Medicare Advantage Health Maintenance Organization Enhanced Benefit Policy

Blue Cross Blue Shield Blue Care Network of Michigan

Nonprofit corporations and independent licensees of the Blue Cross and Blue Shield Association

State of Michigan Residential Mental Health and Substance Use Disorders

BCN Advantage℠
☒ Group
☐ Individual

Effective Date: 01/01/2027
Approval Date: 11/05/2026

Description

Residential mental health treatment is defined clinically as a 24-hour, non-hospital, live-in clinical service that provides structured psychiatric, therapeutic, and behavioral care for individuals with severe or complex mental health disorders.

Residential substance use treatment is a **live-in program** offering continuous support, clinical supervision, and evidence-based therapies in a safe, structured environment. Unlike inpatient hospital care, it focuses on **behavioral healing, life skills development, and social reintegration** rather than acute medical management.

Medicare Coverage

Original Medicare covers inpatient mental health services when a member is formally admitted to a general hospital or psychiatric hospital for the diagnosis and treatment of a mental health condition. Medicare Part A covers the inpatient hospital stay, including semi-private room, meals, general nursing, drugs furnished during the stay, and other medically necessary hospital services and supplies. Medicare Part B covers physician and other health care provider services received while the member is hospitalized. Coverage is subject to the applicable Part A deductible and daily coinsurance by benefit period. Inpatient psychiatric hospital care in a freestanding psychiatric hospital is limited to 190 days during the member's lifetime.

Original Medicare also covers mental health intensive outpatient program services under Medicare Part B when the services are furnished by an eligible provider and are medically necessary for the treatment of a mental health condition, including a substance use disorder. Intensive outpatient programs provide structured outpatient psychiatric care that is more intensive than traditional outpatient therapy but less intensive than partial hospitalization or inpatient care. Coverage generally requires a physician-certified plan of care showing that the member needs at least nine hours of therapeutic services per week. Covered services may include individual and group therapy, counseling, mental health education, medication management, diagnostic services, and other related behavioral health services. After the

Part B deductible is met, the member is responsible for applicable Part B coinsurance or cost sharing for covered services.

Policy Guidelines

Blue Care Network (BCN) Advantage is a Medicare Advantage Plan Health Maintenance Organization (HMO), which provides at least the same level of benefit coverage as Original Medicare (Part A and Part B) and may provide enhanced benefits beyond the scope of Original Medicare within a single health care plan. This flexibility allows BCN to offer enriched plans by using Original Medicare as the base program and adding desired benefit options.

After searching the Medicare Coverage Database and other sources of conditions of coverage, it was determined that either Original Medicare does not provide coverage or has restrictions that have been modified or removed for the items/services found in this enhanced benefit policy.

Since Original Medicare doesn't cover **residential mental health treatment or residential substance abuse treatment** the scope of the benefit, reimbursement methodology, maximum allowable payment amounts and member cost sharing are determined by BCN Advantage (Individual or the groups that select this benefit).

The following is applicable for this enhanced benefit policy:

Revenue Codes

Revenue Code(s)	Code Description:
1001	Residential treatment - Psychiatric
1002	Residential treatment - Chemical Dependency

CPT/HCPCS Codes

CPT/HCPCS Code(s):	Code Description:
Not Applicable	

CPT® codes, descriptions and materials are copyrighted by the American Medical Association (AMA).
HCPCS® codes, descriptions and materials are copyrighted by Centers for Medicare and Medicaid Services (CMS).

ICD-10 Codes

ICD-10 Code(s):	Code Description:
F00 – F00.9	Dementia in Alzheimer's disease

F01 – F09	Mental disorders due to known physiological conditions
F10 – F19	Mental and behavioral disorders due to psychoactive substance use
F20 – F29	Schizophrenia, schizotypal, delusional, and other non-mood psychotic disorders
F30 – F39	Mood (affective) disorders
F40 – F48	Anxiety, dissociative, stress-related, somatoform and other nonpsychotic mental disorders
F50 – F59	Behavioral syndromes associated with physiological disturbances and physical factors
F60 – F69	Disorders of adult personality and behavior
F70 – F79	Intellectual disabilities
F80 – F89	Pervasive and specific developmental disorders
F90 - F98	Behavioral and emotional disorders with onset usually occurring in childhood and adolescence
F99	Unspecified mental disorder

ICD-10® codes, descriptions and materials are copyrighted by the World health Organization (WHO).

Conditions for payment

The table below specifies payment conditions for residential mental health and substance abuse disorders.

Conditions for Payment	
Eligible Provider	Contracted Psychiatric Residential Treatment Facility, Substance Abuse Facility
Payable Location	086: Residential facility
Frequency Limits	Not applicable
CPT/HCPCS Code Restriction	Rev Codes: 1001, 1002
Diagnosis Restrictions	F0001- F9999
Age Restrictions	Not applicable

BCN Advantage Reimbursement

BCN Advantage plan's maximum payment amount for the Residential Mental Health and Substance Use Disorders benefit is consistent with Original Medicare. The provider will be paid the lesser of Medicare's allowed amount or the provider's charge, minus the member's cost share. This represents payment in full and providers are not allowed to balance bill the member for the difference between the allowed amount and the charge.

Member cost sharing

- BCN Advantage providers should collect the applicable cost sharing from the member at the time of the service when possible. Cost sharing refers to a flat-dollar copayment, a percentage coinsurance or a deductible.
- Providers can only collect the appropriate BCN Advantage cost sharing amounts from the member.
- If the member elects to receive a noncovered service, he or she is responsible for the entire charge associated with the non-covered service.
- Providers may not have members sign an Advance Beneficiary Notice of Noncoverage to accept financial responsibility for non-covered items. If there is any question about whether an item is covered, seek a coverage determination from BCN Advantage before providing the item to the member. If a provider issues a non-covered item to a member without first obtaining a coverage determination, the member must be held harmless for all charges except for any applicable cost share.

To verify benefits and cost-share, providers may utilize our provider portal or call 1-800-344-8525.

Billing instructions for members

1. *Bill services on the UB-04 or the 837 equivalent claim form.*
2. Use the BCN Advantage unique billing requirements.
3. Report CPT/HCPCS codes and diagnosis codes to the highest level of specificity.
4. Report your National Provider Identifier number on all claims.
5. Send your electronic and paper claims to BCN Advantage.
6. Use electronic billing:
    a. **Michigan Providers:** Copies of the ANSI ASC X 12N 837 and 835 Institutional Health Care Claim and Health Care Claim Payment/Advice (Blue Cross Electronic Data Interchange (EDI) Institutional 837/835 Companion Documents) are available on the Blue Cross website under the reference library section at bcbsm.com/providers/help/edi/.
    b. **Providers outside Michigan:** Members of BCN Advantage HMO-POS plans have a point-of-service benefit offered through the nationwide network of Blue Plan Providers via the Blue Cross and Blue Shield Association. Providers outside Michigan who participate with Blue plans can provide preauthorized routine and follow-up care as necessary. Contact your local Blue plan for billing instructions.
7. Send paper claims to:

    BCN Advantage Claims Blue Care Network
    P.O. Box 68753

Grand Rapids, MI 49516-8753

References

1. *National Coverage Determination*
    - *Not Applicable*
2. *Local Coverage Determination*
    - *Not Applicable*
3. *Medicare Benefit Policy Manual*
    - *Not Applicable*
4. *Medicare Claims Processing Manual*
    - *Not Applicable*
5. *Related internal Medical Policy*
    - *Not Applicable*
6. *Other:*
    - *What Is Residential Treatment? Meaning, Benefits & How It Works*
    - *Residential Treatment Centers | Substance Use Treatment*

(The above information is current as of the review date for this policy. However, the coverage issues and policies maintained by the Centers for Medicare & Medicare Services (CMS) are updated and/or revised periodically. Therefore, the most current CMS information may not be contained in this document. For the most current information, please refer to CMS.gov website.)

Important Reminder

Medicare Advantage Enhanced Benefit Policies list the criteria BCBSM and BCN use to decide which medical services are considered “reasonable and necessary” when Medicare coverage rules are not fully developed. Individual member benefit plan documents, such as the Evidence of Coverage and Annual Notice of Change, as well as applicable laws govern benefit coverage, including any inclusion, exclusion, and/or other restrictions.

Medicare Advantage Enhanced Benefit policies are created when permitted by applicable laws, reviewed regularly, and may be revised periodically. BCBSM/BCN Enhanced Benefit Policies are proprietary and should not be copied or disseminated without the express, prior written approval of BCBSM. All providers are required to review applicable BCBSM reimbursement policies prior to claim submission and bill for covered services in accordance with those policies. Additionally, providers contracted with BCBSM or BCN’s Medicare Advantage network(s) should review the provider manual for any additional claim submission requirements. Providers not contracted with BCBSM or BCN’s Medicare Advantage network may be required to submit documentation supporting billed claims, including but not limited to applicable medical records.

Disclaimer: This Enhanced Benefit Policy is not an authorization, certification, explanation of benefits, or a contract for the services, devices, or drugs that is referenced in this Enhanced Benefit Policy. Enhanced benefit policies do not constitute medical advice and do not guarantee any results or outcomes or guarantee payment. The Enhanced Benefit Policy is not intended to replace independent medical judgment for treatment of individuals. Treating physicians and health care providers are solely responsible for determining what care to provide to their patients. Identification of selected brand names of devices, tests and procedures in a medical coverage policy is for reference only and is not an endorsement of any one device, test, or procedure over another.

Pursuant to Section 1557 and Section 504, Blue Cross does not discriminate on the basis of race, color, national origin, age, disability, or sex (including sex characteristics, intersex traits; pregnancy or related conditions; sexual orientation; gender identity, and sex stereotypes). This includes our rules, benefit designs and medical policies.

BCN Advantage Policy History

Policy Effective Date	BCN Approval Date	Comments
01/01/2027	11/05/2026	Policy created.

Approval date reflects date approved by Medicare Advantage Medical Director and/or delegated clinician.