

How State Medicaid Uncertainties Are Reshaping the SUD Treatment Environment

By [Ashleigh Hollowell](#) | June 23, 2026

While addiction treatment providers have been laser-focused on federal policy shifts, the real battlefield has moved to the state level, where unpredictable reimbursement rates and looming coverage disruptions now threaten stability.

Medicaid is the largest payer of substance use disorder (SUD) care in the U.S. and many providers have been on edge since the [One Big Beautiful Bill Act \(OBBBA\)](#) passed, waiting to see what exactly would take hold in 2027. Now, six months out from the implementation of the bill's provisions, for the most part, state Medicaid rates are steady or are seeing a modest increase. The more palpable threat industry professionals see at the moment is the [potential loss of patient coverage](#) due to paperwork issues and administrative gaps.

These pressures are changing the way providers strategize, prep and engage with patients in addiction care. In some cases, providers are also thinking about hiring additional staff, like care navigators and case managers, to help maintain eligibility.

“The way I think about Medicaid is like every state’s a different country. It has a different rate, a different set of regulations,” Dr. Eric Arzubi, CEO and co-founder of Frontier Psychiatry, told Behavioral Health Business during a [recent webinar](#). “It depends on the state and it depends on how aggressively the states are adopting what’s been passed by the Big Beautiful Bill, and how aggressively they’re looking at workplace requirements.”

Frontier Psychiatry is a telehealth organization that provides psychiatric and addiction medicine treatment to patients in rural and underserved regions across Montana, Idaho, Alaska and Wyoming.

The existing headwinds are likely to persist and enforce a larger trend in behavioral health as the sector transitions from growth and access to [outcomes](#). Business owners in the addiction treatment space used to be able to begin with access and evolve to prove quality, but now it requires more to stay sustainable in a rapidly changing environment, Arzubi said.

“Now, over time, you’ve got to be able to prove access, quality and value,” Arzubi said. “The people and the organizations that can’t do that are the ones that are going to struggle. Those that can offer all three and prove that they can offer that are the ones that are going to do well.”

A Fragmented Landscape

Although drug overdose deaths just [dropped for a third consecutive year](#) per the latest CDC data, the stark variations in reimbursement rates and pending Medicaid provisions could threaten not only patient coverage, but provider vitality, state by state.

“States with budget issues are passing across-the-board rate cuts, but in most other cases, we’re seeing increases,” Greg Nersessian, president of MediRate, told BHB.

MediRate is a software-as-a-service company that tracks and compares Medicaid reimbursement rate data across all 50 states and Washington, D.C.

From Nersessian’s analysis of the 2026 rate landscape for SUD treatment providers, a few things stand out. Providers are already seeing or will soon see rate increases of 1% to 3% in Illinois, Montana and Kansas. Montana, specifically, raised SUD rates earlier this year by 3%, which are retroactive to July 1, 2025.

South Dakota and Alaska have proposed to increase SUD rates, but both are still awaiting final federal approval in terms of regulatory processes. But state plan amendments and proposed rate changes can be approved, modified or withdrawn at any time, further complicating issues for providers when rates feel like a moving target.

“In terms of outliers and states that are very favorable or unfavorable, it’s a bit hard to make definitive statements in the SUD world because it’s all very service/code-specific,” Nersessian said. “Some states may have high rates for certain codes but not others. In general, I’d say Oregon is a state that tends to show up in the upper quartile of states on many SUD codes.”

Jim Shaheen, CEO of New Season, an SUD treatment provider based in Maitland, Florida that offers medication-assisted treatment (MAT) for opioid use disorder (OUD), said state-by-state rate volatility has long been a headache for industry professionals. His practice in Florida as an opioid treatment program (OTP) is reimbursed for services at \$13 per day. Identical services at the OTP location in North Carolina are reimbursed at a rate of \$38 per day, he said.

“They’re not uniform in terms of how they expect us to respond — whether it’s prior auth, concurrent reviews, submitting claims, contracting,” Shaheen told BHB. “There isn’t any uniformity to that, even on the Medicaid side. I have over 600 payer contracts. To have 600 different payer contracts in and of itself drives a difficulty.”

In total, New Season has 88 OUD clinics located in 20 different states. He said New Season is planning to open more clinics throughout the next year, but because of the vast variations in state-to-state Medicaid implementations, he is looking at it with more scrutiny.

“If we’re going to pick 10 or 15 new locations a year, it needs to be in places where not just the need is there, but the Medicaid environment, the payer environment, the regulatory environment is one that embraces our service, rather than a battle,” Shaheen said.

His biggest concern around Medicaid changes is the increased cost of maintaining compliance and discrepancies related to patient SUD documentation and work requirement exemptions.

“The challenge is going to be what states will accept for proof of even a substance abuse diagnosis as an exemption from the work requirements,” Shaheen said. “We as providers are going to have to spend enormous resources to correspond with what that particular state needs for those patients in order for them to stay covered, in order for them to stay in treatment.”

Estimates from the Congressional Budget Office (CBO) found that the number of uninsured Americans could increase by [5.1 million](#) by 2034, due to the passage of the One Big Beautiful alone. That could lead to lower volume for SUD providers if members end up losing coverage, Nersessian explained.

“States are going to be in a position where they either have to have targeted rate reductions that are quite onerous,” Nersessian said. “Or they take the approach we’re seeing with Colorado — it’s just an across-the-board cut, everybody has to eat it, as opposed to fighting over who’s getting cut what.”

New Rules of Survival in SUD

After the new Medicaid provisions take full effect in January 2027, the subsequent 12-18 months will test SUD operators’ durability, regardless of which states they practice in.

While it is unknown how aggressively states may implement work requirements and how stringent documentation burdens could be, leaders across the sector seem to agree that continuing to provide quality care and adhering to the fundamentals will keep sails intact.

“There’s a core set of things that will never change about what we do — patients are always going to want great service, access to high-quality care,” Arzubi said. “We always want to be able to measure what we’re doing. If your foundation is strong, you should be in a good situation. I can’t react to new pressures every year and change how I think about our work.”

Regardless of what the policy and reimbursement headwinds bring next, helping patients navigate the changes will be just as imperative as helping fellow clinicians, colleagues and state and local partners navigate the shifts.

“As providers, we have a moral responsibility to help patients navigate this very difficult environment,” Shaheen said. “If it’s every six months [that] they’re redoing their Medicaid, if it’s proof that they’re a substance abuse patient [who is] supposed to be exempt from work requirements — I would just encourage all providers to take on that moral responsibility. Because otherwise our patients are going to suffer.”

Some SUD organizations like Rosecrance have decided to hire additional staff to help patients navigate the Medicaid changes, which is not always possible in an industry with a strapped workforce and ongoing funding woes.

If that is a direction a specific SUD provider group is unable to go in, what is important to focus on instead is diversifying payer mix and service capabilities, providers agreed. Additionally, some organizations are relying on increased peer support specialists as part of the workforce to aid in this, too.

“I’m seeing broader adoption and utilization of peer support services — expanding the workforce through deployment of a robust peer support network,” Nersessian said.

That increase is one worth monitoring as 2027 Medicaid provisions begin to take place, he said.