

Increase Medicaid Reimbursement for FY 2026-27

Private Freestanding Behavioral Health Hospitals (“IMDs”)



TEXAS ASSOCIATION OF
BEHAVIORAL HEALTH SYSTEMS

2007:

The Last Medicaid Increase

Private freestanding behavioral health hospitals have not experienced a Medicaid payment increase since 2007.

- These rates were reduced 1 percent (effective 9/1/2010), reduced another 1 percent (effective 2/1/2011) and then cut another 8 percent (effective 9/1/2011). These cuts were neither restored nor increased.
- Acute care hospitals suffered similar reductions, but much of that was made up when the Standard Dollar Amount (SDA) methodology was implemented (with add ons) and the development of supplemental payment programs.

The Texas Medicaid IMD rate methodology is based on the average Medicare daily rate methodology. The current average Texas Medicaid rate of \$533 per day for IMDs is 61 percent of the FY 2025 Medicare base rate.

Limited Options for Payment Increases

Unlike acute care hospitals reimbursed under Texas Medicaid through APR-DRGs and SDAs, IMDs lack:

- Specific regional wage index adjustment.
- Adjustment for case severity.
- Opportunity for outlier adjustments for length of stay or cost.
- Adjustment for age.

Medicare also has adjustments for rural and co-morbidities such as IDD for private freestanding psychiatric hospitals, which Texas Medicaid does not use.

Texas IMDs face further obstacles:

- Ineligible for the SDA add-ons for trauma, IME, safety net or the supplemental funds base adjustment that acute care hospitals receive.
- Ineligible to participate in RAPPs, TIPPS, DPP-BHS, HARP or ACIA.
- They are not currently included in ATLAS (however, it may be possible in FY 2026) or APHRIQA (the current measures are not appropriate for IMDs).

The average current contracted bed day rate for indigent patients in Texas paid through LMHAs is \$700/day

2025 Texas Legislature Proposal:

Increase Private Freestanding Behavioral Health Hospitals for the First Time Since 2007

HHSC noted as an Exceptional Item in their FY 2026-27 Legislative Appropriations Request that reimbursement for IMD hospitals was “significantly lower than for similar services.”

Rate proposal: Use \$30 million GR (\$75 million AF) per fiscal year to increase the daily rate for freestanding psychiatric hospitals, plus up to \$20 million GR (\$51.8 million AF) starting in FY 2027 to create add-ons for child/adolescent patients, those with IDD, high medical needs and other high-need populations identified by HHSC as lacking sufficient available beds.

The total request would then be \$80 million GR (\$201.8 million AF) over the biennium: \$30 million (\$75 million AF) in FY 2026 and up to \$50 million (\$126.8 million AF) in FY 2027.

Medicaid Reimbursement for FY 2026-27

Private Freestanding Behavioral Health Hospitals (“IMDs”)



TEXAS ASSOCIATION OF
BEHAVIORAL HEALTH SYSTEMS

HHSC’s 5 Medicaid Reimbursement Recommendations:

Private Freestanding Behavioral Health Hospitals Need Support

Private freestanding behavioral health hospitals (or “IMDs”) serve as the backbone of our state’s inpatient behavioral health system. All Texans, including Medicaid beneficiaries, turn to these hospitals, and Texas would be facing a massive gap in terms of delivering inpatient behavioral health care without the private freestanding behavioral health hospitals.

- Guardianship Services
- Autism and Peer Support Services
- **IMD Medicaid & Community Inpatient bed day rates - Medicaid rates have not been increased since 2007 and are significantly lower than rates for similar services.**
- Community-based Nursing Services, including Private Duty Nursing
- Community Attendant Services

