Institutions for Mental Disease (IMD)

Purpose

The purpose of this policy is to provide a framework for North Dakota Medicaid, its providers and members to understand what constitutes an IMD, how facilities are determined to be an IMD and other related guidance.

Applicability

Federal regulation defines IMDs in §1905(i) of the Social Security Act and 42 CFR 435.1009. IMDs are a hospital, nursing facility, or other institution of more than 16 beds that is primarily engaged in providing diagnosis, treatment, or care of individuals with mental diseases, including medical attention, nursing care, and related services.

For purposes of the IMD rules, Centers for Medicare and Medicaid (CMS) considers mental diseases to include both mental health and substance use disorder conditions. North Dakota IMD facilities include, but are not necessarily limited to:

- Home on the Range – Sentinel Butte, ND
- Prairie St. John's – Fargo, ND
- Prairie Recovery Center – Raleigh, ND
- ShareHouse – Fargo, ND
- State Hospital – Jamestown, ND
- Teen Challenge (men's program only) – Mandan, ND

IMD Exclusion

Federal regulation in §1905(a) of the Social Security Act excludes federal financial participation for any medical assistance under title XIX for services provided to any individual who is under age 65 and who is a patient in an IMD unless the payment is for services for individuals under age 21 who are in a psychiatric hospital or a psychiatric residential treatment facility. This exclusion includes both Medicaid fee-for-service and Medicaid managed care, as well as Medicaid cost-sharing for individuals dually eligible for Medicare and Medicaid. It does not apply to individuals receiving outpatient services only.

No Medicaid payment can be made for services provided either in or outside an IMD facility for patients in an IMD between age 21 and 64. North Dakota Medicaid suspends eligibility for Medicaid members under the IMD exclusion while they are inpatients in an IMD. North Dakota interprets federal law to treat any individual residing in and receiving services at an IMD to be a patient in an IMD for purposes of the IMD exclusion, even if they have not formally been admitted as an inpatient or are residing there voluntarily. In certain limited circumstances, an individual receiving outpatient services at an IMD while staying in the IMD's recovery housing will be considered to be an outpatient rather than an inpatient. Physical separation alone does not determine whether recovery housing is considered part of the same institution. For further guidance on this issue, please see the Substance Use Disorder Treatment and Housing Providers Policy.

North Dakota Substance Use Disorder Voucher

The North Dakota Substance Use Disorder (SUD) Voucher may be able to provide funding for individuals receiving treatment at an IMD who are not eligible for Medicaid coverage. The SUD Voucher is a state-funded program.

IMD Criteria and Review

North Dakota Medicaid reviews all institutional settings at the time of provider enrollment and periodically through the course of a provider's enrollment in North Dakota Medicaid to ensure compliance with the federal IMD exclusion. North Dakota follows the following steps in reviewing each institution:

Step 1: Determine Whether a Facility is an IMD

An institution is an IMD if its "overall character" is that of a facility established and maintained primarily for the care and treatment of individuals with mental diseases. The following criteria are used to evaluate whether the overall character of a facility is that of an IMD. If any of these criteria are met, the facility may be an IMD. North Dakota Medicaid will make a final determination of a facility's IMD status based on consideration of all relevant factors.

- The facility is licensed as a psychiatric facility;
- The facility is accredited as a psychiatric facility;
- The facility is under the jurisdiction of the State's mental health authority. (This criterion does not apply to facilities under mental health authority that are not providing services to an individual with a mental illness);

- The facility specializes in providing psychiatric/psychological care and treatment. This may be ascertained through review of patients' records. It may also be indicated by the fact that an unusually large proportion of the staff has specialized psychiatric/psychological training or that a large proportion of the patients are receiving psychopharmacological drugs; and

- The current need for institutionalization for more than 50 percent of all the patients in the facility results from mental diseases. In applying the 50 percent guideline, determine whether each patient's current need for institutionalization results from a mental disease. It is not necessary to determine whether any mental health care is being provided in applying this guideline.

If the facility has only one component (e.g., it does not have multiple locations, buildings, or treatment facilities), the determination of whether the facility is an IMD can be made in step 1 based on whether it has more than 16 beds. If the facility has multiple components, move to step 2.

Step 2: Guidelines for Determining What Counts as An Institution

Only institutions of more than 16 beds are subject to the IMD exclusion. When an institution has multiple components (e.g. locations, buildings, and/or treatment facilities), the following guidelines are used to determine what counts as a single institution for purposes of determining the scope of the exclusion, including when an institution exceeds the 16-bed limit. North Dakota Medicaid may use other guidelines that it determines relevant in a specific situation.

Note that different components may be considered to be a single institution even if they are several miles apart.

- Are all components controlled by one owner or governing body?

- Is one chief medical officer responsible for the medical staff activities in all components?

- Does one chief executive officer control all administrative activities in all components?

- Is there a shared administrative oversight (e.g., does the same person(s) control the hiring, firing and scheduling of staff and activities at all components)?

- Do the components use the same clinical or unlicensed staff?

- Is it expected at time of hiring that a staff member might work at either component, or does each component maintain a separate staff?
- Do residents at one component utilize services from the other component (e.g., residents at component A attend counseling sessions at component B)?
- Are the components so organizationally or geographically separate that it is not feasible to operate as a single entity (e.g. do the components share a single campus)?
- Do the components share operational components (e.g., do they use the same groundskeepers, laundry service, food services, etc.)?
- If two or more of the components are participating under the same provider category, can each component meet the conditions of participation independently?
- Are the components separately licensed?

None of the above factors necessarily determines whether multiple components will be treated as a single, unified facility; rather, the determination will be based on the balance of factors. However, components that share a single campus or are otherwise so geographically proximate that it is unlikely that the components operate independent of one another will be considered a single, unified facility unless each of the other factors indicates that the components are in fact separate. Components that are licensed as distinct types of providers, such as nursing facilities and hospitals, are considered independent from each other.

If it is determined that overall, the components are operating as a single, unified facility, the beds at each component will be added together. If the total number of beds is greater than 16, North Dakota Medicaid will consider the facility to fall under the IMD exclusion.

North Dakota Medicaid cannot provide legal advice to a provider. A provider may submit information for consideration, including an opinion from qualified legal counsel regarding whether the provider qualifies as an IMD or operates as a single institution. North Dakota Medicaid may review such information; however, the final determination regarding whether a facility or its components meet the definition of an IMD rests solely with North Dakota Medicaid and may be made in the sole discretion of North Dakota Medicaid.

Facilities or components will not be considered separate institutions solely based on bed counts, building locations, or property boundaries when the operations function as a single treatment program.

Step 3: Periodic Information Gathering from Facilities that Provide Services to Individuals with Mental Diseases

Upon facility licensing conducted by the Department of Human Services' Behavioral Health Division for Substance Use Disorder (SUD) treatment facilities, a review of facility locations and bed counts will take place. North Dakota Medicaid may conduct additional reviews or verifications of facility structure, bed counts, or operational relationships when necessary to ensure compliance with the federal IMD exclusion. North Dakota Medicaid will also communicate regularly with the North Dakota Department of Health and Human Services, Health Facilities Section, to determine if any changes to hospitals, nursing homes, or other institutions have taken place that should be considered in the context of IMD.

Definitions

IMD – A hospital, nursing facility, or other institution of more than 16 beds that is primarily engaged in providing diagnosis, treatment, or care of individuals with mental diseases, including medical attention, nursing care, and related services. This definition is in §1905(i) of the Social Security Act and in 42 CFR 435.1009. The regulations also indicate that an institution is an IMD if its overall character is that of a facility established and maintained primarily for the care and treatment of individuals with mental diseases.

Facilities with fewer than 17 beds that specialize in treating individuals with mental disorders can provide services if they meet the regulatory requirements to provide these institutional services. These facilities are not subject to the IMD exclusion.

Beds include mattresses, regardless of if they are on a bed frame or not, as well as bed frames without a mattress. All beds used for treatment are counted, regardless of if they are occupied or not. This includes portable/inflatable beds, couches and beds that can be constructed and deconstructed such as bunk beds.

IMD exclusion – The IMD exclusion is in §1905(a) of the Social Security Act in paragraph (B) following the list of Medicaid services. This paragraph states that federal financial participation is not available for any medical assistance under title XIX for services provided to any individual who is under age 65 and who is a patient in an IMD unless the payment is for inpatient psychiatric services for individuals under age 21.

This exclusion was designed to ensure that states, rather than the federal government, continue to have principal responsibility for funding inpatient psychiatric services. Under this broad exclusion, no Medicaid payment can be made for services provided either in or outside the facility for IMD patients in this age group.

Institution – An establishment that furnishes (in single or multiple facilities) food, shelter, and some treatment or services to four or more individuals unrelated to the proprietor.

Mental diseases – Diseases listed as mental disorders in the International Classification of Diseases (ICD), with the exception of intellectual disabilities, dementia and neurocognitive disorders such as Alzheimer's disease. Substance use disorders are considered a mental disease.

References

- North Dakota Administrative Code
- North Dakota Century Code
- Social Security Act
- Code of Federal Regulations
- State Medicaid Manual

Related Policies

- Substance Use Disorder Services
- Substance Use Disorder Treatment and Housing Providers

Frequently Asked Questions

Please note, these answers are subject to change and practices will need to be modified if future federal or state law, regulation, or guidance alters the answers provided.

Question (Q): If a facility has beds that are used to accommodate children of individuals who are being treated, do those beds count towards the overall bed count?
Answer (A): No. Beds that are not licensed or used as treatment beds do not need to be counted.

Q: If an individual who is currently receiving inpatient or residential services at an IMD and needs other medical services outside of the IMD, does Medicaid cover those services?
A: No. The IMD exclusion applies not only to services provided at the IMD but to all Medicaid services.

Q: Can an IMD receive reimbursement for outpatient services provided to Medicaid members?
A: Yes, if the member is not a patient in the IMD. For questions related to patients receiving outpatient services at an IMD while staying in recovery housing that is provided by the IMD but physically separated from the treatment areas, please see the Substance Use Disorder Treatment and Housing Providers Policy.

Q: Can a Medicaid member who is receiving outpatient services at the IMD stay onsite at the IMD if the member pays for their own room and board?
A: No. If a Medicaid member is staying onsite at the IMD, no Medicaid services may be reimbursed on behalf of that member.

Q: If an individual is on a conditional release or leave from an IMD, are they considered to be a patient of the IMD?
A: No. If the period of absence relates to the course of treatment for the individual's mental disorder, the individual is not considered to be a patient. If a patient is sent home for a trial visit, this is convalescent leave. If a patient is released from the institution on the condition that the patient receive outpatient treatment or on other comparable conditions, the patient is on conditional release.

If an emergency or other need to obtain medical treatment arises during the course of convalescent leave or conditional release, these services may be covered under Medicaid because the individual is not considered to be an IMD patient during these periods. If a patient is temporarily transferred from an IMD for the purpose of obtaining medical treatment, however, this is not considered a conditional release, and the patient is still considered an IMD patient.
Q: Can an IMD provide Medicaid-reimbursable services to individuals age 65 and over?
A: Yes, because the IMD exclusion does not apply to individuals ages 65 and older.

Q: Are psychiatric residential treatment facilities (PRTFs) considered IMDs?
A: Yes, if the facility meets the criteria to be classified as an IMD. However, Medicaid payment is available for inpatient psychiatric and PRTF services for individuals under age 21, because these services are not included in the IMD exclusion.

Q: Are qualified residential treatment programs (QRTPs) considered IMDs?
A: Yes, if the facility meets the criteria to be classified as an IMD.
Q: Can residential SUD services in an IMD for individuals under age 21 be paid by Medicaid?
A: No. Only inpatient psychiatric and PRTF services are able to be paid with Medicaid funds for individuals under age 21 who stay at the IMD.

Contact

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Policy Updates

April 2025

- Format changes and clarifications added throughout the policy.

May 2026

- ADA updates made throughout the policy.
- Guidelines for Determining What Counts as an Institution; Periodic Information Gathering from Facilities That Provide Services to Individuals with Mental Diseases; and Frequently Asked Questions
    - Updated wording to reference ‘components’ rather than facilities, to add clarity to how determinations for institutions with multiple locations, buildings or facilities will be made.