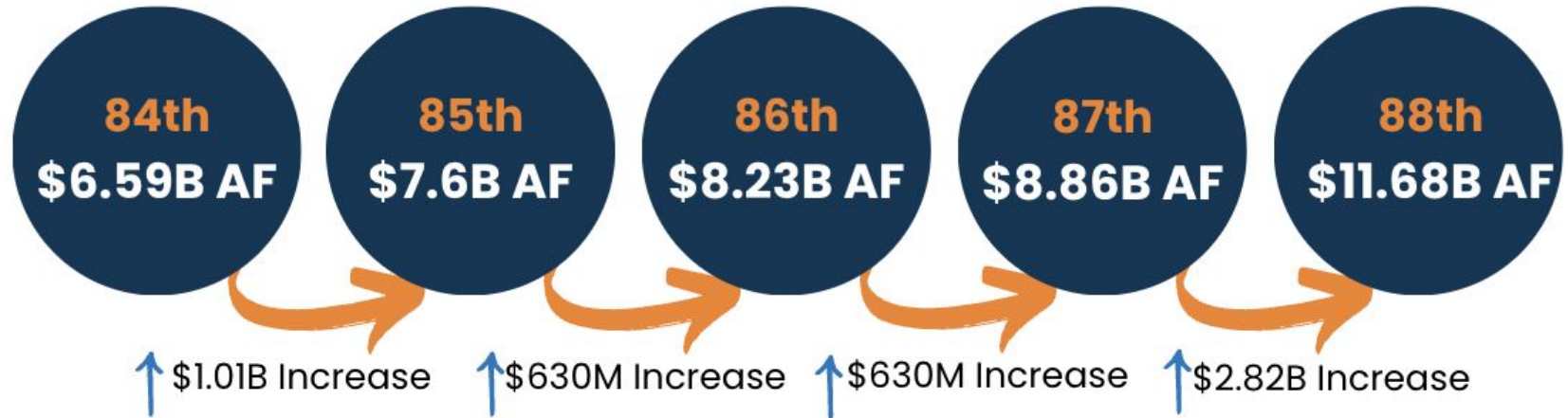
A proposed budget rider directed the state to pursue a waiver to the IMD exclusion, but the final budget did not include the rider. The Legislature also invested \$2.31 billion to expand mental health capacity at state hospitals, however these primarily serve the forensic population.

Texas Fiscal Estimate

- **\$29M in GR** annually

Texas Legislative Behavioral Health Investments

The legislature has increased funding for behavioral health session over session, nearly doubling funding in the last 10 years:



\$ New Medicaid Coverage Total Annual Cost: \$104M GR annually (missing crisis)

- **PHP & IOP: \$3M GR** annually
- **MST & FFT: \$8M GR** annually
- **PRTF: \$56M GR** annually
- **IMD Exclusion: \$29M GR** annually