Medical Necessity Criteria Policy

Program: Behavioral Health Day Treatment / Partial Hospitalization Program
Effective Date: March 14, 2026
Review Date: March 14, 2027
Responsible Party: Medical Director / Director of Medical & Clinical Services

Policy

The organization ensures that behavioral health services are delivered only when medically necessary, clinically appropriate, and consistent with the individual needs of the person served. Medical necessity determinations guide admission, continued stay, service intensity, and discharge planning for the Day Treatment Program.

Medical necessity determinations are based on:

- Clinical assessment findings
- Functional impairment
- Risk level
- Evidence-based treatment practices
- Professional clinical judgment
- Applicable payer requirements

All determinations are documented in the individual's clinical record.

Purpose

The purpose of this policy is to:

- Ensure that services are clinically justified and appropriate
- Promote appropriate level-of-care placement
- Support effective use of resources
- Ensure compliance with CARF standards and payer requirements

- Maintain consistency in clinical decision-making

Definition of Medical Necessity

Medical necessity exists when behavioral health services are required to:

- Diagnose, treat, or manage a mental health or substance use disorder
- Reduce or prevent worsening of psychiatric symptoms
- Improve functioning and stability
- Prevent hospitalization or other higher levels of care
- Support recovery and community functioning

Services must be reasonable, necessary, and appropriate for the condition being treated.

Clinical Criteria for Day Treatment Medical Necessity

An individual may meet medical necessity for Day Treatment services when the following conditions are present.

1. Diagnosable Behavioral Health Condition

The individual has a DSM-5-TR diagnosable mental health or co-occurring substance use disorder.

Examples include:

- Major depressive disorder
- Bipolar disorder
- Anxiety disorders
- Trauma-related disorders
- Schizophrenia spectrum disorders
- Co-occurring substance use disorders

2. Moderate to Severe Symptom Severity

Symptoms significantly interfere with functioning and may include:

- Severe depression or anxiety
- Mood instability
- Trauma-related distress
- Impulsivity or behavioral dysregulation
- Persistent psychiatric symptoms despite outpatient treatment

3. Functional Impairment

The individual demonstrates clinically significant impairment in one or more areas:

- Occupational functioning
- Educational functioning
- Social relationships
- Activities of daily living
- Emotional regulation
- Decision-making ability

4. Need for Intensive Structured Treatment

The individual requires a structured therapeutic program multiple hours per day, including:

- Group therapy
- Individual therapy
- Psychiatric evaluation and medication monitoring
- Psychoeducation

- Skills training
- Case management or care coordination

Day Treatment provides a level of care more intensive than outpatient services but less restrictive than inpatient hospitalization.

5. Risk Factors

The individual may present with moderate psychiatric risk, including:

- Suicidal ideation without imminent plan or intent
- Recent psychiatric hospitalization
- Rapid symptom escalation
- Risk of relapse or deterioration without structured care

Individuals requiring 24-hour supervision or inpatient stabilization will be referred to a higher level of care.

6. Ability to Participate in Treatment

The individual must be able to:

- Participate in group-based treatment
- Engage in therapeutic interventions
- Follow program expectations
- Benefit from structured outpatient care

Continued Stay Criteria

Continued participation in Day Treatment services remains medically necessary when:

- Psychiatric symptoms remain present and require structured treatment

- Functional impairment continues to interfere with daily functioning
- Progress toward treatment goals is ongoing but incomplete
- Reduction in service intensity would likely result in symptom worsening
- Additional time is needed to stabilize symptoms and improve coping skills

Continued stay decisions are supported through:

- Ongoing clinical assessment
- Treatment plan review
- Outcome monitoring
- Multidisciplinary case consultation

Discharge Criteria

Discharge from Day Treatment occurs when:

- Treatment goals are substantially met
- Symptoms have stabilized
- The individual can safely transition to a lower level of care
- Continued Day Treatment services are no longer medically necessary
- The individual chooses to discontinue services

Transition planning includes referral to:

- Outpatient therapy
- Intensive outpatient treatment
- Medication management
- Community support services

Documentation Requirements

Medical necessity must be supported through documentation in the clinical record including:

- Comprehensive clinical assessment
- Diagnosis
- Risk assessment
- Functional impairment documentation
- Individualized treatment plan
- Progress notes demonstrating therapeutic interventions
- Treatment plan reviews
- Discharge planning documentation

Utilization Review

Medical necessity is monitored through an internal utilization review process.

Reviews may include:

- Admission review
- Continued stay review
- Treatment progress evaluation
- Discharge readiness assessment

Utilization review ensures services remain appropriate, effective, and clinically justified.

Quality Improvement

Medical necessity practices are evaluated through the organization's Quality Improvement Program, which may include:

- Chart audits

- Utilization review analysis
- Outcome measurement review
- Clinical supervision

Findings are used to improve clinical practices and ensure compliance with regulatory and accreditation standards.