

Frequently Asked Questions

QRTP-IMD Interaction

Q: QRTPs were created to address trauma and not to treat “mental disease,” so does the IMD Rule apply?

A: Yes. Medicaid auditors can determine whether a program is an IMD based on the "character" of a program, not how it defines itself or how the state defines it. QRTPs over 16 beds, providing treatment, with clinical and nursing staff, and with over 50% of youth served having a mental health diagnosis would fit the character of an IMD.

Q: My organization is not a Medicaid provider but we want to be designated as a QRTP. Do I need to worry about the IMD Rule?

A: Yes. The IMD exclusion follows the child. Even if the provider is not licensed as a mental health facility and is paid for services through a funding stream that is not Medicaid, the issue is that children while placed in a facility classified as an IMD are not eligible for Medicaid to cover *any* health service provided by the IMD or by third-parties outside the IMD.

Q: My organization is a Psychiatric Residential Treatment Facility (PRTF), and we want to be designated as a QRTP. Do I need to worry about the IMD Rule?

A: No. QRTP is just a designation for eligibility for federal Title IV-E funding, thus if you are a PRTF, you are already exempted from the IMD exclusion. The “Psych Under-21 benefit” allows only three types of IMDs: psychiatric units of general hospitals, psychiatric hospitals, and PRTFs, each defined in Medicaid regulations. Not all QRTPs need to be PRTFs, and not all states have PRTFs. Congress could have made PRTFs the fourth eligible specified setting under the Family First Act, but instead Congress intentionally defined a new setting to allow flexibility in the types of QRTPs states could utilize to meet the varied assessed needs of children without requiring “medical necessity.”

Institutions for Mental Diseases (IMDs)

FACILITIES WITH MORE THAN 16 BEDS



Q: My program utilizes a “cottage home” model or has several units, but each home or unit has 16 beds or less, and we want to be designated as a QRTP. Does the IMD Rule apply to my organization?

A: Yes. Generally, a facility with multiple smaller units on a campus setting could be considered an IMD if there are more than 16 “beds” total. If you provide multiple services on a campus, here is an example of the [complicated considerations to determine](#) whether or not you could avoid IMD classification.

Q: On November 13, 2018, the Centers for Medicare & Medicaid Services (CMS) informed state Medicaid directors about a new option that would allow states to receive reimbursement for short-term psychiatric care provided in an IMD for adults with serious mental illness (SMI) or children with serious emotional disturbance (SED). Is this 1115 Medicaid demonstration waiver a long-term solution to the QRTP/IMD challenge?

A: No. In a [FAQ document](#) released September 20, 2019, CMS added QRTPs to the SED waiver option in addition to IMDs that are already exempted through the Psych Under-21 Benefit (see above). Nevertheless, waivers are temporary, and states must achieve a statewide average length of stay of 30 days and a capped stay of 60 days for beneficiaries receiving care in IMDs pursuant to this SMI/SED demonstration opportunity. Because Congress allowed 30 days for assessment of QRTP need, 60 days for judicial approval, and 30 days for youth to transition from the intervention, QRTP interventions were clearly contemplated by Congress to last longer than 30-60 days.

Q: How do we know QRTPs may be considered IMDs by CMS?

A: The state of Kentucky received notice in 2019 from the regional CMS office that QRTPs over 16 beds, as defined in the Family First Act, are likely IMDs. In the September 2019 FAQ document, CMS clarified that QRTPs are not categorically IMDs and that IMD status is a state by state, facility by facility determination. However, in a [July 30, 2020 letter](#) responding to an inquiry from the state of California, CMS noted that “QRTPs were added to title IV-E with no cross reference to Medicaid statute allowing them to be considered as an exception to the IMD exclusion.” Additionally, in response to California’s assertion that most children are placed in QRTPs for reasons other than mental health or substance use disorder treatment needs, CMS referred to the QRTP definition and the State Medicaid Manual:

“Specifically, it appears the state misconstrues the criterion in item 5, paragraph C of section 4390 that indicates, “The current need for institutionalization for more than 50 percent of all the patients in the facility results from mental diseases.” While the state posits that “most” of the children are in the treatment programs for reasons other than their mental or substance use disorder, we note that the definition of a QRTP includes a requirement that the program is for foster care children with “serious emotional or behavioral disorders or disturbances.””

Q: Does Congress support a fix to the QRTP/IMD issue?

A: There appears to be agreement between Congress and the Administration that a legislative solution is necessary. In the Administration’s FY2021 budget narrative and in HHS Secretary Azar’s testimony to Congress, it was noted that, “[i]n collaboration with CMS, the Budget proposes that Qualified Residential Treatment Programs (QRTPs) be exempted from the institution for mental diseases (IMD) payment exclusion allowing children in foster care to have Medicaid coverage in these placements even if a QRTP qualifies as an IMD.”

It is now up to Congress to urgently pass legislation to make this exemption a reality as all states are earnestly working towards Family First implementation right now to ensure compliance by the October 1, 2021 deadline.