

# New Changes to Behavioral Health Intensive Outpatient Program Coverage in Medicare

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In November 2023, the Centers for Medicare & Medicaid Services (CMS) released the *Hospital Outpatient Prospective Payment System and Ambulatory Surgical Center Payment System [final rule](#)* and the *Physician Fee Schedule [final rule](#)*, both aimed at increasing Medicare coverage of community-based substance use disorder (SUD) and mental health services. These final rules established the scope for Medicare Part B coverage of intensive outpatient program (IOP) services, as required by the Consolidated Appropriations Act of 2023. As of January 1, 2024, Medicare now covers IOP services, closing a significant gap in Medicare coverage of mental health and SUD services. This new coverage may impact access and coordination of care for Medicaid enrollees, including dually eligible individuals, who use IOP services.

## What is an intensive outpatient program?

IOPs are [structured treatment programs](#) that take place on an outpatient basis. These programs are designed for individuals with mental health or [SUD conditions](#), including those with co-occurring mental health and SUD conditions, who have treatment plans demonstrating a need for 9-19 hours a week of therapeutic services.

IOPs serve as critical treatment options along the continuum of care that are flexible to meet individuals' needs and schedules. They allow people to live in their homes and communities while receiving treatment and provide participants with a support network both during and outside of treatment. IOPs provide more intensive treatment than weekly therapy or counseling, but are less intensive and restrictive than inpatient, residential, or partial hospitalization psychiatric care. IOP services can serve as a step down from these more intensive levels of care, a step up from outpatient services, or as a unique entry point to receiving community-based care for mental health or SUD.

IOPs include a combination of interventions with a multidisciplinary team approach that incorporates an individual treatment plan. While services may vary by state and by provider, IOPs typically offer individual counseling, case management, group counseling and activities, 24-hour crisis services, family counseling and services, medications and medication management, and peer services.

## What is changing with IOP coverage?

Prior to January 1, 2024, IOP services were primarily covered by Medicaid as an optional benefit, and by private insurance. These services were largely unavailable for Medicare-only beneficiaries due to regulatory requirements and billing standards in Medicare that either did not cover the settings where these services were rendered or did not cover IOP services as a benefit. Prior to this change, Medicare behavioral health coverage included inpatient care for SUD and mental health conditions in general and psychiatric hospitals, prescription drugs to treat SUD and mental health conditions, and some outpatient SUD and mental health coverage, which included partial

hospitalization programs. Medicare enrollees who needed more frequent services than outpatient therapy, but less intense than a partial hospitalization program, fell into a coverage gap and either had to pay out-of-pocket for IOP services or not receive them at all.

With CMS' [2024 final rule](#) expanding Medicare coverage of behavioral health services, Medicare now covers IOP services delivered at a hospital outpatient department, Medicare-certified community mental health center, federally qualified health center, or rural health clinic. Additionally, IOP services can now be provided in [Opioid Treatment Programs](#) for the treatment of an opioid use disorder, though other community-based SUD treatment facilities are not authorized to bill Medicare for IOP services or any other services.

[Covered services](#) under the new Medicare IOP benefit include:

- Individual and group therapy with physicians, psychologists, or other mental health and SUD professionals;
- Occupational therapy services;
- Services of social workers, trained psychiatric nurses, and other professionals trained to work with patients with serious mental health needs, including people with SUD;
- Drugs provided for therapeutic purposes, excluding those self-administered;
- Activity therapies that are individualized and essential for treatment;
- Family counseling services, including counseling services for caregivers;
- Patient education programs, including caregiver training services; and
- Diagnostic services.

Notably, Medicare coverage only applies to in-person IOP services. Virtual IOP programs and other telehealth-related options for IOPs are not covered by Medicare under this final rule.

## How may these Medicare changes impact dually eligible individuals and Medicaid-only enrollees?

While this change in coverage should increase access to IOP services for the Medicare-only population, it may also impact individuals who had existing coverage through Medicaid. [While coverage varies across states](#), the majority of states cover IOPs through Medicaid. Given that Medicaid is the “payer of last resort,” any Medicaid-covered services that now fall under Medicare coverage would be billed to Medicare first.

Of note, [dually eligible individuals are significantly more likely](#) than Medicare-only enrollees to have a mental health or SUD diagnosis, and have [higher rates of opioid use](#) than Medicare-only enrollees. With Medicare becoming the primary payer for these IOP services, dually eligible individuals in states that do not cover IOPs through Medicaid will have new access to IOPs through Medicare. Elsewhere, impacts on access to IOP services for dually eligible individuals could vary. For example, access could increase if the new Medicare coverage expands the IOP provider base. However, for both Medicaid-only and dually eligible beneficiaries, access could decrease if demand for services exceeds provider capacity. Differences in provider payment rates between Medicare and Medicaid could further impact access.

Coordination of care will also be important. For dually eligible individuals, some specialty behavioral health services will be covered by Medicare and others by Medicaid. In states that deliver behavioral health services through Medicaid managed care plans, those plans will now need to coordinate with Medicare coverage of the IOP services through such entities as Medicare Advantage dual eligible special needs plans.

It will be important to track access to IOP services and coordination of these services for Medicaid-only enrollees and dually eligible individuals.

## Why is this important for states?

This IOP coverage change may impact state Medicaid agency budgets as Medicaid shifts to the “payer of last resort” for IOP services provided to dually eligible individuals in some settings. This also has potential rate-setting implications, depending on whether IOP services are currently delivered through Medicaid managed care, and to what extent managed care enrollees are dually eligible.

As noted above, there are also potential care coordination challenges that may arise from this new coverage. Medicare will now cover some, but not all, specialty mental health and SUD services that differ from what state Medicaid programs may cover. Thus, particularly for dually eligible individuals with more acute needs not enrolled in fully integrated programs, these changes will increase the need for care coordination and data exchange among plans and care teams.

States should also be aware of [new billing requirements](#) for IOP services, which affect providers and billing staff at hospital outpatient departments, critical access hospitals, community mental health centers, and other providers who bill Medicare for IOP services rendered. CMS also has [guidance on crossover claims](#) to assist providers and billing staff in understanding how to coordinate the delivery of IOP services for dually eligible individuals.

It is important to note, however, that the IOP services covered by Medicare and respective state Medicaid programs may differ, including authorized treatment locations. States may need to develop processes and guidance to ensure providers do not face barriers to billing across these coverage differences.

## What’s next?

These changes demonstrate CMS’ interest in increasing the coverage and accessibility of community-based mental health and SUD treatment options. It is important for states to understand the potential implications — such as financial impacts, care coordination efforts, parity, and health equity — in order to deliver optimal IOP services across Medicare-only, Medicaid-only, and dually eligible populations.

Stay tuned for future resources from the Center for Health Care Strategies and the Legal Action Center that further explore the implications of this new coverage.



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