GOVERNMENT OF THE DISTRICT OF COLUMBIA
Department of Health Care Finance

Office of the Senior Deputy Director and Medicaid Director **Transmittal # 26-26**

TO: DC Medicaid Providers

FROM: Melisa Byrd
Senior Deputy Director and Medicaid Director M.B.

DATE: September 30, 2026

SUBJECT: Change to Services Provided in Institutions for Mental Disease for Medicaid Beneficiaries Aged 21-64 Years

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Purpose
The purpose of this transmittal is to inform you that **effective October 1, 2026,** DC Medicaid Managed Care Plans (MCPs) shall cover patient stays in Institutions for Mental Disease (IMD) for enrollees aged 21-64 years for up to sixty (60) days rather than only the first fifteen (15) days. This transmittal supersedes **Transmittal 19-31 (rev)**, issued on June 23, 2022**.**

This change applies to the MCPs administering the DC Healthy Families Program (DCHFP) and Child and Adolescent Supplemental Security Income Program (CASSIP). The MCPs must apply this new requirement to new admissions effective on and after October 1, 2026.

Background
Under section 1905(a)(30)(B) of the Social Security Act, Medicaid coverage of stays in institutions for mental diseases for adults aged twenty-one (21) to sixty-four (64) is prohibited. However, on November 6, 2019, the Centers for Medicare & Medicaid Services (CMS) approved the District's Section 1115 Waiver Demonstration, titled "Behavioral Health Transformation", with an effective date of January 1, 2020. The demonstration allows the District's Medicaid program to pay for services provided to non-elderly adults with serious mental illness (SMI) / serious emotional disturbance (SED) or substance use disorder (SUD) residing in an IMD.

On September 23, 2026, the Centers for Medicare & Medicaid Services (CMS) approved the District's request to renew and rename the Demonstration as *"Whole Person Care Transformation"* with an effective date of October 1, 2026. In the Whole Person Care Transformation Demonstration, **DHCF received approval to allow MCPs to reimburse for IMD treatment beyond 15 days for their actively enrolled populations.**

In accordance with the federal Special Terms and Conditions (STCs) accompanying this Demonstration, DHCF is required to provide IMD services in a manner that ensures a targeted

statewide average length of stay (LOS) of no more than thirty (30) days. In accordance with the STCs, CMS or DHCF may establish additional limitations on total LOS to ensure adherence to the statewide average of thirty (30) days. Under this Demonstration, the total length of stay will be determined based on medical necessity for IMD services but can be no greater than sixty (60) days.

Institutions for Mental Disease

An IMD is defined as any hospital, nursing facility, or other institution of more than sixteen (16) beds that is primarily engaged in providing diagnosis, treatment, or care of persons with mental diseases, including medical attention, nursing care, and related services. Services provided in settings that do not qualify as IMDs are subject to separate requirements from those set forth for Medicaid coverage of IMDs under this demonstration program.

Prior Authorization

Managed Care Plans (MCPs) must ensure that LOS in IMDs is medically necessary and authorized using criteria previously approved by DHCF. For beneficiaries enrolled in Fee-For-Service (FFS), prior authorizations (PAs) will continue to be reviewed by DHCF's Quality Improvement Organization (QIO).

DHCF or its designated Contractor shall provide oversight of the total LOS by conducting concurrent utilization reviews.

Contact

If you have questions regarding this transmittal, please contact Jennifer Joyce, Clinical Care Specialist, Health Care Delivery Management Administration, Department of Health Care Finance (DHCF), at jennifer.joyce@dc.gov or (202) 905-4180.

Cc: DC Behavioral Health Association
DC Coalition of Disability Service Providers
DC Dental Society
DC Health Care Association
DC Home Health Association
DC Hospital Association
DC Primary Care Association
Medical Society of the District of Columbia