

CHEAT SHEET

for the entire health care ecosystem

The Role of Medicare in Behavioral Health Care

Published – January 2023 • 5 min read

Key takeaways

- Patients can receive Medicare coverage in two ways: traditional Medicare administered by the federal government or Medicare Advantage (MA) administered by private health plans. If desired, patients can also purchase supplemental insurance.
- Medicare provides behavioral health coverage in four parts, including limited inpatient behavioral health care, certain outpatient behavioral health services with specific professionals, prescription medication, and any additional purchased services.
- The federal government sets Medicare payment rates, reimbursing provider types at different rates.

What is it?

Medicare is a federal health insurance program for younger individuals with disabilities, individuals aged 65 or older, and/or individuals with end stage renal disease. The Commonwealth Fund estimates about one of every four Medicare beneficiaries have a mental health condition. Medicare provides behavioral health coverage in several parts:

1. **Part A** covers inpatient behavioral health care in general hospital settings or psychiatric hospitals. Medicare has a lifetime limit of 190 days of inpatient coverage.
2. **Part B** covers specific outpatient behavioral health services with the following health professionals: psychiatrists or other doctors, clinical psychologists, clinical social workers, clinical nurse specialists, nurse practitioners, and physician assistants.
3. **Part C** provides any additional benefits or services through the purchase of a Medicare Advantage (MA) plan.
4. **Part D** covers prescription medication for behavioral health conditions.

Patients receive Medicare coverage through two ways: traditional Medicare administered by the federal government and Medicare Advantage (MA) administered by private health plans. Most patients covered by traditional Medicare also have supplemental health coverage through another payer, like Medicaid or a private health plan.

Medicare Advantage plans cover most services included in traditional Medicare plans, along with additional benefits. Though the Centers for Medicare and Medicaid Services (CMS) has expanded the supplemental benefits MA plans can cover, including services like transportation assistance and meal delivery, most MA plans have been slow to include coverage for additional non-clinical support that can benefit behavioral health conditions. In addition, MA plans can implement different cost-sharing arrangements from traditional Medicare, impose prior authorization requirements, and/or require provider referrals for Medicare Part A and Part B services, including behavioral health.

How does it work?

Financial overview

The federal government sets Medicare payment rates, reimbursing clinician types at different rates. For example, a psychiatrist is paid 100% of the allowable amount of the Medicare Physician Fee Schedule, whereas a clinical social worker is paid 75%.¹ Medicare beneficiaries are often responsible for set rates for deductibles and co-payments linked to covered behavioral health services. Sources of supplemental insurance like Medigap, Medicaid, and employer-sponsored retiree health coverage can offset some of the cost sharing required.

Relative to Medicaid, Medicare reimbursement rates for behavioral health services are significantly higher. This is partially possible because Medicare is much more selective about which providers they will allow into their network and what services they choose to cover. For example, Medicare will pay for services provided by psychiatrists, psychologists, clinical nurse practitioners, and clinical social workers but not Licensed Mental Health Counselors (LMHCs), Licensed Marriage and Family Therapists (LMFTs), or Licensed Professional Counselors (LPCs). In addition, Medicare does not cover peer support services, psychiatric rehabilitation, or assertive community treatment.² This results in variable out of pocket fees for patients depending on the type of Medicare plan, the type of service, and the type of provider delivering care.

1. FAQs on Mental Health and Substance Use Disorder Coverage in Medicare, KFF, June 6, 2022.

2. As of 2022.

Source: Advisory Board interviews and analysis.

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