

Medicaid Opportunities to Support Youth Transitioning from Incarceration

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Beginning in 2025, the [Medicaid inmate exclusion policy](#) will be partially waived for youth in correctional institutions. On December 29, 2022, President Biden signed into law several provisions under the Consolidated Appropriations Act of 2023 that will expand Medicaid options to cover services for youth who are incarcerated. On July 23, 2024, [a State Health Official \(SHO\) letter](#) from CMS further clarified the changes and outlined how state Medicaid agencies can comply with the Consolidated Appropriations Act through the state plan amendment (SPA) process. A key goal of these provisions is to improve care transitions and health outcomes for youth who are in correctional institutions and are transitioning back into the community. Nearly [two thirds of youth](#) in correctional settings have a diagnosable mental health or substance use disorder, and many have significant [unmet health needs](#). All youth-serving systems and providers need to be aware of this provision to ensure youth can be supported as they transition back home and to their communities.

Why does this matter?

The longstanding [inmate exclusion policy](#) prevents federal Medicaid dollars from being used to pay for health care services for any “inmate of a public institution,” including people incarcerated in local jails, state or federal prisons, juvenile justice facilities, and detention facilities. As a result, states either terminate or suspend eligibility for individuals upon incarceration, limiting the resources available to pay for health care services for people in carceral settings. The policy has contributed to both [poor health care outcomes](#) for youth during their time in correctional institutions and [poor coverage and care transitions](#) upon return to their communities. [The Centers for Medicare & Medicaid Services \(CMS\) developed guidance](#) that encourages states to take advantage of new opportunities under 1115 waiver authority to cover an additional set of services for youth and adults who are leaving incarceration, including case management, prescription medication, and medication assisted treatment (also referred to as medications for addiction treatment).

Who is eligible?

The legislation outlines [two groups](#) of youth transitioning from incarceration who will be covered:

- Youth under 21 eligible for Medicaid/CHIP; and
- [Youth and young adults formerly in foster care](#) under 26 (former foster care children (FFCC), also a mandatory eligibility group for Medicaid).

What are the new requirements?

By January 1, 2025, all states must comply with the regulations outlined in [Section 5121](#) of the Consolidated Appropriations Act of 2023, which imposes new limits on the inmate exclusion policy and requires states to provide certain health care services for eligible youth. The requirements include:

- Coverage for any **screening or diagnostic services that meet reasonable standards or that are indicated as medically necessary** — including a behavioral health screening or diagnostic service — 30 days prior to scheduled release (or no later than one week or as soon as practical following release).
- Coverage **of targeted case management** for eligible youth — including assessment, development of a care plan, referrals, monitoring and follow-up to appropriate care and services in the home and community — 30 days prior to release and at least 30 days post-release.
- **Updated enrollment guidelines** for youth who are eligible for Medicaid and CHIP.
 - States are required to temporarily suspend (rather than terminate) coverage for eligible youth entering correctional facilities.
 - States must redetermine eligibility without requiring a new application and restore coverage upon release when eligible.

In addition, [Section 5122](#) outlines new options for states to cover services for youth pending disposition of charges (e.g., awaiting trial, youth who are in pre-adjudication). Beginning January 1, 2025, states may:

- Provide Medicaid and CHIP coverage to youth in correctional institutions pending disposition of charges.

What institutions or settings are required to provide the newly covered services?

All detention and correctional institutions will be required to comply with this legislation. This includes juvenile justice institutions, as well as adult jails and prisons where eligible youth may be detained.

Select facilities are excluded from CMS' definition of a "[public institution](#)," such as certain medical institutions, intermediate care facilities, publicly operated community residences, and child-care institutions.

What new partnerships are needed?

Many juvenile justice agencies may have limited capacity to offer screening and follow-up services to address behavioral health needs. It will be critical for them to work with their state's Medicaid agency and partner with community-based entities to effectively offer health care services within the facility, including targeted case management and treatment, to ensure continuity of care for youth and their families upon reentry to community.

In addition, since states may be at different stages of pre- and post-release planning for youth, and still developing their Medicaid suspension and enrollment processes, successful implementation of these requirements will require strong partnerships and commitment from state and community partners.

Key roles for critical partners to implement these provisions:

- **Youth and families** should be engaged early on as equal partners, particularly when developing their care planning and reentry goals by the juvenile justice institution and/or community provider.
- **State Medicaid agencies** will be required to cover specific services under this legislation. Medicaid agencies will also be critical for facilitating redeterminations and enrollment in Medicaid and covering screenings as outlined above within adult and juvenile correctional facilities.
- **Behavioral health agencies** are critical partners to connect youth to behavioral health services, including targeted case management and treatment.

- **Juvenile justice institutions** will be responsible for the implementation of behavioral health and diagnostic screenings, as well as targeted case management services. Juvenile justice institutions can find implementation support through partnerships with community-based entities. Juvenile justice institutions will likely need to develop new workflows in their facility and in partnership with Medicaid to ensure that youth who may be eligible for Medicaid and CHIP are enrolled 30 days prior to release.
- **Adult correctional institutions** will be required to implement enrollment processes, screenings, and targeted case management for qualifying youth in adult facilities.
- **Community-based organizations, including behavioral health providers**, will play an important role in ensuring that eligible youth are connected to services pre- and post-release.
- **Child welfare agencies** will need to ensure care is coordinated for youth who are dually involved in the child welfare and juvenile justice systems, and that there is [continuity of coverage](#) for youth aging out of foster care and young adults who are eligible as FFCC.
- **Educational systems and schools** are important to ensuring that youth can meet educational requirements while in detention. They are critical to ensure that youth can successfully [transition](#) back to school and connect to their communities.
- **Managed care plans** will be important at the local level, as they may authorize targeted case management services and enroll providers to deliver these services.

The [Massachusetts Youth Screening Instrument-Second Version](#) (MAYSI-2), is currently the most widely used behavioral health screening tool in juvenile justice programs nationwide.

What's next?

Many states will need support and guidance related to implementing this new legislation. CMS' [July SHO letter](#) provides detailed statutory information and requirements for Medicaid, but states will likely need to make additional efforts to ensure compliance and foster collaboration between Medicaid and corrections departments.

All state Medicaid agencies and correctional institutions (including juvenile justice agencies and adult facilities) will need to comply with these provisions by January 1, 2025. Below are a few strategies to help stakeholders that serve youth who are involved in correctional settings get ready.

Medicaid and correctional partners can:

- **Establish or leverage existing cross-system teams** (including behavioral health state agencies, child welfare agencies, and community-based providers) to determine how best to coordinate services.
- **Seek insights from youth and families.** [Many states are exploring partnerships](#) with people who have been incarcerated, and seeking input from [parents and youth with lived experiences in the justice system](#), for broader policy planning and implementation of pre-release services.
- **Determine current Medicaid enrollment process** for youth in the juvenile justice system in your state.
- **Understand [Early and Periodic Screening, Diagnostic, and Treatment \(EPSDT\)](#)** benefit requirements and services in your state.

In addition to above, behavioral health and child welfare agencies can:

- **Educate local and statewide adult correctional institutions** about these requirements.
- **Determine existing partnerships** with behavioral health providers, youth, and adult correctional agencies to identify where there may be opportunities to strengthen communication, leverage existing partnerships, and support connection to services and coordination of efforts.
- **Partner with state Medicaid and juvenile justice agencies** to successfully transition youth back to their communities. Determine the total number of youth who might be eligible for these services, determine where there are gaps, identify community partners to contract with for behavioral health services, including targeted case management.

What's the bottom line?

All states will need to comply with these new federal requirements for screening, assessment, and case management services for youth leaving correctional settings by January 1, 2025. The requirements also provide an important opportunity for state Medicaid agencies to build the necessary partnerships and infrastructure for improving care transitions and outcomes for the reentering adult population.

This partial waiver of the Medicaid inmate exclusion policy opens a critical window to improve health care access and outcomes for youth who are in correctional settings. The provisions in the Consolidated Appropriations Act of 2023 seek to address longstanding barriers to accessing health care by requiring states to provide Medicaid and CHIP coverage, fostering better care transitions for youth re-entering their communities. Effective implementation in collaboration with multi-sector partners, including behavioral health care systems and Medicaid agencies, can help ensure that youth receive the services they need and contribute to improved health outcomes.

Note: This policy cheat sheet was originally published in April 2024 and updated in August 2024 in response to additional CMS guidance.



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