Mental Health Residentials

Department of Mental Health

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Medicaid State Plan Transition

- Effective July 1, 2025, DMH transitioned services for adults with serious mental illness from the Home and Community-Based Services (HCBS) waiver to the Medicaid State Plan. This shift was made to maintain flexibility in the system for service delivery and to avoid a requirement for conflict-free case management (42 CFR 441.301(c)(1)(vi)).
- The State Plan allows funding for rehabilitative mental health services (services tailored to a person's functional needs, focused on reducing symptoms, building skills, and restoring and maintaining daily functioning).
- As part of this change, DMH transitioned from the stand-alone Community Rehabilitation and Treatment (CRT) program and moved to a unified adult mental health service model at the DAs and the Adult Specialized Service Agency (Pathways Vermont).
- This integrated approach means that all adults with mental health needs—regardless of diagnosis—will receive services through a single, coordinated adult mental health continuum.

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Community Rehabilitation and Treatment (CRT) Program Transition

As of July 2025, funding for mental health services for those with serious mental illness moved from the HCBS waiver to Medicaid State Plan funds. Under this plan:

- Medical necessity is required for every service.
- The Vermont Adult Needs and Strengths Assessment (ANSA) tool, in combination with diagnosis, is used in determining medical necessity for Intensive Recovery Residentials and Residential treatment facilities.
- Services funded by the State Plan must be rehabilitative treatment as prescribed by the treatment plan..

Adults that meet eligibility criteria for severe mental illness (SMI) have access to additional benefits, beyond those standardly covered by Medicaid, to address complex needs.

- These benefits are categorized in MMIS as TPL63.
- These benefits provide access to additional services that include:
  - Targeted Case Management,
  - Housing Support Funds,
  - Specialized Services Funding,
  - Dental Benefits, and
  - Residential Treatment.

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Community Rehabilitation and Treatment (CRT) Program Transition

"SMI" (Previously known as CRT) criteria has not changed.

- Same diagnoses.
- Same treatment history.
- *Functioning moved from checkboxes to the Adult Needs & Strengths Assessment (ANSA) algorithm that was developed by using the checkboxes.
- *DMH needs to review (through a prior authorization) anyone entering residential or anyone meeting SMI criteria that does not currently have Medicaid (as they will be in the Medicaid expansion).

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Residentials Transition - Programs

- Changes to Residential payments and programs are required by CMS, related to both the State Plan and CCBHC transitions.
- Residential treatment must be treatment focused (rehabilitative) under the State Plan Amendment.
  - When residential treatment functions as permanent housing, it prevents movement through the system of care and limits availability for individuals newly in need of residential treatment.
  - Permanent housing is important; however, it cannot be paid for under Medicaid.
- There is no long term or short-term treatment prescribed by DMH.
  - If a residential home is licensed by DAIL as a Therapeutic Recovery Residence (TCR) then the length of stay should be no greater than 24 months. The regulations for licensure have not changed.
  - Individuals can stay in residential treatment for 24 months and may stay longer, based on individual circumstances and needs.

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Residentials Transition - Rates

- DMH has been working since February 2025 to develop a cost-related reimbursement model to ensure flexibility and appropriateness of rates aligned with program licensure, for each agency.
- The initial go-live date of 1/1/2026 was determined infeasible, and the go-live date moved to 7/1/2026 which was established to align with CCBHC transition for onboarding CCBHCs.
- CCBHCs' rates cannot cover residential treatment, or any treatment lasting longer than 24hrs. These services must be paid for using separate rates.
- Recognizing the difficulty with the timeline based on DMH's capacity and the diversity/complexity (staffing, licensure, leased, etc) of every residential program, DMH contracted with Guidehouse in early Spring 2026 to assist with development of rates.
- DMH also recognizes the need for HUD funded permanent housing and conversations are happening to fund in a different way.

State Plan Transition: Outreach and Collaboration

To support individuals receiving services, provider organizations, and others impacted by the transition between the CRT waiver and State Plan, including the State Plan requirements for rehabilitative treatment, DMH:

- Provided presentations and discussion opportunities for CRT Directors, beginning in November 2024.
- Held meetings with CRT, Adult Outpatient Program staff, and DA Executive, Financial, and Operations teams, including monthly meetings with CRT Directors and Adult Outpatient Program staff, beginning in December 2024.
- Provided bimonthly training for DA/SSA staff members and directors on updated eligibility processes, residential treatment access, and Adult Needs and Strength Assessment (ANSA) utilization.
- Provided weekly office hours, through July 2025, for DA and community partners to attend and ask questions about the program changes.
- Engaged peer advocates, the Adult Mental Health State Program Standing Committee, AHS field directors, Vermont Blueprint for Health, Vermont Chronic Care Initiative, hospital staff, and other community partners.
- Presented on the transition at the DMH Annual Conference in April 2025.
- Sent letters to all individuals receiving CRT services, informing them of changes and encouraging them to contact DMH with questions and discuss changes with their treatment teams, in May 2025.
- Conducted further outreach to organizations and providers, including Department of Corrections discharge planners, through June 2025, offering information and opportunities for questions and discussion.
- Works continuously with DAs to update coding and billing practices in line with Medicaid State Plan requirements.

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Rate Setting: Outreach and Collaboration

- DMH initially set a go-live date for residential rates for January 1st, 2026. This decision, and the decision to use a cost-related reimbursement model to ensure flexibility and appropriateness of rates aligned with program, for each agency, was made in February 2025, with agency CFOs informed.
- DMH submitted residential rate setting templates to Agencies in May of 2025, for the initial anticipated go-live date of January 1, 2026.
- DMH has met with Manatt bimonthly since Fall 2025 to discuss CMS compliance for residential programming and services, including what services should be covered under the rate, avoidance of duplicative billing, CMS billing requirements, and other considerations.
- DMH has confirmed with Mannatt that programs with leases cannot receive Medicaid reimbursement.
- DMH consulted with the Vermont State Housing Authority to explore any options for HUD-funded leased units to offer program agreements instead of leases to try to work around this barrier. VSHA verified with HUD that this is not an option.
- In February 2026, DMH held individual meetings with agencies to discuss residential rate setting.
- Updated templates were submitted to agencies in March 2026 with clearer distinctions for room and board costs.
- DMH contracted with Guidehouse to complete the residential/crisis bed rate setting to expand capacity for rate setting and promote consistency with national standards – most states use a single rate, but cost-related reimbursement provides additional flexibility.

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