



## Expand Access to Partial Hospitalization and Intensive Outpatient Treatment

### The Problem

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Partial hospitalization programs (PHPs) and intensive outpatient treatment programs (IOPs) are evidence-based treatment models for people with severe mental illness. These programs have proven successful in avoiding some unnecessary hospitalizations, expanding the mental health care continuum and in discharging individuals from inpatient psychiatric units. Washington State's Medicaid program covers PHP/IOP services for children as of 2024, but has not been funded to provide services for adults (18 and older).

The behavioral health system of care is chronically underfunded in the United States, including in Washington State. Due to the nature of severe and persistent behavioral health conditions, many individuals living with these conditions are insured by Medicaid. Thus, a greater proportion of behavioral health services are paid at a rate that does not cover the cost of care. Over time, this has led to a shortage of necessary behavioral health services across the continuum of care, so Washingtonians who need behavioral health services cannot access them when and where they are needed. For hospitals, this ultimately results in patients who do not need a hospital-level of care being unable to discharge to step-down services, which in turn results in a shortage of hospital beds for those who do need hospital-level of care.

Many commercial health plans in the state support and cover the PHP/IOP model. Medicaid now covers these services for children in our state. The Centers for Medicare and Medicaid Services (CMS) also announced that IOP will be a Medicare-covered service nationwide in 2024. Medicare already provided coverage for PHP.

There is clear support for expansion of PHP/IOP services and, according to a 2022 [KFF survey](#), 35 state Medicaid programs cover partial hospitalization service programs. Washington is not one of those states, unfortunately.

### Proposed Solution

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WSHA recommends the legislature provide dedicated funding to support adding Medicaid coverage for PHPs and IOPs for Washingtonians of all ages beginning Jan. 1, 2025. WSHA supports additional public investment to increase access to behavioral health services. We need legislative investments in the behavioral health system, including step-down options to ensure access to services before people are in crisis and after hospitalization. Low-income, adult Washingtonians on Medicaid with mental health needs should be able to access a wide array of treatment options.

#### ***Admissions Criteria***

PHPs and IOPs are designed for adults and children with mental illnesses who would benefit from short-term, intensive treatment programs structured around the individual's psychiatric needs. Clinical experts provide evidence-based treatments for a multitude of mental health illnesses, including anxiety, depression, suicidality, trauma and obsessive-compulsive disorder. These services are appropriate for individuals who:

- Experience acute psychiatric symptoms that require intensive treatment, but not necessarily hospitalization;
- Experience significant difficulty functioning on a day-to-day basis, such as inability to go to work, attend school or take care of themselves; and
- Are receptive to group-oriented treatment.

**Program Services**

PHPs and IOPs focus on teaching and building effective coping skills to improve self-management of care, enabling participants to continue treatment in a family and community setting.

- *PHPs are usually full-day programs* (between three and eight hours a day, up to five days a week).
- *IOPs are usually part-day programs* (up to three hours a day, two-to-three days a week).

PHPs and IOPs are distinct from and more intensive than “day support services” that are offered by community mental health clinics. PHPs and IOPs focus more directly on treating and reducing mental health symptoms so a patient may be more effectively treated in a day support program.

Program participants generally meet several times a week and work with a multidisciplinary team of professionals, such as psychiatrists, psychiatric nurse practitioners, master’s-level licensed therapists and mental health technicians. Each program follows treatment regimens tailored to the patient’s specific needs. Participants also engage in motivational group and individual therapy sessions, develop cognitive and dialectical behavior therapy skills, and receive medication management consultations. PHPs and IOPs are similar programs, with the key difference being the program duration.

**Budget Ask**

**\$6.7 million state, \$18.1 million total** for 6 months in FY 2023 (\$26.8 million state, \$72.4 million total for a biennium)

Estimated Total Cost for 12 Months for PHPs and IOPs (Federal and State)	Estimated State Only Cost for 12 Months for PHPs and IOPs (Using Federal Match Rate of 63%)	Estimated State Only Cost for 2022 Supplemental if Coverage Begins 1/1/25	Estimated Go Forward Cost for PHPs and IOPs (State Only Maintenance Level)
A	B = A x 0.37	C = (A/2) x 0.37	C = (A x 2) x 0.37
\$36,200,000	\$13,394,000	\$6,697,000	\$26,788,000

- WSHA proposes a per diem rate of \$572 for IOPs and \$963 for PHPs in acute care hospitals and \$300 for IOPs and \$512 for PHPs in behavioral health hospitals to begin January 1, 2025. Technically, the state Health Care Authority has codes and a payment mechanism (EAPG + professional fees) for these services, but they have not been funded by the legislature nor do they provide sufficient payment to sustain or open services.
- There are four acute care hospitals and six behavioral health hospitals that currently offer PHPs/IOPs for adults in Washington State. A cautious estimate of the number of annual Medicaid days provided by all these facilities, if they all participated in Medicaid, would be:
  - 15,000 IOP days for behavioral health hospitals (\$300 x 15,000 = \$4.5 million)
  - 25,000 IOP days for acute care hospitals (\$572 x 25,000 = \$14.3 million)
  - 12,500 PHP days for behavioral health hospitals (\$512 x 12,500 = \$6.4 million)
  - 11,000 PHP days for acute care hospitals (\$963 x 11,000 = \$11 million)
- The cost includes an estimated per diem rate. Participating hospitals will require a review of their cost reports after operations commence to determine if rebasing is necessary, so rates accurately reflect costs of operations. We request that the Health Care Authority (HCA) set an interim rate for PHP and IOP services based on the greater of hospital costs or the statewide average, depending on the type of hospital.
- Assume a federal match rate of 63%, based on federal match of FFS psychiatric-related DRGs.
- Hospitals’ PHP and IOP per diem rates include costs such as staffing, facilities and incidentals.

## Key Messages

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- PHPs and IOPs are critical services in the continuum of mental health care.
  - They represent “step-up” care for those who have mental health illnesses that are too severe for community providers but not severe enough to meet admissions criteria for inpatient psychiatric care.
  - They represent “step-down” care for patients discharged from inpatient psychiatric care but still need intensive mental health services.
- For low-income Washingtonians on Medicaid, accessing PHPs and IOPs is about health equity. Washingtonians on the Medicare program or who utilize commercial coverage can access these programs. Individuals who have Medicaid coverage should be able to access the same level of behavioral health care.
- For hospitals, broader patient access to PHPs and IOPs will likely:
  - Reduce unnecessary hospitalizations by helping stabilize patients outside of inpatient health care settings
  - Ease complex discharge issues if patients can continue their behavioral health care by transitioning to an intensive outpatient care program once they no longer meet inpatient admissions criteria
  - Help reduce psychiatric readmissions with patients having sustainable access to medication management and therapies
  - Provide options for individuals who come to the emergency room in psychiatric distress but do not meet inpatient admission criteria
  - Allow hospitals to utilize their inpatient psychiatric beds and resources in the most efficient manner

## Contact Information

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