SENATE BILL 257:
2026 Appropriations Act, Sec. 9G.2:
Local Inpatient Psychiatric Beds or Bed Days

2025-2026 General Assembly

Analysis of: S.L. 2026-41, Sec. 9G.2

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Prepared by: Legislative Analysis Division Staff

Section 9G.2 of S.L. 2026-41 (Senate Bill 257) allows funds appropriated to the Department of Health and Human Services (DHHS), Division of Mental Health, Developmental Disabilities, and Substance Use Services (Division) to continue to be used for the purchase of local inpatient psychiatric beds or bed days. The payments are based on the acuity of the patient. The purchase rate for the most acute patient cannot exceed the lowest average cost per patient bed day in State psychiatric hospitals. In addition, existing funds allocated to local management entities/managed care organizations (LME/MCOs) may be used to purchase additional local inpatient psychiatric beds or bed days. DHHS may allocate funding to the LME/MCOs for the purchase of facility-based crisis services, nonhospital detoxification services, and peer respite services to support individuals that do not meet the medical necessity for inpatient treatment and can be diverted from an inpatient hospital stay.

DHHS must work to ensure that any local inpatient psychiatric beds or bed days purchased are utilized solely for individuals who are medically indigent, but up to 40% of the funds appropriated may be used for the purchase of local inpatient psychiatric beds or bed days to pay for facility-based crisis services, nonhospital detoxification services, and peer respite services for individuals in need of these services, regardless of whether the individuals are medically indigent. DHHS must work to ensure that any local inpatient psychiatric beds or bed days purchased are distributed across the State and according to need.

Funds appropriated in this act to DHHS must be held in a statewide reserve at the Division to pay for services authorized by the LME/MCOs and billed by the hospitals through the LME/MCOs. LME/MCOs must remit claims for payment to DHHS within 15 working days after receipt of a clean claim from the hospital and must pay the hospital within 30 working days after receipt of payment from DHHS.

If DHHS determines that (i) an LME/MCO is not effectively managing the beds or bed days for which it has responsibility or (ii) the LME/MCO has failed to comply with the prompt payment provisions of this section, DHHS may contract with another LME/MCO to manage the beds or bed days or pay the hospital directly.

LME/MCOs must to report to DHHS regarding the utilization of these beds or bed days.

By December 1, 2026, DHHS must report to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division on all of the following:

- A uniform system for beds or bed days purchased during the preceding fiscal year from (i) existing State appropriations and (ii) local funds.
- An explanation of the process used by DHHS to ensure local inpatient psychiatric beds or bed days are utilized solely for individuals who are medically indigent, along with the number of medically indigent individuals served by the purchase of these beds or bed days.

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- The amount of funds used to pay for facility-based crisis services, along with the number of individuals who received these services and the outcomes for each individual.
- The amount of funds used to pay for nonhospital detoxification services, along with the number of individuals who received these services and the outcomes for each individual.
- Other DHHS initiatives funded by State appropriations to reduce State psychiatric hospital use.

This section became effective July 1, 2026.