APRIL 2026 GUIDE

Medicaid, Mental Health, and H.R. 1

A State Guide to Using Data for Community Engagement Determinations

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Introduction

Public Law No. 119-21 (H.R. 1) requires states to verify whether Medicaid expansion enrollees meet community engagement ("work") requirements or qualify for an exemption — at every eligibility check. The Congressional Budget Office projects millions could lose coverage not because they are ineligible, but because compliance cannot be verified.

For people with mental health and substance use disorders (SUDs), the evidence to support an exemption is often already in state systems — Medicaid claims, prescription data, disability determinations. Federal law requires states to use it. This guide provides recommendations for how to do so.

How to Use This Guide

This guide has two parts, designed to serve different audiences within your agency, though both are encouraged to read the complete guide.

PART 1
Policy Guidance for Medicaid Directors and State Policy Leads

Covers the legal framework and the tiered approach your state will use to make exemption determinations.

PART 2
Staff Reference Guide

Explains each data source in plain language, walks through the decision process step by step, and provides real-world examples.

The appendix provides templates to document condition codes and supporting data your state will use to qualify exemptions from community engagement requirements.

1 Policy Guidance for Medicaid Directors and Policy Leads

1.1 Legal Basis

Section 1902(xx) of the Social Security Act (SSA) establishes community engagement requirements for certain Medicaid enrollees. Section 1902(xx)(5) provides multiple exemptions from those requirements, including for pregnant individuals, caregivers, veterans with total disability ratings, American Indians and Urban Indians, inmates of public institutions, and individuals who are medically frail or have special medical needs.

Among those with special medical needs, the law specifically exempts individuals with an SUD, a disabling mental disorder, or other qualifying physical, intellectual, or developmental disabilities. Individuals participating in a drug addiction or alcoholic treatment and rehabilitation program are also exempt.

This report focuses specifically on exemption pathways for individuals with an SUD or disabling mental disorder, and individuals exempt due to participation in a qualifying SUD treatment or rehabilitation program.

Whenever possible, states must use data they already have to identify and exempt eligible enrollees — no action required from the individual. This behind-the-scenes check is called an "ex parte" determination. This reduces burden on people who may already face significant barriers to engagement.

1.2 Who Qualifies for Exemption

Individuals with a Substance Use Disorder

Any individual with an SUD qualifies for an exemption. An SUD diagnosis code, an FDA-approved SUD medication, an SUD-specific procedure or service code, or an SUD-specific place of service or revenue code may each be sufficient to establish an exemption.

Individuals Participating in a Qualifying SUD Treatment Program

Any individual participating in a qualifying SUD treatment program meets criteria for exemption. If a state has evidence that an individual is participating in a qualifying SUD treatment program — such as through place of service codes, revenue codes, or H-codes — that participation alone may be sufficient to establish the exemption, regardless of whether a diagnosis code is present.

Individuals with a Disabling Mental Disorder

H.R. 1 also exempts an individual with a "disabling mental disorder." While the statute does not define the term, certain conditions have often been classified by states as disabling. In some instances where a diagnosis is not sufficient, states may need to use other data sources to establish a disabling condition.

1.3 The Multiple Data Source Principle

Available data — including diagnosis, setting, services, and medications — can be helpful in establishing exemptions. Six categories of encounter and payment data may establish whether an individual qualifies for an exemption:

1. **ICD-10-CM Diagnosis Codes (F-codes)**
2. **Place of Service Codes**
3. **Revenue Codes**
4. **Procedure Codes (CPT)**
5. **HCPCS H-Codes (behavioral health service codes)**
6. **Medications (prescription drug payment data)**

When one data source is missing, incomplete, or unclear, reviewers should move to the next. For example, a missing diagnosis code is not the end of the inquiry — it is a signal to look further.

1.4 Handling Mental Health Diagnoses: Tiered Codes

The following framework is intended to assist states in efficiently implementing H.R. 1's ex parte verification requirements relating to the disabling mental disorder exemption.

This guide suggests states consider a two-tiered list for mental health F-codes in the absence of CMS guidance relating to disabling mental disorders. States are encouraged to define disabling mental disorder broadly, recognizing that any condition, when combined with functional impact, may be disabling.

A Tier 1 list can be used by states to identify certain mental health diagnostic codes as sufficient to establish that an individual has a qualifying disabling mental disorder.

Mental health conditions that are not deemed by a state (or via CMS guidance) as a disabling mental disorder may be given a Tier 2 designation. For Tier 2 conditions, or those without a formal diagnosis at all, other data may still establish eligibility for an exemption. States should note that eligibility should not be limited to individuals with a formal diagnosis. For example, a history of psychiatric inpatient care, functional assessments, or other clinical data may establish an exemption.

States are also encouraged to build a periodic review process into their implementation from the start — not only to respond to CMS guidance, but also to incorporate feedback from people living with mental health conditions, their families, clinicians, and others working with relevant data.

TIER	LABEL	WHAT IT MEANS
1	**Disabling Condition**	The diagnosis alone is used to establish a disabling mental disorder
2	**Potentially Disabling**	The diagnosis may establish a disabling mental disorder when supported by additional data

Each State Should Identify Conditions That Qualify as Disabling

CMS has not has not, as of release of this guide, issued comprehensive guidance defining that term. **Each state Medicaid agency should therefore make its own policy determination about which mental health F-codes are sufficient to qualify as "disabling."**

States should:

- Consult with behavioral health clinical advisors and with enrollees with mental health conditions, such as those participating in the Beneficiary Advisory Council
- Consult with legal counsel regarding the state's obligations under Section 1902(xx)(5)
- Determine whether any clarifying CMS guidance has been issued or is forthcoming
- Document the clinical and policy rationale for each tier assignment in writing

Documenting your rationale matters.
Where states have documented their clinical and policy rationale for exemption determinations, states should request that CMS defer to reasonable state judgment, consistent with the Medicaid program's foundational commitment to state flexibility.

1.5 State Policy Checklist

Before implementation, confirm the following decisions have been made and documented:

- ✓ **Which data sources will the state use for ex parte verification?**
- ✓ **What lookback period will apply when reviewing encounter and payment data?**
- ✓ **What corroborating data supports an exemption determination for mental health diagnoses?**
- ✓ **What training will be provided to reviewers and data analysts?**
- ✓ **What process will be available for individuals who believe they were incorrectly excluded?**
- ✓ **How will determinations be documented and audited?**
- ✓ **Has the state determined whether any clarifying CMS guidance has been issued or is forthcoming?**
- ✓ **Has the state requested that CMS defer to reasonable state judgment for exemption determinations?**

2 Staff Reference Guide

2.1 Your Role in the Process

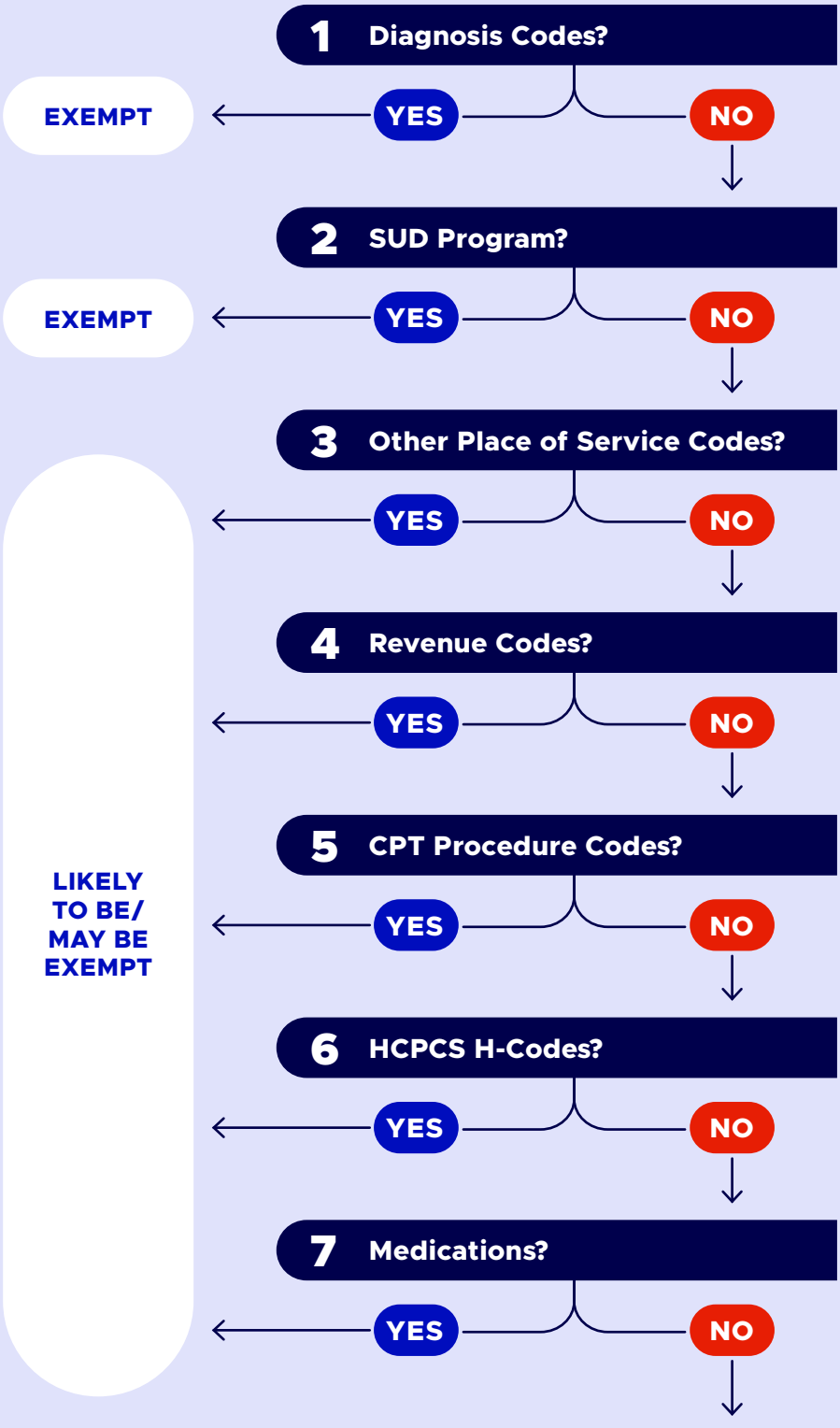
Your task is to determine whether a Medicaid enrollee qualifies for a community engagement exemption based on a substance use disorder or disabling mental disorder — using encounter and payment data, not clinical judgment.

When the data is clear, the determination will be straightforward. When the data is not immediately definitive, this guide provides direction on where to look next. Additional data points may supply supporting evidence for an applicable exemption. Supervisors are available when questions arise.

These determinations matter: done well, they ensure that eligible people with a disabling mental disorder or substance use disorder retain their coverage without added burden.

Start with the diagnosis codes.
If they clearly establish a qualifying exemption, you may be done. If they are not immediately definitive, keep reviewing — the next data source may supply supporting evidence for an exemption.

2.2 The Decision Process



1 DIAGNOSIS CODES
Look for F1010–F1999 codes (SUD) or Range MH Physiological: F0150-F09, F200–F99 codes (mental health). If an SUD code is present, the individual qualifies. If a mental health code is present, check its Tier (**see Section 1.4**). Tier 1 = exempt. (Note: A state should exempt certain mental health diagnoses as disabling mental disorders, subject to any future CMS guidance.) Tier 2 = proceed to next step.

2 SUD PROGRAM
Was care provided in a qualifying SUD treatment program?

3 OTHER PLACE OF SERVICE CODES
Was care provided in an intensive treatment setting? If yes, this may be sufficient or may corroborate a Tier 2 diagnosis. **See Section 2.4**.

4 REVENUE CODES
Do institutional claims show intensive behavioral health services? **See Section 2.5**.

5 CPT PROCEDURE CODES
Do procedure codes indicate intensive behavioral health services? **See Section 2.6**.

6 HCPCS H-CODES
Do H-codes show the individual received intensive behavioral health services? **See Section 2.7**.

7 MEDICATIONS
Does pharmacy data show FDA-approved SUD medications, antipsychotics, or other psychiatric medications consistent with a disabling condition? **See Section 2.8**.

If steps do not produce sufficient data: EXEMPTION CANNOT BE ESTABLISHED.

2.3 Data Source 1: Diagnosis Codes (F-Codes)

What They Are: ICD-10-CM codes in the F0150–F99 range assigned by a clinician to document a mental health or substance use condition.

What To Do:

If you find an F21-F1999 code (SUD): The individual generally qualifies. Note: this includes codes marked "in remission" — a person managing their recovery still has a SUD.

If you find a mental health F-code: Check its Tier in Section 1.4.

- **Tier 1:** Exempt.
- **Tier 2 or no F-code:** Continue reviewing other data sources.

SUD F-Code Categories (F1010-F1999)

CODE RANGE	SUBSTANCE
F1010–F1099	Alcohol
F1110–F1199	Opioids
F1210–1299	Cannabis
F1310–F1399	Sedatives, hypnotics, anxiolytics
F1410–F1499	Cocaine
F1510–F1599	Other stimulants
F1610–F1699	Hallucinogens
F17200–F17299	Nicotine (see policy note on page 12)
F1810–1899	Inhalants
F1910–F1999	Other psychoactive substances

POLICY NOTE

Nicotine dependence (F17)
Nicotine dependence falls within the F17200-F17299 SUD code range and is a classified substance use disorder under ICD-10 and DSM-5. Under the plain text of the statute, nicotine dependence would appear to qualify for exemption. **States, however, should consult with legal counsel.**

Mental Health Diagnosis Codes (Range MH Physiological: F0150-F09, F200–F99)

The following include mental health codes states are most likely to use but is not inclusive of all diagnostic codes. **States are encouraged to consult with behavioral health clinical advisors and, where applicable, legal advisors, to determine how to handle codes.**

Psychotic and Schizophrenia Spectrum Disorders

CODE	DESCRIPTION
F200–F209	Schizophrenia including paranoid, disorganized, catatonic, undifferentiated, residual, and other schizophrenia disorders
F21	Schizotypal disorder
F22	Delusional disorders
F23	Brief psychotic disorder
F24	Shared psychotic disorder
F250–F259	Schizoaffective disorders
F28–F29	Other and unspecified psychoses

Mood Disorders: Bipolar

CODE	DESCRIPTION
F3010–F309	Manic episodes (all severity levels)
F310–F319	Bipolar disorder (all episodes and severity levels)

Mood Disorders: Depressive

CODE	DESCRIPTION
F320–F329	Major depressive disorder, single episode (all severity levels)
F32A	Depression, unspecified
F330–F339	Major depressive disorder, recurrent (all severity levels)
F340–F349	Persistent mood disorders including dysthymia and cyclothymia
F39	Unspecified mood disorder

Anxiety and Stress-Related Disorders

CODE	DESCRIPTION
F4000–F409	Phobic anxiety disorders including agoraphobia, social phobia, and specific phobias
F410–F419	Panic disorder, generalized anxiety disorder, and other anxiety disorders
F42–F429	Obsessive-compulsive disorder and related disorders
F430–F439	Reactions to severe stress including PTSD, acute stress reaction, adjustment disorders, and prolonged grief disorder

Dissociative and Somatoform Disorders

CODE	DESCRIPTION
F440–F449	Dissociative and conversion disorders including dissociative amnesia, fugue, stupor, and dissociative identity disorder
F450–F459	Somatoform disorders including somatization disorder, hypochondriasis, and pain disorders
F481–F489	Other nonpsychotic mental disorders including depersonalization-derealization syndrome

Eating Disorders

CODE	DESCRIPTION
F5000–F5029	Anorexia nervosa (restricting and binge/purging types, all severity levels)
F502–F5025	Bulimia nervosa (all severity levels)
F508–F509	Binge eating disorder and other eating disorders

Sleep Disorders

CODE	DESCRIPTION
F5101–F519	Sleep disorders not due to a substance or physiological condition

Personality Disorders

CODE	DESCRIPTION
F600–F609	Personality disorders including paranoid, schizoid, antisocial, borderline, histrionic, OCD personality, avoidant, dependent, narcissistic, and unspecified

Impulse Control Disorders

CODE	DESCRIPTION
F630–F639	Impulse disorders including pathological gambling and other impulse disorders

Neurodevelopmental and Childhood Disorders

CODE	DESCRIPTION
F70–F79	Intellectual disabilities (mild through profound)
F800–F8089	Developmental disorders of speech, language, and psychological development
F810–F819	Specific learning disorders
F82	Developmental coordination disorder
F840–F849	Autism spectrum disorders
F88-F89	Other disorders of psychological development
F900–F909	Attention-deficit hyperactivity disorder (ADHD)
F910–F919	Conduct disorders
F930–F949	Childhood emotional and social functioning disorders including separation anxiety and reactive attachment disorder
F950–F959	Tic disorders including Tourette's disorder
F980–F989	Other behavioral and emotional disorders with onset usually in childhood

Organic Mental Disorders

CODE	DESCRIPTION
F0150–F01C4	Vascular dementia (all severity levels)
F0280–F02C4	Dementia in other diseases (all severity levels)
F0390–F03C4	Unspecified dementia (all severity levels)
F04	Amnestic disorder due to known physiological condition
F05	Delirium due to known physiological condition
F060–F079	Other mental disorders due to known physiological conditions
F09	Unspecified mental disorder due to known physiological condition

Other Mental Disorders

CODE	DESCRIPTION
F530–F531	Postpartum depression and puerperal psychosis
F54	Psychological factors associated with disorders classified elsewhere
F59	Unspecified behavioral syndromes associated with physiological disturbances
F6810–F68A	Factitious disorders
F99	Mental disorder, not otherwise specified

2.4 Data Source 2: Place of Service Codes

What They Are: Codes that identify where a service was delivered.

What To Look For: A qualifying SUD treatment program meets criteria for exemption from community service requirements. Settings that indicate intensive or facility-based mental health care suggest that a mental health condition may be disabling.

CODE	DESCRIPTION
51	Inpatient psychiatric facility
52	Psychiatric partial hospital
53	Community mental health center
54	Intermediate care facility for IDD
55	Residential substance abuse treatment facility
56	Residential psychiatric facility
57	Non-residential substance abuse treatment facility
58	Non-residential opioid treatment program

POLICY NOTE

Treatment Program Participation Exemption
Federal law includes a separate exemption from Medicaid work requirements for individuals who are actively participating in a qualifying drug addiction or alcoholic treatment and rehabilitation program. This exemption applies regardless of whether the individual also qualifies under the SUD diagnosis exemption or the disabling mental disorder exemption.

To qualify under this exemption, the individual must be enrolled in a program that:

- Is provided by a private nonprofit organization or institution, or a publicly operated community mental health center, and
- Operates under the Substance Use Prevention, Treatment, and Recovery Services Block Grant (SUBG) or Mental Health Block Grant (MHBG) authority under Part B of Title XIX of the Public Health Service Act.

State Medicaid agencies should note that this exemption is participation-based rather than diagnosis-based. This means eligibility for the exemption is tied to active enrollment in a qualifying program, not to a clinical determination of the individual's condition.

Agencies should establish verification procedures that confirm current program participation and document SUD diagnoses for future eligibility for exemption. Agencies should consider using past participation as sufficient to establish an SUD exemption.

2.5 Data Source 3: Revenue Codes

What They Are: Codes on institutional (facility) claims that identify the type of service or accommodation provided.

What To Look For: Revenue codes that indicate intensive or facility-based services or supports. These codes are most useful when place of service data is missing or when the claim was submitted by a facility rather than a professional provider.

CODE	DESCRIPTION
0114	Psychiatric – private room
0116	Detoxification – private room
0124	Psychiatric – semi-private, 2 bed
0126	Detoxification
0134	Psychiatric
0136	Detoxification – 3 & 4 bed
0144	Psychiatric
0146	Detoxification
0154	Psychiatric – ward
0156	Detoxification – ward
0204	Psychiatric – ICU/PSTAY
0900	General psychiatric treatment
0901	Electroconvulsive therapy (ECT)
0902	Milieu therapy
0903	Play therapy
0904	Activity therapy
0909	Other psychiatric/psychological
0910	General psychiatric services

CODE	DESCRIPTION
0911	Psychiatric rehabilitation
0912	Partial hospitalization – less intensive
0913	Partial hospitalization – intensive
0914	Individual therapy
0915	Group therapy
0916	Family therapy
0917	Biofeedback
0918	Psychological testing
0919	Behavioral health treatments
0961	Psychiatric professional fees
1000	General behavioral health accommodations
1001	Residential treatment – psychiatry
1002	Residential treatment – SUD
1003	Supervised living
1004	Halfway house
1005	Group home
1006	Wilderness program

2.6 Data Source 4: CPT Procedure Codes

What They Are: Codes describing specific clinical services a provider performed.

What To Look For: Services indicating intensive or crisis-level psychiatric treatment may be strong indicators of a disabling mental disorder, even when diagnosis codes are absent or indeterminate.

CODE	DESCRIPTION
90791	Psychiatric diagnostic evaluation
90792	Psychiatric diagnostic evaluation with medical services
90832	Psychotherapy, 30 minutes
90833	Psychotherapy add-on, 30 minutes
90834	Psychotherapy, 45 minutes
90836	Psychotherapy add-on, 45 minutes
90837	Psychotherapy, 60 minutes
90839	Psychotherapy for crisis, first 60 minutes
90840	Psychotherapy for crisis, additional 30 minutes
90845	Other psychotherapy procedures
90846	Family/couples psychotherapy, without patient present
90847	Family/couples psychotherapy, with patient present
90849	Multiple family group psychotherapy
90853	Group psychotherapy (other than multi-family group)
90864	Pharmacologic management after therapy
90867–90869	Therapeutic repetitive Transcranial Magnetic Stimulation (TMS)
90876	Biofeedback

CODE	DESCRIPTION
90880	Hypnotherapy
90870	Electroconvulsive therapy (ECT)
96101	Psychological testing, interpretation and reporting by a psychologist
96130–96133	Psychological/neuropsychological testing and evaluation
96136–96139	Neuropsychological or psychological test administration and scoring

2.7 Data Source 5: HCPCS H-Codes

What They Are:

Procedure codes specifically designed for behavioral health and SUD services. Commonly used by community mental health centers, SUD treatment programs, and opioid treatment programs.

What To Look For:

Codes indicating the individual has been engaged in formal SUD or intensive mental health treatment or supports to live in the community.

Many services, including assertive community treatment, supported housing, supported employment, psychosocial rehabilitation services, and peer support services, may support a qualifying exemption.

SUD Assessment and Screening

CODE	DESCRIPTION
H0001	Alcohol and/or drug assessment
H0002	Behavioral health screening for treatment eligibility
H0003	Alcohol and/or drug screening; laboratory analysis
H0048–H0049	Alcohol and/or drug screening

SUD Counseling and Treatment

CODE	DESCRIPTION
H0004	Behavioral health counseling and therapy
H0005	Alcohol and/or drug services; group counseling by a clinician
H0006	Alcohol and/or drug services; case management
H0015	Alcohol and/or drug services; intensive outpatient
H0016	Alcohol and/or drug services; medical/somatic
H0020	Alcohol and/or drug services; methadone administration
H0047	Alcohol and/or other drug abuse services, not otherwise specified
H0050	Alcohol and/or drug screening
H2035	Alcohol and/or other drug treatment program, per hour
H2036	Alcohol and/or other drug treatment program, per diem
H2037	Developmental delay prevention activities, dependent child of client

SUD Detoxification

CODE	DESCRIPTION
H0007	Alcohol and/or drug services; crisis intervention
H0008	Sub-acute detoxification (hospital inpatient)
H0009	Acute detoxification (hospital inpatient)
H0010	Sub-acute detoxification (residential)
H0011	Acute detoxification (residential)
H0012	Sub-acute detoxification (hospital outpatient)
H0013	Acute detoxification (hospital outpatient)
H0014	Ambulatory detoxification

SUD Residential Services

CODE	DESCRIPTION
H0017	Behavioral health; short-term residential, without room and board
H0018	Behavioral health; short-term residential
H0019	Behavioral health; long-term residential
H2034	Alcohol and/or drug abuse halfway house services

Mental Health Services

CODE	DESCRIPTION
H0031	Mental health assessment, by non-physician
H0032	Mental health service plan by non-physician
H0033	Oral medication administration, direct observation
H0034	Medication training and support
H0035	Mental health partial hospitalization
H0036	Community psychiatric supportive treatment, face-to-face
H0037	Community psychiatric supportive treatment program
H0038	Peer support services
H0039	Assertive community treatment, face-to-face
H0040	Assertive community treatment program
H0043	Supported housing, per diem
H0044	Supported housing, per month
H0045	Respite care services, not in the home
H0046	Mental health services, not otherwise specified
H2000	Family assessment by licensed behavioral health professional for state defined purposes

Mental Health Services (continued)

CODE	DESCRIPTION
H2001	Comprehensive multidisciplinary evaluation
H2010	Comprehensive medication services
H2011	Comprehensive community support services
H2012	Behavioral health day treatment
H2013	Psychiatric health facility service
H2014	Skills training and development
H2015	Comprehensive community support services, per 15 minutes
H2016	Comprehensive community support services, per diem
H2017	Psychosocial rehabilitation services, per 15 minutes
H2018	Psychosocial rehabilitation services, per diem
H2019	Therapeutic behavioral services, per 15 minutes
H2020	Therapeutic behavioral services, per diem
H2021	Community-based wrap-around services, per 15 minutes
H2022	Community-based wrap-around services, per diem
H2023	Supported employment, per 15 minutes
H2024	Supported employment, per diem
H2025	Ongoing support to maintain employment, per 15 minutes
H2026	Ongoing support to maintain employment, per diem
H2027	Psychoeducational service
H2030	Mental health clubhouse services, per 15 minutes
H2031	Mental health clubhouse services, per diem
H2032	Activity therapy
H2033	Multisystemic therapy for juveniles

2.8 Data Source 6: Medications

What They Are: Prescription drugs appearing in pharmacy claims or payment data.

Why This Matters: For some individuals, medication data is the **only available evidence** that a condition exists. A person who has been stable in recovery or well-managed on psychiatric medication for years may have no recent diagnosis codes, no facility claims, and no procedure codes. **The prescription is the record.**

SUD Medications

FDA-approved medications for SUD treatment are strong, often standalone evidence of a substance use disorder.

MEDICATIONS
Acamprosate, Buprenorphine, Disulfiram, Lofexidine, Methadone, Naltrexone

Antipsychotics

Long-term maintenance prescribing of antipsychotics is strong evidence of a serious mental illness such as schizophrenia, schizoaffective disorder, or bipolar disorder.

CLASS	MEDICATIONS
First-generation Antipsychotics	Chlorpromazine, Droperidol, Fluphenazine, Haloperidol, Loxapine, Perphenazine, Pimozide, Prochlorperazine, Thioridazine, Thiothixene, Trifluoperazine
Second-generation Antipsychotics	Aripiprazole, Asenapine, Brexpiprazole, Clozapine, Iloperidone, Lurasidone, Olanzapine, Paliperidone, Quetiapine, Risperidone, Ziprasidone

Antidepressants

Antidepressants alone do not establish a disabling mental disorder, but in combination with a diagnosis code, an intensive place of service, or crisis procedure codes, they may support a determination.

CLASS	MEDICATIONS
Selective Serotonin Reuptake Inhibitors (SSRIs)	Citalopram, Escitalopram, Fluoxetine, Paroxetine, Sertraline
Serotonin and Norepinephrine Reuptake Inhibitors (SNRIs)	Desvenlafaxine, Duloxetine, Levomilnacipran, Venlafaxine
Tricyclics / tetracyclics	Amitriptyline, Amoxapine, Clomipramine, Desipramine, Doxepin, Imipramine, Maprotiline, Mirtazapine, Nortriptyline, Protriptyline, Trimipramine
Atypical antidepressants	Bupropion, Dextromethorphan/Bupropion, Mirtazapine, Nefazodone, Trazodone, Vilazodone, Vortioxetine
MAOIs	Isocarboxazid, Phenelzine, Selegiline, Tranylcypromine
Neurosteroid / NMDA receptor modulators	Brexanolone, Esketamine

Mood Stabilizers and Anticonvulsants

These medications are commonly used in the treatment of bipolar disorder and other serious mental illnesses, but also have non-psychiatric uses. Evaluate in combination with other data.

MEDICATIONS
Gabapentin, Lamotrigine, Tiagabine, Topiramate, Valproate

Anti-Anxiety Medications

Azapirones and benzodiazepines may support a determination when paired with a relevant diagnosis code. Note that long-term benzodiazepine use may also indicate a benzodiazepine use disorder — a SUD in its own right.

CLASS	MEDICATIONS
Azapirones and benzodiazepines	Alprazolam, Buspirone, Chlordiazepoxide, Clonazepam, Clorazepate, Diazepam, Flurazepam, Gepirone, Ipsapirone, Lorazepam, Oxazepam, Tandospirone, Temazepam, Triazolam

Other Medications

Beta-blockers and alpha agonists used in psychiatric treatment are commonly prescribed for PTSD, anxiety, and ADHD. Use as supporting evidence alongside a relevant diagnosis or service code.

CLASS	MEDICATIONS
Beta-blockers and alpha agonists	Atenolol, Clonidine, Guanfacine, Prazosin, Propranolol

2.9 Real-World Examples

These examples show how the data sources work together. Each one reflects a real scenario a reviewer might encounter. Again, CMS guidance should be reviewed and accounted for.

EXAMPLE 1
THE ONLY EVIDENCE IS A PRESCRIPTION: SUD

A person developed an opioid use disorder in 2017. By 2026, they have been stable in recovery for several years on a daily buprenorphine prescription. There are no recent diagnosis codes, facility claims, or procedure codes — only the buprenorphine in pharmacy data.

Result: EXEMPT

Buprenorphine is an FDA-approved medication for opioid use disorder. It is sufficient on its own. A person who is stable in recovery still has a SUD — they are managing it.

EXAMPLE 2
THE DIAGNOSIS IS A TIER 2 CODE: PLACE OF SERVICE CLARIFIES

A person has a missing or Tier 2 diagnosis code. The place of service is 52 (Psychiatric Partial Hospital).

Result: EXEMPT

Partial hospitalization is an intensive treatment setting reserved for individuals whose condition requires near-inpatient level care. The setting alone establishes that this individual's condition is disabling.

EXAMPLE 3

NO FACILITY DATA: A PROCEDURE CODE AND A PRESCRIPTION DO THE WORK

A person has a Tier 2 code. There are no facility claims. However, CPT code 90839 (Psychotherapy for Crisis) appears in the encounter record, and pharmacy data shows long-term prescriptions for lamotrigine (mood stabilizer) and quetiapine (antipsychotic).

Result: EXEMPT

Crisis psychotherapy indicates the condition reached acute severity. Long-term dual medication management confirms the disorder requires ongoing pharmacological treatment. Together, these data points suggest a disabling condition.

EXAMPLE 4

NO DIAGNOSIS CODE: AN H-CODE TELLS THE STORY

A person has no diagnosis code in the encounter data and no facility-based claims. HCPCS code H0039 (Assertive Community Treatment, face-to-face) is present.

Result: EXEMPT

Assertive Community Treatment (ACT) is an intensive, team-based service model specifically designed for people with serious mental illness who have not responded to less intensive treatment. Its presence alone — even without a diagnosis code — is strong evidence of a disabling mental disorder.

Appendix

Instructions for State Medicaid Agencies

This appendix is intended to be completed by each state Medicaid agency prior to distributing this guide to eligibility staff and data analysts. Working in consultation with clinical advisors (including psychiatrists or behavioral health specialists familiar with the Medicaid population) as well as legal advisors, populate the mental health diagnosis lists that follow with your state's adopted tier assignments: conditions classified as disabling and those classified as potentially disabling.

Similarly, populate the lists of place of service codes, revenue codes, CPT procedure codes HCPCS H-codes, and medications that, in consultation with clinical advisors, suggest that an individual with no diagnosis or with a Tier 2 diagnosis code may have a qualifying exemption. For example, an individual taking an atypical antipsychotic or who is inpatient or in a partial hospitalization program may have a condition that is deemed disabling.

Once completed, this appendix becomes the reference for staff making ex parte exemption determinations in your state.

States should document the clinical and policy rationale for their tier assignments separately and retain that documentation for audit and review purposes.
This appendix should be reviewed and updated whenever CMS issues clarifying guidance, when clinical understanding of listed conditions evolves, or at the scheduled review date above — whichever comes first.

Where states have documented their clinical and policy rationale for exemption determinations, states should request that CMS defer to reasonable state judgment, consistent with the Medicaid program's foundational commitment to state flexibility.

Templates

Copy the Google Sheets Template

Download the Excel Template

State Tier Assignment List

State	Date of Adoption
Approved by	**Next Scheduled Review Date**

TIER 1
Disabling Conditions

The following mental health diagnosis codes have been determined by _____ to be disabling and exempt from community engagement requirements.

CODE	DESCRIPTION

State Tier Assignment List

State	Date of Adoption
Approved by	**Next Scheduled Review Date**

TIER 1
Disabling Conditions (continued)

CODE	DESCRIPTION

State Tier Assignment List

State	Date of Adoption
Approved by	**Next Scheduled Review Date**

TIER 2
Potentially Disabling with Supporting Evidence

The following diagnosis codes have been determined by _____ to be potentially disabling. The presence of any of these codes should prompt a review of additional data sources — including place of service, revenue, CPT procedure, and HCPCS H-codes, and medication data — before a determination is made.

CODE	DESCRIPTION

State Tier Assignment List

State	Date of Adoption
Approved by	**Next Scheduled Review Date**

TIER 2
Potentially Disabling with Supporting Evidence (continued)

CODE	DESCRIPTION

State

Date of Adoption

Approved by

Next Scheduled Review Date

Lookback Period

Data to Support Exemptions

The following place of service codes, revenue codes, CPT procedure codes, HCPCS H-codes, and medications suggest that an individual with no diagnosis code or a Tier 2 diagnostic code may have a qualifying exemption. **Note: Determine lookback period (e.g., 12 months) for data and note at top of each page used.**

Place of service codes

Federal law includes an exemption from Medicaid work requirements for individuals who are actively participating in a qualifying drug addiction or alcoholic treatment and rehabilitation program. **See page 17** for more detail.

CODE	DESCRIPTION

Supporting Evidence

State

Date of Adoption

Approved by

Next Scheduled Review Date

Lookback Period

Data to Support Exemptions

Revenue codes

CODE	DESCRIPTION

Supporting Evidence

State

Date of Adoption

Approved by

Next Scheduled Review Date

Lookback Period

Data to Support Exemptions

CPT procedure codes

CODE	DESCRIPTION

Supporting Evidence

State

Date of Adoption

Approved by

Next Scheduled Review Date

Lookback Period

Data to Support Exemptions

HCPCS H-codes

CODE	DESCRIPTION

Supporting Evidence

State

Date of Adoption

Approved by

Next Scheduled Review Date

Lookback Period

Data to Support Exemptions

Medications

CODE	DESCRIPTION

Notes

Notes

Notes

Notes

Notes

inseparable

MHA Mental Health America

About Inseparable

Inseparable is a leading mental health advocacy organization founded on the belief that the health of our minds is inseparable from the health of our bodies. Inseparable drives transformative change at the federal and state levels by engaging policymakers, mobilizing support, and advancing mental health and substance use disorder policies that help people thrive.

About Mental Health America

Mental Health America (MHA) was founded in 1909 and is the leading national nonprofit dedicated to the promotion of mental health, well-being, and illness prevention. Our work is informed, designed, and led by the lived experience of those most affected. Operating nationally and in communities across the country, Mental Health America advocates for access to behavioral healthcare for all, while increasing nationwide awareness and understanding through public education, direct services, tools, and research, making MHA a national standard bearer in public mental health advocacy and community-based solutions.

inseparable.us/medicaid

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