

Behavioral Health Law Ledger | March 2025



Welcome to the Ledger

The March 2025 issue of Greenberg Traurig’s quarterly Behavioral Health Law ledger explores two behavioral health legal developments: proposed legislation in several states that would affect behavioral and mental health operations, including reimbursement for mental health services and enforcement of fraud and abuse laws for substance use disorder facilities; and a rise in hospital closures, including psychiatric hospitals.

Pending Legislation Review: State Legislation that May Impact Behavioral Health

Multiple states have introduced legislation with may affect behavioral and mental health operations on a state level.

Legislation on Behavioral Health Operations

Colorado

- Colorado **Senate Bill 25-042** proposes to empower Colorado’s Behavioral Health Administration to address reimbursement shortages for behavioral health services and to fill in gaps in Colorado’s continuum of care for behavioral health crises. On an operational level, this would increase the number of reimbursable days for inpatient mental health services from 15 days to 60 days. In addition, this bill proposes to amend how involuntary mental health holds are handled and would change the discharge requirements for patients admitted on involuntary mental health holds.
- Possible effects: Should this bill pass, we anticipate changes relating to reimbursement for mental health services in Colorado, which may improve accessibility gaps that persist. Nevertheless, even if the bill does not pass, this legislation demonstrates Colorado legislators’ focus on behavioral health in the

state and continues the trend of improving access to, and reimbursement for, behavioral health services state-wide.

California

- California **Senate Bill 35** proposes to revise existing enforcement and increase scrutiny on substance use disorder (SUD) recovery facilities within California. Operationally, this bill would authorize the suspension and/or revocation of SUD facilities' licenses for facilities who engaged in patient brokering and other kickback schemes. This bill would also empower city and district attorneys to enforce these measures, thereby potentially increasing local enforcement and scrutiny.
- Possible effects: This is the second bill on scrutiny into SUD recovery facilities to be introduced since the passage of California's Ethical Treatment for Persons with Substance Use Disorder Act (Cal. Health & Safety Code § 11857 et seq.) in 2022. Should this bill pass, it would strengthen enforcement of fraud and abuse laws for SUD facilities. However, even if the bill does not pass, this proposed legislation demonstrates a continued focus on and prioritization of SUD facility compliance within California.

Legislation on Mental Health Services and Education

Eighteen states have proposed legislation regarding education around maternal mental health. These states are Alabama, Arizona, California, Connecticut, Georgia, Maryland, Massachusetts, Minnesota, Mississippi, New Hampshire, New Jersey, New Mexico, Oklahoma, Tennessee, Virginia, and West Virginia.

These proposed bills include legislation to provide coverage for perinatal and post-partum depression screening, extending delivery and post-natal care to fee-for-service models to improve care outcomes, improving patient and practitioner education on maternal mental health, and legislation commissioning studies on SUDs and behavioral health concerns within maternal mental health.

Together, these bills represent a continued state-level shift towards prioritizing mental health on a populational level. Should these bills pass, we anticipate potential changes in reimbursement and covered services on a state level, as well as further research into this field.

Rise in Hospital Closures May Reduce Accessibility of Behavioral Health Services

In 2025, there has been a large increase in closures of hospitals, including psychiatric hospitals. To date in 2025, at least 13 hospitals have closed their doors or announced imminent closures. In almost every case, the hospital administrators have stated that the decision to cease operations was caused by financial and operational considerations, including reimbursement challenges and ongoing labor shortages.¹ At least one other hospital has shuttered its inpatient psychiatric wing following ongoing concerns regarding its patient census and reimbursement.²

Of the 13 hospitals to have closed or announced imminent closure, two are in Colorado, where an additional hospital-based behavioral health provider is also closing (or at least reorganizing and relocating its operations elsewhere). On March 1, 2025, Johnstown Heights Behavioral Health ceased operations. West Springs Hospital closed effective March 10, 2025. Each of these hospitals cited ongoing financial and operational struggles that influenced these closures. Finally, West Pines Behavioral Health, a hospital-based behavioral health provider, has announced it will close its Lutheran Hospital campus operations

¹ See [10 hospital closures in 2025 – Becker's Hospital Review | Healthcare News & Analysis](#).

² See [Endeavor cuts jobs amid service reductions – Becker's Hospital Review | Healthcare News & Analysis](#).

effective March 31, 2025.³ Much of its staff and operations appear to have been relocated to the new West Pines Behavioral Hospital, which is a fairly new adult (with adolescent and senior inpatient services coming in the near future) psychiatric hospital in Westminster through the partnership of Acadia Healthcare and Intermountain Health that was initially licensed as a psychiatric hospital in December 2024.⁴ Including the new addition of West Pines Behavioral Hospital, there are now eight psychiatric hospitals in Colorado, two of which are run by the state of Colorado, and all eight of which are on the front range urban corridor of Colorado.

These closures come on the heels of the [Center for Healthcare Quality and Payment Reform's February 2025 Report](#) stating that “[m]ore than 700 rural hospitals—one-third of all rural hospitals in the country—are at risk of closing because of the serious financial problems they are experiencing. Over 300 of these rural hospitals are at immediate risk of closing because of the severity of their financial problems.” In light of ongoing nationwide financial struggles of health care providers, including psychiatric hospitals and those serving rural populations, behavioral health patients may face reduced accessibility for behavioral and mental health care, especially on Colorado’s western slope, despite increasing need for such service access in recent years.

Let’s Stay in Touch

GT’s Behavioral Health Law Ledger keeps behavioral health and integrated health providers current on behavioral health legal and regulatory developments. Each quarter we highlight recent legal developments, including but not limited to audit risks, significant litigation, enforcement actions, and changes to behavioral-health-related laws or regulations such as health privacy, confidentiality, and/or security issues, consent issues, data-sharing allowances, and other cutting-edge arrangements and issues facing behavioral and integrated health care providers.

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³ See generally [Nearly 500 behavioral health workers in Colorado have been laid off in the past 3 months | The Colorado Sun](#).

⁴ See [Colorado to get more mental health bed options, new hospital amid “near crisis” | the Colorado Sun](#).

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