DEPARTMENT OF HUMAN SERVICES

Intensive Rehabilitative Mental Health Services (IRMHS) Rate Setting Manual

08/01/2026

Introduction

This manual describes the rate setting procedures for Intensive Rehabilitative Mental Health Services (IRMHS) in accordance with Minnesota Statutes, section 256B.0947.

This manual is a summary of requirements and procedures. It is not a definitive compilation of all statutes, rules, regulations, standards, or best practices that may be applicable in each situation.

Provider Authorization Requirements for IRMHS Providers

Only providers authorized by the Commissioner of the Minnesota Department of Human Services (DHS) are eligible for Medicaid (MA)[1] reimbursement. The online MHCP Provider Manual is your primary information source for MHCP coverage policies, rates and billing procedures and is updated on an ongoing basis.

The DHS Commissioner authorizes IRMHS providers prior to establishing a Medicaid fee for service rate for the program, using procedures described in the remaining sections of this manual, including the Appendix.

IRMHS providers are contracted according to Minnesota Statutes, section 256B.0947, subdivision 4 and certified according to Minnesota Statutes, section 256B.0617. For the procedures on establishing a new IRMHS program or for technical assistance with the initial steps in the process, please contact the Behavioral Health Administration IRMHS team at irmhs.dhs@state.mn.us.

Client Eligibility Requirements for IRMHS

Eligibility requirements for clients of IRMHS are established in Minnesota Statutes, section 256B.0947, subdivision 3 and are included in the IRMHS section of the MHCP Provider Manual.

Overview of the Rate-Setting Process

DHS establishes rates for Intensive Rehabilitative Mental Health Services in accordance with Minnesota Statutes, section 256B.0947.Rates are regional, cost-based rates which are paid by Medicaid and re-evaluated annually. IRMHS providers are assigned to a region based on the IRMHS Regional Map. Regional direct service costs are calculated using cost report data submitted by all IRMHS providers within the region that have at least 12 months of operating expenses.

[1] Throughout this document, the terms Medicaid and Medical Assistance (MA) are used synonymously.

Direct service costs include the actual costs of direct service staff salaries, employee benefits, payroll taxes, training, and unreimbursed service-related travel expenses.

The total direct service costs for all eligible IRMHS providers within a region are divided by the total number of IRMHS service units provided in that region to determine the regional direct service cost per unit. The Other Program Cost (indirect service cost) rate is then applied to the direct service cost per unit, along with an annual inflationary adjustment.

For rate year 2027, the IRMHS indirect cost rate is 41 percent. The annual inflationary adjustment for 2027 will be calculated using the Centers for Medicare & Medicaid Services (CMS) Medicare Economic Index (MEI) based on the 12-month period from the midpoint of 2026 to the midpoint of the 2027 published in the third quarter of 2026, as required under Minnesota Statutes, section 256B.0947, subdivision 7(e).

If a region does not have any eligible IRMHS providers to report direct service costs within a region, then the costs of Assertive Community Treatment (ACT) providers within that region will be used as the basis for the calculation, with a comparable adjustment applied to reflect IRMHS service costs.

Initial Rate-Setting Process for a New Program

IRMHS providers, newly authorized partway through a rate year, will be paid the regional rate in effect at the time of authorization. Rates are re-evaluated annually beginning each August, with any changes taking effect the following January 1st.

Rate-Setting Timeline for Existing Programs

IRMHS providers authorized by the DHS Commissioner for federal Medicaid reimbursement prior to the current rate year, participate in a prospective, cost-based rate-setting process. The rate-setting process for the rate period of the following calendar year begins on or around August 1 of each year. The process follows the schedule presented in the following table. DHS retains the right to change these dates as necessary.

Dates	**Action**
On or around August 1	DHS notifies IRMHS providers of the rate-setting process.
On or around August 30	Providers submit their actual costs for the previous state fiscal year (July 1 to June 30) to DHS.

Dates	Action
On or around November 15	DHS submits updated regional IRMHS rates for the next calendar year (January 1 to December 31) to CMS for approval.
On or around April 1*	DHS publishes new CMS-approved regional rates.
*CMS has a 90-day review process which can be extended if there are outstanding questions	

Note: Until CMS approves the SPA and MMIS is updated to reflect the new rate, claims for IRMHS will continue to be reimbursed at the currently approved Medicaid rate. As with all Medicaid claims, providers should continue to bill their usual and customary charge in accordance with standard billing practices and claims are paid the lower of submitted charge or 100% of the rate. DHS does not direct or restrict the charge amount a provider submits on a claim; reimbursement will be based on the Medicaid-allowed amount in effect for the date of service, regardless of the amount billed. If CMS approves the pending SPA, and if the approved rate is made effective retroactively consistent with federal requirements, DHS will identify eligible claims paid during the retroactive period and process the appropriate adjustment. Providers may not bill Medicaid beneficiaries for the difference between billed charges and the Medicaid-allowed amount, beyond any cost-sharing permitted under the state plan.

Cost Report Spreadsheet Used in the Rate-Setting Process

Existing IRMHS programs must use spreadsheets to submit their actual costs to DHS for the previous state fiscal year. Spreadsheets are available on the DHS Service Rates Information page.

See the Appendix for additional information on completing the spreadsheets.

Rate-Setting Methodology

The prospective federal Medicaid rate-setting method mandated by Minnesota Statutes, section 256B.0947, subdivision 7 includes establishing regional cost-based rates based on paragraph (c) (2) “actual costs incurred by entities providing the services.”

Rate Components

Direct Service Costs

The Direct Service component of the rate is calculated by dividing Total Direct Service Costs by Total Units of Service. There are three parts that comprise the Direct Service Rate: (1) employee costs associated with the program's direct service staff, including salaries, benefits, and payroll taxes; (2) staff training, clinical supervision, and unreimbursed service-related travel; and (3) contracted direct service staff costs.

Once the Direct Service costs are determined, a flat percentage rate is applied to cover Other Program and Overhead Expense essential to the administration of the program (see below).

Other Program and Overhead Expenses

DHS determined a flat percentage rate of 41% for IRMHS to cover Other Program and Overhead Expenses; individual expenses do not directly affect the rate for that given year.

Other Program and Overhead Expenses include, but is not limited to the following:

- administrative staff, salaries, and benefits
- non-service-related travel
- central office allocations
- professional liability insurance
- organizational dues and subscriptions
- training provided to non-direct service staff
- supplies and materials
- equipment
- electronic records
- depreciation
- repairs and maintenance
- rent
- utilities
- financial and legal fees

Non-Allowable Costs

Costs that have been reimbursed through another payment source, including Medicaid fee-for-service billing, managed care payments, or grant funding, are non-allowable costs on the IRMHS cost report. Exclude these costs from the cost report to prevent duplicate reimbursement for the same expense. If you can't exclude these expenses from the cost report, subtract the revenue you received to reimburse them from your total direct service costs. Medicaid cannot reimburse non-medical, non-rehabilitative expenses, such as program participants' room and board costs, rent deposits, or vocational training for jobs. There are many other costs

that may also be non-allowable under federal reimbursement requirements. Providers of IRMHS services are responsible for the requirements in Minnesota Statutes, section 256B.0947, which specifies reporting of "actual costs incurred by entities providing the services." Actual cost is defined as costs which are allowable, allocable, and reasonable, and consistent with federal reimbursement requirements under 48 CFR 31.2 - Contracts With Commercial Organizations, relating to for-profit entities; and 2 CFR 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, (federal guidance that supersedes OMB A-122) relating to non-profit entities.

Audit Process

DHS may require documentation to verify the appropriateness of any expense presented in conjunction with the rate-setting process described in this manual. As with all Medicaid-reimbursed services, IRMHS providers are subject to audit by Federal and State authorities at any time, without notice.

Rates Paid by Other Payers

The federal Medicaid rate established by DHS for any provider must not exceed the rate charged by that provider for the same service to other payers (Minnesota Statutes, section 256B.0622, subdivision 8(g) and Minnesota Statutes, section 256B.0947, subdivision 7 (d).

Rates Setting Methodology by Region

To establish regional cost-based rates, costs are compared with other IRMHS providers in that region. If there are no IRMHS providers in a region, costs of providers of similar services will be used to set an interim rate.

Appendix

Guidance for Completing the Cost Report Spreadsheets for Existing Programs

Overview

Cost report spreadsheets are available on the DHS Service Rates Information page.

Important – please note:

- ***DHS may require documentation to verify the appropriateness of any expense reimbursed by State or Federal funds through Medicaid or other Minnesota Health Care Programs (MHCP).***

Naming Your Files

Before going further with the preparation of your cost report, please rename the Excel file using the following naming format:

- [Your IRMHS/Youth ACT Program's Name] Youth ACT FYXX Actuals.xls

Doing this will help DHS to distinguish your program(s) from the numerous other programs that will be submitting financial information at the same time.

Tab 1 – Direct Services Expenditures

There are three different Tabs at the bottom of the IRMHS Excel spreadsheet. Start with Tab 1.

Begin by entering your Program Name and Location, Service Location Address, Provider NPI, and County(s) of Service at the top of the page. (This information will automatically flow to the other Tabs on the spreadsheet.) The information in this section will be used to create rate letters and must be accurate/fully completed.

Next, enter the actual full-time equivalents (FTEs)[2] paid and the annual expenditures, by the categories provided and for the time periods specified. (Two years are required for comparison purposes). These entries must be for Direct Service staff on your payroll *only*; any Contract staff must be included in the Contracts section. Refer

[2] Throughout this document, FTE employment means 40 paid hours per week.

to the Intensive Rehabilitative Mental Health Services sections of the MHCP Provider Manual for important information regarding the types of individual providers authorized under the specific categories.

Include Benefits (retirement, insurance, etc.), Payroll Taxes (FICA, etc.), and Workers Compensation for the Direct Service staff identified. In most cases, bonuses that are not considered a distribution of profits are allowable. **Note: Separation expenses are considered an Administrative Expense and should be excluded from Direct Services expenditures.**

Specify the Contract staff (e.g., Psychiatrist, Registered Nurse, Interpreter, etc.) paid during the time periods identified. This should *include* any benefits, payroll taxes and/or administrative expenses for contracted staff that were paid directly by your organization, if applicable, but *exclude* direct service-related training expenses and direct service-related travel expenses.

Training for Direct Service Staff includes (but is not limited to) expenses that are clearly related to improving or maintaining the quality of direct services provided by the program. Examples include the following:

- training fees and conference fees for the program's direct service staff;
- expenses incurred by your organization when conducting in-service training activities to improve or maintain the quality of direct services provided to program participants; and
- clinical supervision for licensure.

Unreimbursed Service-Related Travel: IRMHS/Youth ACT provides for billing Service-related Travel separately from the per diem, so DO NOT include any expenses that were reimbursed by payment through H0046. Expenses related to Service-Related Travel that are not eligible for H0046 reimbursement (including transporting clients) may be included as well as expenses that are not fully reimbursed by H0046. No show travel cannot be included if no service is provided. IRMHS/Youth ACT may also include (but is not limited to) expenses such as the following—if those expenses are clearly related to the provision of direct services by the program: mileage to relevant staff training events, including in-service training at another location of your organization; and travel and accommodations to attend relevant professional conferences.

Do not include any expenses that were funded by federal or state grant funding. Grant funded expenditures must not be included in the cost build up here or they will be paid for twice (first by the grant, then again by the rate).

In the Units of Service Provided area of the spreadsheet, provide a breakout of the total count of billable daily charges, for the time frames identified and by the categories listed. Use the box at the bottom of the spreadsheet to provide additional information or explanation as well as reporting the total number of clients served.

Tab 2 – Summary of Rate Calculation and Certification

The table within Tab 2 summarizes the rate components to estimate the Total MA Rate for your program Please note that- IRMHS rates are calculated at a regional level so the provider-specific cost report does not reflect the final rate for your region.

- "Direct Services Expenditures Rate" is the Total Direct Service Expenditures divided by the Total Units of Service (from Tab 1).
- "Other Program and Overhead Expense" is a flat percentage of the Direct Services Expenditures Rate (currently 41% IRMHS programs).
- "Total MA Rate" is the sum of the Total Direct Services Expenditures Rate, plus the Other Program & Overhead Expense Rate. This does not include the MEI adjustment which will be calculated after 3rd quarter data is made available by CMS.
- Identify below all sources, purpose of, and amounts of grant funding (federal and state) received in FY26 for this program.

Providers must complete the certification section on Tab 2 for IRMHS before submitting the report. If the certification section is not filled out, the report is incomplete and will be returned to the provider.

Note – if your copy of the spreadsheet does not contain a certification section, please contact the Behavioral Health Administration IRMHS team at irmhs.dhs@state.mn.us.

Tab 3 – Other Program & Overhead Expense

The information provided in Tab 3 for IRMHS will be used to review the Other Program and Overhead Expense percentages. The current percentage of 41% for IRMHS will not change for CY2027 rates.