COMMONWEALTH of VIRGINIA

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September 22, 2026

To: The Honorable L. Louise Lucas, Chair, Senate Finance Committee
The Honorable Luke E. Torian, Chair, House Appropriations Committee

From: Daryl Washington, Commissioner, DBHDS

Cc: The Honorable Marvin B. Figueroa, Secretary of Health and Human Resources

RE: Item 300 R, 2026 Special Session I Appropriations Act

Item 300 R of the 2026 Special Session I Appropriations Act provides $8,000,000 each year of the biennium to develop supervised residential care, targeting individuals on the state's extraordinary barriers to discharge list (EBL) at state hospitals, and directs the Department of Behavioral Health and Developmental Services (DBHDS) to provide a quarterly report on the establishment of supervised residential care in the Commonwealth, specifically for individuals in state hospitals who are on the EBL. The language states:

> *Out of this appropriation, $8,000,000 the first year and $8,000,000 the second year from the general fund is provided for supervised residential care for 100 individuals. The department shall give priority to projects that prioritize individuals on the state's extraordinary barriers list. Projects may include public-private partnerships, to include contracts with private entities. Notwithstanding any other provision of law, contracts entered into pursuant to this paragraph shall be exempt from competition as otherwise required by the Virginia Public Procurement Act, §§ 2.2-4300 through 2.2-4377, Code of Virginia. The Department shall report quarterly on projects awarded with details on each project and its projected impact on the state's extraordinary barriers list. The report shall be submitted to the Chairs of House Appropriations and Senate Finance and Appropriations Committee no later than 30 days after each quarter ends.*

Quarterly report for April 1, 2026, through June 30, 2026:

At any given time, there are approximately 160 individuals in state hospitals who are clinically appropriate for discharge. Of this total, 70 to 80 are experiencing extraordinary barriers to

discharge. One of the most common barriers is access to required residential care in the community. Although individuals in state hospitals are referred to programs such as assisted living facilities for care, most of these programs do not provide behavioral health care and do not have expertise in serving individuals with psychiatric needs. Mental health group homes are one option to provide the specialized behavioral health and supervision needed for some individuals on the EBL; however, this service is currently not reimbursed by Medicaid. Small, integrated mental health group homes hold many advantages over larger congregate, non-specialized settings, including:

- low staff-to-resident ratios;
- behavioral health services provided by the program including individual and group treatment options;
- staff with specialized training in behavioral health care and other specialties, including working with forensic populations;
- programs that provide more community integration opportunities;
- ability to develop homes based on identified needs, including enhanced supervision, legal needs, psychiatric needs, and medical needs;
- individualized care with a focus on transitioning to less restrictive levels of care (including independent living) for individuals who are eligible.

These specialized group homes have become an essential component of the continuum of care for individuals with serious psychiatric disorders transitioning from DBHDS state facilities.

During the quarter, DBHDS utilized emergency contracting authority to develop four additional homes to address urgent discharge needs and expand community capacity. In addition, this model was leveraged to create a highly specialized residential placement for an individual with a history of multiple state hospital admissions who has consistently identified returning to their home community as critical to their long-term recovery. Because that region lacked the residential infrastructure necessary to support their needs, DBHDS partnered with a community provider to identify a suitable home and develop the specialized services required to support a successful community transition. This individualized approach demonstrates the flexibility of the model and its ability to address complex discharge barriers while reducing the likelihood of future state hospital readmissions.

Status of Supervised Residential/Mental Health Group Homes in Virginia

Currently, DBHDS contracts with Gateway Homes and multiple Community Services Boards (CSBs) to provide supervised residential care and transitional group home services. These programs are specifically for individuals who are diverting or discharging from state hospitals and are funded with Discharge Assistance Program (DAP) funding. These programs, first developed in 2017, serve an average of 400 individuals per year. While these programs have successfully assisted in expediting discharges from state hospitals, as evidenced by both a decrease in the EBL over the past several years as well as a significant decrease in the length of stay of individuals on the EBL, they are transitional in nature and do not provide the highly specialized services needed by some individuals who experience the longest lengths of stay on the EBL.

In December 2023, DBHDS issued a Request for Applications (RFA) for possible vendors to provide specialized residential care/group home services to individuals on the EBL who require highly intensive services. The RFA specified that these group homes should provide services to no more than four individuals in each home. DBHDS received responses from three private providers.

As of December 31, 2025, all homes were operational, licensed, and accepting referrals. Additionally, many have waitlists for beds to become available.

As of May 29, 2026, DBHDS housed 110 individuals in the Mental Health Group Homes (MHGH); this included the newly added beds through the emergency process.

- 17 individuals were NGRI (Not Guilty by Reason of Insanity) and actively taking 48-hour passes.
- 6 of the 93 full-time residents were diversions from a state hospital.
- 48 individuals were on the waitlist for one or more of the MHGH beds.