

## UNIFORM MANAGED CARE MANUAL 16.3 “In-Lieu-of-Covered Services and Settings”

### DOCUMENT HISTORY LOG

<b>STATUS<sup>1</sup></b>	<b>DOCUMENT REVISION<sup>2</sup></b>	<b>EFFECTIVE DATE</b>	<b>DESCRIPTION<sup>3</sup></b>
Baseline	2.0	December 1, 2022	Initial version Uniform Managed Care Manual Chapter 16.3, “In-Lieu-of Covered Services and Settings.” Chapter 16.3 applies to contracts issued as a result of HHSC RFP numbers 529-12-0002, 529-10-0020, 529-13-0042, 529-15-0001, 529-13-0071, and Medicare-Medicaid Plans (MMPs) in the Dual Demonstration.
Revision	2.1	April 1, 2023	Accessibility Version

<sup>1</sup> Status should be represented as “Baseline” for initial issuances and “Revision” for changes to the Baseline version.

<sup>2</sup> Revisions should be numbered according to the version of the issuance and sequential numbering of the revision—e.g., “2.2” refers to the first version of the document and the second revision.

<sup>3</sup> Brief description of the changes to the document made in the revision.

#### **I. Applicability and Purpose of Chapter 16.3**

This chapter applies to managed care organizations (MCOs) participating in the STAR, STAR+PLUS, Medicare-Medicaid Dual Demonstration (MMDD), STAR Kids, and STAR Health Programs. References to “Medicaid” or the “Medicaid Managed Care Program(s)” apply to the STAR, STAR+PLUS, the Medicare-Medicaid Dual Demonstration, STAR Kids, and STAR Health Programs. The term “MCO” includes health maintenance organizations (HMOs), exclusive provider organizations (EPOs), insurers, Medicare-Medicaid Plans (MMPs), and any other entities licensed or approved by the Texas Department of Insurance.

#### **II. Purpose and Background**

This chapter describes MCO requirements for providing medically appropriate, cost-effective services in lieu of a covered Medicaid state plan service or setting.

#### **III. Allowable Services and Settings for In-Lieu-Of Services**

As allowed by 42 C.F.R. § 438.6(e) and 42 C.F.R. § 438.3(e)(2), the MCO may provide services in the following HHSC-approved settings in lieu of an acute care inpatient hospital setting:

- Inpatient services for acute psychiatric conditions in an Institution of Mental Disease (IMD) for up to 15 calendar days per month for Members aged 21-64 only.
- Residential substance use disorder (SUD) treatment services delivered in a chemical dependency treatment facility (all Members).

As allowed by 42 C.F.R. § 438.3(e)(2), the following HHSC-approved services, identified and defined below, solely for the purposes of this chapter, may be provided by MCOs in lieu of inpatient hospitalization services:

- Coordinated Specialty Care (CSC)
- Partial Hospitalization Services
- Intensive Outpatient Program (IOP) Services

See sections IV, V, VI, VII and VIII for additional information and requirements for offering CSC, partial hospitalization services, and IOP services as in-lieu-of services.

#### **IV. General Requirements for In-Lieu-Of Services**

#### **Member Choice to Receive In-lieu-of Services**

The MCO must not require Members to use in-lieu-of services or settings instead of a Covered Service or setting but may offer Members the option of such services or settings when medically appropriate and cost-effective. MCOs that choose to offer in-lieu-of services as an option for Members must educate Providers and Members about the availability of in-lieu-of services. The Member must agree to receive in-lieu-of services before the MCO provides the service. MCOs must retain documentation of the Member’s choice to receive in-lieu-of services or require through Provider contract that the documentation must be retained by the Provider and provided to the MCO upon request. MCOs must provide this documentation to HHSC upon request. MCOs may elect to create a notice for the Member being offered in-lieu-of services, notifying them of their choice to receive the service in place of the state plan service.

The MCO must ensure that the Member receives all medically necessary and appropriate services.

MCOs must not offer outpatient services in lieu of inpatient hospitalization services for Members who are at immediate risk of harming themselves or others.

#### **In-Lieu-of Services Operational Plan**

The MCO must develop and maintain an operational plan that describes how the MCO will operationalize the services. Operational plans must be approved by HHSC prior to implementation. MCOs must submit the operation plans 60 days in advance of the MCO’s intended implementation date unless the MCO receives authorization from HHSC stating otherwise. The MCO must submit to HHSC for approval any update of its in-lieu-of services operational plan prior to implementing new in-lieu-of services.

The MCO must submit its Operational Plan with a subject line titled “In lieu of Services Operational Plan” to the following email address:  
Managed\_Care\_Initiatives@hhs.texas.gov.

At a minimum the services operational plan must include:

- explanation of how the MCO will educate Members and Providers about the availability of in-lieu-of services;
- description of the MCO’s process for notifying Members that they are eligible to select in-lieu-of services;

- description of the process by which Members or Providers may request in-lieu-of services, including any service authorization or approval requirements;
- description of how the choice of the Member to receive in-lieu-of services will be documented;
- description of how Service Coordination will be used to offer in-lieu-of services, including as part of discharge planning from inpatient hospitalization;
- description of clinical guidelines for medical appropriateness and utilization management processes for providing in-lieu-of services;
- description of how the MCO will transition Members between inpatient hospitalization and outpatient in-lieu-of services, when medically necessary.
- description of how the MCO will ensure that the in-lieu-of services, for which they reimburse Providers, meet the requirements in the following sections.
- description of how the MCO will ensure Providers of in-lieu-of service meet the provider qualifications listed in the below sections.

#### **Clinical Guidelines for In-lieu-of Services**

The MCO must have established clinical guidelines for the medical appropriateness and utilization management processes for providing in-lieu-of services. The MCO must share these guidelines and processes with HHSC upon request.

The MCO must follow the Texas Medicaid Provider Procedures Manual (TMPPM) where noted in this chapter. The MCO has the discretion to apply medically appropriate authorization requirements in their clinical guidelines for in-lieu-of services which deviates from service limitations outlined in the TMPPM. If a state plan service is bundled in one of the lieu of services listed below, the MCO must provide that service in at least the same amount, duration and scope as outlined in TMPPM for that service.

#### **Service Authorization Notice Requirements for In-lieu-of Services**

The MCO must follow the service authorization notice requirements described in UMCM 3.21 when in-lieu-of services are reduced or denied.

#### **Encounter Data Requirements for In-lieu-of Services**

The MCO must include in-lieu-of services claims in Encounter Data and report expenses for in-lieu-of services in Part 4 and Part 5 of the Financial Statistical

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Reports (FSRs). HHSC will consider the utilization and actual cost of in-lieu-of services in determining the Capitation Rate. HHSC expects in-lieu-of services to be

a cost-effective substitute for the covered service or setting under the state plan. MCOs that provide in-lieu-of services must submit to HHSC a detailed list of procedure codes and modifiers they will use for each in-lieu-of service. The MCO-

chosen procedure and modifier code combinations must be unique to each in-lieu-of service. The list must be provided 30 days before offering the first of any in-lieu-of services. Any changes to the provided list must be reported to HHSC 30 days before services are rendered.

The MCO must submit its procedure and modifier code list with a subject line titled “In lieu of Services Procedure and Modifier Code List” to the following email address: [Managed\\_Care\\_Initiatives@hhs.texas.gov](mailto:Managed_Care_Initiatives@hhs.texas.gov).

#### **Inpatient Hospitalizations**

The intent of providing CSC, partial hospitalization services, or IOP services, as a in-lieu-of service, is to prevent or reduce inpatient hospitalization. However, there may be cases where inpatient hospitalization is medically necessary. The Member must receive the most appropriate service during an episode of care.

The MCO must have a process to transition the Member receiving in-lieu-of services to inpatient care in the event the Member’s condition deteriorates and requires inpatient hospitalization or if the member requests to transition to inpatient hospitalization. The process must support the Member in establishing outpatient care as part of discharge planning from inpatient hospitalization. The MCO’s Service Coordinator must work with the Member’s Providers, the Hospital, inpatient psychiatric facility, or Nursing Facility discharge planner(s), the attending physician, the Member, and the Member’s family to assess and plan for the Member’s discharge.

The MCO must follow the reimbursement guidelines outlined in Section 3 (Inpatient Hospital (Medical/Surgical Acute Care Inpatient Facility)) of the *Inpatient and Outpatient Hospital Services Handbook* (Vol. 2, Provider Handbooks) of the TMPPM. In-lieu-of services that are rendered on the date of admission to and/or the date of discharge from a psychiatric facility may be reimbursed.

## **V. Coordination Specialty Care (CSC) Services**

CSC is designed to meet the needs of persons with an early onset of psychosis. Persons enrolled in CSC receive mental health services that are based on a comprehensive, recovery-oriented model of treatment for persons with first-episode psychosis. CSC utilizes a shared-decision making and team-based approach to develop a plan of care tailored to the individualized needs of the person. CSC services are for persons aged 15–30 who have a psychotic disorder diagnosed within the past two years and who live in the service area of a CSC provider.

### **CSC Services**

MCOs must follow the utilization management guidelines in the [Texas Resilience and Recovery Utilization Management Guidelines \(RRUMG\)](#) for level of care (LOC) for early onset psychosis (LOC-EO).

CSC core services include:

- Psychiatric Diagnostic Interview Examination
- Routine Case Management
- Psychosocial Rehabilitation (individual and group)
- Peer Support
- Pharmacological Management
- Administration of an Injection
- Medication Training and Support (individual and group)
- Family and Group Counseling (excluding multi-family counseling)
- Individual Psychotherapy
- Supported Housing
- Supported Employment
- Engagement Activities
- Flexible Funds

Adjunct services include:

- Flexible Community Supports
- Screening, Brief Intervention and Referral to Treatment (SBIRT) Services

Crisis Service Array: Authorized as medically necessary and available during a psychiatric crisis. Crisis services must be delivered in an outpatient setting to be included in the in-lieu-of service.

#### **Services that may not be covered as part of a CSC include:**

- Meals and transportation
- Room and board
- Services to Members receiving inpatient services, including IMDs

#### **CSC Provider Qualifications**

MCOs must only use Providers of CSC services that are Medicaid-enrolled Local Mental Health Authorities and Local Behavioral Health Authorities (LMHAs/LBHAs) and part of the Advancing an Early Psychosis Intervention Network in Texas (EPINET-TX) regional network.<sup>1</sup>

#### **Duplication of Payment or Services**

MCOs must ensure that there is not a duplication of payment or services on the same day for CSC and the Covered Medicaid state plan benefits included in the CSC rate.<sup>2</sup>

## **VI. Partial Hospitalization Services**

Partial hospitalization services provide a structured day program of outpatient behavioral health services. Partial Hospitalization Programs (PHPs) may provide services for mental health, SUD, or both. These services resemble highly structured, short-term hospital inpatient programs. The treatment level is more intense than outpatient day treatment or psychosocial rehabilitation.

#### **Items and services that may be included as part of PHPs are:**

- Psychotherapy (individual, family, and group)
  - Providers of psychotherapy must meet requirements in Section 4 (Outpatient Mental Health Services) of the *Behavioral Health and Case Management Services Handbook* (Vol. 2, Provider Handbooks) of the TMPPM
- SUD Counseling (individual and group)
  - Providers of SUD counseling must meet requirements in Section 9 (SUD Services) of the *Behavioral Health and Case Management Services Handbook* (Vol. 2, Provider Handbooks) of the TMPPM.
- Medication- Assisted Treatment (MAT) as described in the TMPPM.

<sup>1</sup> <https://nationalepinet.org/regional-networks/epinet-tx>

<sup>2</sup> CSC Services covered under the Texas Medicaid State Plan include: Psychiatric Diagnostic Interview Examination, Routine Case Management, Psychosocial Rehabilitation (individual and group), Peer Support, Pharmacological Management, Administration of an Injection, Medication Training and Support (individual and group), Family and Group Counseling (excluding multi-family counseling), Individual Psychotherapy, and SBIRT.

- Occupational therapy requiring the skills of a qualified occupational therapist. Occupational therapy may be provided by a physician or occupational therapist within their licensed scope of practice. Occupational therapists must meet the requirements in Section 4 (Therapy Services Overview) and Section 5 (Children’s Therapy Services Clients birth through 20 years of age) of the Physical Therapy, Occupational Therapy, and Speech Therapy Services Handbook of the TMPPM.
- Services of other staff (social workers, psychiatric nurses, and others) trained to work with persons with psychiatric conditions.
- Drugs and biologicals that cannot be self-administered and are furnished for therapeutic purposes as described in the TMPPM.
- Individualized activity therapies that are not primarily recreational or diversionary.
  - These activities must be individualized and essential for the treatment of the person’s diagnosed condition and for progress toward treatment goals;
- Training and education, to the extent the training and educational activities are closely and clearly related to the person’s care and treatment of their diagnosed psychiatric condition;
- Medically necessary diagnostic services related to mental health and/or SUD treatment.

#### **Services that may not be covered as part of a PHP include:**

- Meals and transportation
- Room and board
- Services to Members receiving inpatient services, including IMDs

#### **Partial Hospitalization Provider Qualifications for Mental Health**

Providers of partial hospitalization services for mental health may include hospital outpatient departments and clinic/group practices enrolled in Medicaid and able to meet the below requirements with a multidisciplinary team approach to patient care under the direction of a physician.

To be eligible for partial hospitalization services as an in-lieu-of service, Members must meet benefit requirements for receiving the partial hospitalization services as defined in §1861(ff) and §1835(a)(2)(F) of the Social Security Act.

Members admitted to a PHP must be under the care of a physician who certifies the need for partial hospitalization services at a minimum of 20 hours per week of therapeutic services, as evidenced by their plan of care.



Members eligible for partial hospitalization services include:

- Members who are discharged from an inpatient hospital treatment program, and the PHP is in-lieu-of continued inpatient treatment; or
- Members, who in the absence of partial hospitalization services, would be at reasonable risk of requiring inpatient hospitalization.

When partial hospitalization is used to shorten an inpatient stay and transition the patient to a less intense LOC, there must be evidence of the need for the acute, intense, structured combination of services provided by a PHP.

Recertification of services must address the continuing serious nature of the Member’s psychiatric condition requiring active treatment in a PHP. Discharge planning from a PHP may reflect the types of best practices recognized by professional and advocacy organizations that ensure coordination of needed services and follow-up care. These activities include linkages with community resources, supports, and Providers to promote a person’s return to a higher level of functioning in the least restrictive environment.

#### **Partial Hospitalization Provider Qualifications for SUD**

Outpatient SUD treatment services may only be delivered in a licensed Chemical Dependency Treatment Facility (CDTF).

Partial hospitalization for SUD delivered in CDTFs licensed by the Texas Department of Insurance (TDI) to provide SUD services may be provided for Members who require care or support or both in a hospital or chemical dependency treatment center for at least 20 hours per week but who do not require 24-hour supervision.

As required in Section 9 (SUD Services) of the Behavioral Health and Case Management Services Handbook (Vol. 2, Provider Handbooks) of the TMPPM, LOC and specific services provided must adhere to current evidence-based industry standards and guidelines for SUD treatment, such as those outlined in the current edition of the American Society of Addiction Medicine’s (ASAM’s) Treatment Criteria for Addictive Substance-Related and Co-Occurring Conditions.

#### **Duplication of Payment or Services**

MCOs must ensure that there is not a duplication of services or payment on the same day for partial hospitalization and the Covered Medicaid state plan benefits included in the partial hospitalization rate to PHPs.

## **VII. Intensive Outpatient Program (IOP) Services**

Intensive outpatient services, also referred to as IOP services are used to treat behavioral health issues that do not require detoxification or 24-hour supervision. IOPs are generally less intensive than PHPs. They may be delivered for mental health, SUD, or both.

### **IOP Services**

Intensive outpatient services are organized non-residential services providing structured group and individual therapy, educational services, and life skills training which consists of at least 10 hours per week for four to 12 weeks, but less than 24 hours per Day.

As required in Section 9 (SUD Services) of the Behavioral Health and Case Management Services Handbook (Vol. 2, Provider Handbooks) of the TMPPM, LOC and specific services provided must adhere to current evidence-based industry standards and guidelines for SUD treatment, such as those outlined in the current edition of the American Society of Addiction Medicine’s (ASAM’s) Treatment Criteria for Addictive Substance-Related and Co-Occurring Conditions.

### **Services that may not be covered as part of a IOP services include:**

- Meals and transportation
- Room and board
- Services to Members receiving inpatient services, including IMDs

### **IOP Provider Qualifications for Mental Health**

Providers of intensive outpatient services for mental health may include hospital outpatient departments and clinic/group practices enrolled in Medicaid who are able to meet the organized non-residential services providing structured group and individual therapy, educational services, and life skills training requirements. IOP services are provided under the direction of a clinical director who is responsible for the programming requirements.

Rendering Providers of intensive outpatient services for mental health may include Providers enrolled in Medicaid and outlined in Section 4 of the *Behavioral Health and Case Management Services Handbook (Vol. 2, Provider Handbooks)* of the TMPPM for outpatient mental health services, which are: Physicians, physician assistants (PAs), advanced practice registered nurses (APRNs), licensed clinical social workers (LCSWs), licensed marriage and family therapists (LMFTs), licensed professional counselors (LPCs), psychologists, licensed psychological associates

(LPAs), provisionally licensed psychologists (PLPs), post-doctoral fellows, and pre-doctoral psychology interns.

**IOP Provider Qualifications for SUD**

Outpatient SUD treatment services may only be delivered in a licensed CDTF enrolled in Medicaid.

**Duplication of Payment or Services**

MCOs must ensure that there is not a duplication of services or payment on the same day for IOP and the Covered Medicaid state plan benefits included in the rate for IOPs.

**VIII. Duplication of Services and Payment for In-Lieu-Of Services**

MCOs must ensure that there is not a duplication of services or payment when providing in-lieu-of services and Covered Services under the Medicaid state plan. CSC, partial hospitalization, and IOP each have components that are also Covered Services under the Medicaid state plan. The MCO must not reimburse in-lieu-of services and a Medicaid state plan Covered Service that is a component of the in-lieu-of service per-diem on the same date of service. Additionally, CSC, partial hospitalization services, and IOP services, provided as in-lieu-of services, may not be reimbursed on the same day as each other.