

Odyssey House Plans \$51M Renovation as Part of Conversion Under New Medicaid Waiver Program

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A major drug treatment center in East Harlem may soon undergo a rehab of its own as part of a conversion to a new residential model intended to make it easier for facilities to bill Medicaid for mental health services.

Odyssey House, a Lower Manhattan-based recovery provider, plans to renovate its entire 53,000-square foot facility in East Harlem serving people with drug and alcohol addiction with onsite residential programs. In the process, Odyssey House will transition the site's 196 beds into a remodeled facility with the ability to bill Medicaid under a new waiver that is expected to unlock millions of dollars to substance use providers in the state.

While the residential services will remain intact, the project will address critical infrastructure needs in the aging building, which has water leakages and a weakening façade, according to a filing with the state Department of Health. All told, the renovations will cost over \$51 million, including \$40 million for construction and the rest going to furniture, equipment and other costs, according to the filing.

The project is part of the state's move to transition mid-sized and large residential mental health and substance use programs to a fee-for-service model, which will help them to take advantage of a new Medicaid waiver that provides matching funds to mental health institutions.

Since it was enacted in 1965, Medicaid has excluded so-called institutions for mental diseases, or IMDs – hospitals, nursing homes and other facilities with more than 16 beds that primarily treat mental health and substance use conditions – from receiving federal funds. In January 2024, the Centers for Medicare and Medicaid [authorized a new waiver](#), known as 1115 that helps pay for the social and economic factors impacting health, to allow the sites to access Medicaid matching funds.

State lawmakers recently placed a 2026 sunset on the current framework, forcing all institutions to change their operating certificates to the new billing system.

The new beds will focus on stabilization, rehabilitation and reintegration for people with substance use disorders, while also maintaining the site's existing federal-qualified health center.

As part of the project, the site, located on E. 121st St., will replace all windows and doors and re-mortar half of the building's brick façade, according to the filing. A new air conditioning system and insulated roof will be installed, along with electrical, mechanical, plumbing and fire systems, two elevators and a rooftop generator.

Odyssey House estimates the new development will take two to three years. But despite the extensive construction needs, the changes fall within the current building ordinances, meaning it will not require any rezoning or building variances, a lengthy process that can hamper development projects.