



SENATE BILL 177: Add Psychiatric Hospitals to Medicaid HASP.

2025-2026 General Assembly

Committee:	Senate Health Care. If favorable, re-refer to Rules and Operations of the Senate	Date:	March 26, 2025
Introduced by:	Sens. Hise, Burgin, Sawrey	Prepared by:	Jennifer Hillman
Analysis of:	First Edition		Staff Attorney

OVERVIEW: *Senate Bill 177 would make freestanding psychiatric hospitals eligible to receive increased Medicaid reimbursements, known as Healthcare Access and Stabilization Program or "HASP" reimbursements. Freestanding psychiatric hospitals would finance the State share of the cost of the HASP reimbursements through new hospital assessments. Implementation of these changes would be contingent upon federal approval, and the Department of Health and Human Services (DHHS) would be directed to request that approval.*

CURRENT LAW: Medicaid expansion legislation (S.L. 2023-7) created the Healthcare Access and Stabilization Program (HASP) under G.S. 108A-148.1, which provides increased Medicaid reimbursements to acute care hospitals that participate in Medicaid managed care. Acute care hospitals finance the State share of the HASP reimbursements through hospital assessments collected by DHHS under Article 7B of Chapter 108A of the General Statutes. Currently, only acute care hospitals participate in HASP, and freestanding psychiatric hospitals are excluded from participation in HASP.

BILL ANALYSIS: **Section 1** would authorize freestanding psychiatric hospitals to be added to the Medicaid Healthcare Access and Stabilization Program (HASP), which provides increased Medicaid reimbursements to acute care hospitals. A freestanding psychiatric hospital is defined in Section 2 as a hospital facility that (i) holds a license under the General Statutes pertaining to mental health, (ii) is primarily engaged in providing inpatient psychiatric services for the diagnosis and treatment of individuals with mental illness, and (iii) is not a State-owned or operated facility. In order to qualify for HASP reimbursements, a freestanding psychiatric hospital would have to report certain Medicare cost data, which is required for the calculation used to generate the funding for the HASP reimbursements. Section 1 directs the Department of Health and Human Services to request federal approval of this change to the HASP.

Sections 2 and 3 would amend the hospital assessment statutes in Article 7B of Chapter 108A of the General Statutes to add freestanding psychiatric hospitals as a type of hospital that is subject to the modernized hospital assessments and the hospital health advancement assessments. Section 2 would add to the modernized hospital assessments a new "freestanding psychiatric hospital modernized assessment," which would collect funding for the nonfederal share of HASP payments made for Medicaid beneficiaries who are not in the Medicaid expansion population. Section 3 would add to the hospital health advancement assessments a new "freestanding psychiatric hospital health advancement assessment," which would collect funding for the nonfederal share of HASP payment made for Medicaid expansion beneficiaries. Other changes in Sections 2 and 3 would be conforming changes to the hospital assessment statutes to account for the addition of the assessments on freestanding psychiatric hospitals.

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EFFECTIVE DATE: This act would be effective on the first day of the next assessment quarter after it becomes law and would apply to hospital assessments imposed on or after that date.

BACKGROUND: Section 9E.27 of S.L. 2023-134 directed DHHS to develop a proposal to allow freestanding psychiatric hospitals to receive reimbursements through the HASP, as long as the nonfederal share of those reimbursements are funded through hospital assessments in which freestanding psychiatric hospitals participate. DHHS submitted a March 1, 2024, [report](#)¹ to the Joint Legislative Oversight Committee on Medicaid, which proposed the legislative changes included in Senate Bill 177.

¹ The March 1, 2024, DHHS report titled "Proposal for Incorporating Freestanding Psychiatric Hospitals into the Healthcare Access and Stabilization Program (HASP)" is available online at <https://www.ncdhhs.gov/sl-2023-134-section-9e27b-haspfreestanding-psych-hospitals/download?attachment>.