



NC DEPARTMENT OF HEALTH AND HUMAN SERVICES

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LME/MCO Joint Communication Bulletin #J451

DATE: March 31, 2023

TO: Local Management Entities/Managed Care Organizations (LME/MCOs)

FROM: Deb Goda, Associate Director, Behavioral Health and I/DD, NC Medicaid
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SUBJECT: Clarification of Joint Communication Bulletin #J348 and the Institutions for Mental Disease Payment Policy

This bulletin clarifies that [Joint Communication Bulletin #J348](#) informs LME/MCOs of the scope of NC Medicaid's payment policy for institutions for mental disease (IMD) stays for substance use disorders (SUD) that exceed 15-days per month under North Carolina's 1115 waiver authority.

LME/MCOs were also notified of NC Medicaid's longstanding payment policy regarding IMD stays associated with mental health diagnoses that exceed 15- days. The policy remains unchanged and is consistent with federal regulation 42 C.F.R. 438.6(e), as further clarified by the Centers for Medicare & Medicaid Services (CMS) in the 2020 Managed Care Final Rule.¹

NC Medicaid believes that the longstanding payment policy for mental health IMD stays may have been misinterpreted as a legal requirement limiting the type of payment arrangements LME/MCOs may enter into with an IMD regarding payment for IMD stays, including stays that exceed 15-days.

NC Medicaid's payment policies for Medicaid services, including IMD stays, are generally governed by the contract between NC Medicaid and each LME/MCO. Although NC Medicaid may impose additional requirements on LME/MCOs that could impact downstream providers, NC Medicaid does not generally dictate payment negotiations. Such payment arrangements are to be resolved by the contracting parties. NC Medicaid's approach aligns with CMS's clarification that federal IMD regulations do not "address repayment arrangements between a Medicaid managed care plan (that is, a LME/MCO or PIHP) and a provider that is an IMD."

¹ See 85 Fed. Reg. 72754 (Nov. 13, 2020).

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As a result, while a LME/MCO will not receive a capitation payment from the state for a non-qualifying IMD stay, any decisions regarding payment between the MCO and the IMD in such circumstances are “within the scope of the contractual arrangements” between the LME/MCO and the IMD.

If you have any questions, please contact Deb Goda at 919-527-7630 or deborah.goda@dhhs.nc.gov .

Previous bulletins can be accessed at: ncdhhs.gov/divisions/mhddsas/joint-communication-bulletins

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