

119<sup>TH</sup> CONGRESS  
1<sup>ST</sup> SESSION

# S. 1673

To authorize the Secretary of Health and Human Services to make loans and loan guarantees for planning, constructing, or renovating pediatric or adult mental health treatment facilities and pediatric or adult substance use disorder treatment facilities, and for other purposes.

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## IN THE SENATE OF THE UNITED STATES

MAY 8, 2025

Mr. MERKLEY (for himself and Mrs. HYDE-SMITH) introduced the following bill; which was read twice and referred to the Committee on Health, Education, Labor, and Pensions

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## A BILL

To authorize the Secretary of Health and Human Services to make loans and loan guarantees for planning, constructing, or renovating pediatric or adult mental health treatment facilities and pediatric or adult substance use disorder treatment facilities, and for other purposes.

1        *Be it enacted by the Senate and House of Representa-*  
2        *tives of the United States of America in Congress assembled,*

3        **SECTION 1. SHORT TITLE.**

4        This Act may be cited as the “Mental Health Infra-  
5        structure Improvement Act of 2025”.

1 **SEC. 2. LOANS AND LOAN GUARANTEES.**

2 Part P of title III of the Public Health Service Act  
3 is amended by inserting after section 399V-7 of such Act  
4 (42 U.S.C. 280g-18) the following:

5 **“SEC. 399V-8. LOANS AND LOAN GUARANTEES FOR PLAN-**  
6 **NING, CONSTRUCTING, OR RENOVATING ELI-**  
7 **GIBLE FACILITIES FOR PEDIATRIC OR ADULT**  
8 **MENTAL HEALTH AND SUBSTANCE USE DIS-**  
9 **ORDER SERVICES.**

10 “(a) IN GENERAL.—The Secretary may—

11 “(1) make loans and loan guarantees to eligible  
12 entities for the purpose of—

13 “(A) constructing or renovating, including  
14 planning the construction or renovation of, a  
15 pediatric or adult mental health treatment facil-  
16 ity or a pediatric or adult substance use dis-  
17 order treatment facility;

18 “(B) improving digital infrastructure, tele-  
19 health capabilities, or other patient care infra-  
20 structure at such a facility; or

21 “(C) adding, or converting beds to, adult  
22 or pediatric psychiatric and substance use inpa-  
23 tient beds at such a facility; and

24 “(2) subject to subsection (e), make loans and  
25 loan guarantees for refinancing loans that were  
26 made for such purpose to an eligible entity.

1       “(b) PREFERENCE.—In making loans and loan guar-  
2       antees under this section, the Secretary shall give pref-  
3       erence to eligible entities proposing to construct or ren-  
4       ovate a pediatric or adult mental health treatment facility,  
5       or a pediatric or adult substance use disorder treatment  
6       facility, as determined by the Secretary, that will—

7               “(1) increase the number of pediatric or adult  
8       psychiatric beds or pediatric or adult substance use  
9       disorder beds in a county that has insufficient psy-  
10      chiatric or substance use disorder treatment bed ca-  
11      pacity;

12              “(2) provide mental health or substance use  
13      disorder services in a high-need rural or  
14      underresourced community;

15              “(3) provide multiple services across the con-  
16      tinuum of mental health or substance use disorder  
17      care; or

18              “(4) have the capacity to provide integrated or  
19      specialized mental health and substance use disorder  
20      care for complex cases or patients with medical co-  
21      morbidities.

22       “(c) SET-ASIDE.—The Secretary shall allocate at  
23      least 25 percent of the funds under this section for any  
24      fiscal year for awards to construct or renovate facilities  
25      serving primarily pediatric and adolescent populations.

1       “(d) TERMS AND CONDITIONS.—Loans and loan  
2 guarantees under this section shall be made on such terms  
3 and conditions as the Secretary may prescribe, subject to  
4 the provisions of this section including the following:

5               “(1) The Secretary may allow credit to a pro-  
6 spective borrower only where—

7                       “(A) it is necessary to increase the number  
8 of psychiatric or substance use disorder treat-  
9 ment facilities to enhance the public’s access to  
10 a comprehensive continuum of mental health  
11 and substance use disorder services; and

12                       “(B) a credit subsidy is the most efficient  
13 way to achieve such increase (on a borrower-by-  
14 borrower basis).

15               “(2) The final maturity of loans made or guar-  
16 anteed under this section shall not exceed a period  
17 of 20 years, or the period of 50 percent of the useful  
18 life of any physical asset to be financed by the loan,  
19 whichever is less as determined by the Secretary.

20               “(3) The Secretary may not make a loan guar-  
21 antee under this section, with respect to any bor-  
22 rower, in excess of 80 percent of any potential loss  
23 on the loan.

1           “(4) The Secretary may not make any loan or  
2 loan guarantee under this section if the loan will be  
3 subordinated—

4                   “(A) to another debt contracted by the  
5 borrower; or

6                   “(B) to any other claims against the bor-  
7 rower in the case of default.

8           “(5) The Secretary may not make any loan  
9 guarantee under this section unless the Secretary  
10 determines, at the Secretary’s discretion, that—

11                   “(A) the lender is responsible; and

12                   “(B) adequate provision is made for serv-  
13 icing the loan on reasonable terms and pro-  
14 tecting the financial interest of the United  
15 States.

16           “(6) The Secretary may not make any loan  
17 guarantee under this section if the income from the  
18 loan will be excluded from gross income for purposes  
19 of chapter 1 of the Internal Revenue Code of 1986.

20           “(7) The Secretary may not make any loan or  
21 loan guarantee under this section unless—

22                   “(A) the loan and interest supplements on  
23 any loan guarantee will be at an interest rate  
24 that is set by reference to a benchmark interest  
25 rate on marketable Treasury securities with a

1 similar maturity to the loan being made or  
2 guaranteed; and

3 “(B) the minimum interest rate on the  
4 loan—

5 “(i) will be no less than the estimated  
6 cost to the Government of making the loan  
7 plus 1 percent, with the goal of keeping  
8 the interest rate below the interest rate of  
9 a comparable and competitive private sec-  
10 tor benchmark financial instrument; and

11 “(ii) will be adjusted, as determined  
12 by the Secretary, every quarter to take ac-  
13 count of changes in the interest rate of the  
14 benchmark financial instrument.

15 “(8) The Secretary may not make any loan or  
16 loan guarantee under this section unless—

17 “(A) fees or premiums on the loan or loan  
18 guarantee and corresponding insurance cov-  
19 erage will be set at levels that minimize the cost  
20 to the Government (as defined in section 502(5)  
21 of the Federal Credit Reform Act of 1990) of  
22 insuring such loan or loan guarantee, while sup-  
23 porting achievement of enhancing the public’s  
24 access to a comprehensive continuum of mental  
25 health and substance use disorder services, in-

1 including increasing the number of inpatient psy-  
2 chiatric and substance use disorder bed counts  
3 in areas with insufficient bed capacity;

4 “(B) the minimum guarantee fee or insur-  
5 ance premium imposed by the Government will  
6 be no less than the level sufficient to cover all  
7 of the estimated costs to the Government of the  
8 expected default claims, plus one percent; and

9 “(C) loan guarantee fees imposed by the  
10 Government will be reviewed every six months  
11 to ensure that the fees imposed on new loan  
12 guarantees are at a level sufficient to satisfy  
13 subparagraph (B) based on the most recent es-  
14 timates of such costs.

15 “(9) The provisions of any loan guarantee  
16 under this section shall state that the guarantee is  
17 conclusive evidence that—

18 “(A) the guarantee has been properly ob-  
19 tained;

20 “(B) the underlying loan qualified for the  
21 guarantee; and

22 “(C) except in the case of fraud or mate-  
23 rial misrepresentation by the holder of the loan,  
24 the guarantee will be presumed to be valid,  
25 legal, and enforceable.

1           “(10) The Secretary may not make any loan or  
2 loan guarantee under this section unless—

3           “(A) the borrower finances at least 25 per-  
4 cent of the funded project from other sources;  
5 and

6           “(B) the borrower uses funds that were  
7 not derived from Federal loans or loan guaran-  
8 tees to pay the fees or premiums on the loan or  
9 loan guarantee under this section.

10          “(11) The Secretary—

11           “(A) shall prescribe explicit standards for  
12 use in periodically assessing the credit risk of  
13 new and existing direct loans and guaranteed  
14 loans; and

15           “(B) shall not make a loan or loan guar-  
16 antee under this section unless the Secretary  
17 finds that there is a reasonable assurance of re-  
18 payment.

19          “(e) LIMITATION ON REFINANCING.—The authority  
20 vested by subsection (a)(2)—

21           “(1) authorizes making loans and loan guaran-  
22 tees only for refinancing loans that are entered into  
23 on or before the date that is 24 months before the  
24 date of enactment of the Mental Health Infrastruc-  
25 ture Improvement Act of 2025; and

1           “(2) terminates on the date that is 24 months  
2 after such date of enactment.

3           “(f) PAYMENT OF LOSSES.—

4           “(1) DEFAULT ON GUARANTEED LOANS.—If, as  
5 a result of a default by a borrower under a loan  
6 guaranteed under this section, after the holder  
7 thereof has made such further collection efforts and  
8 instituted such enforcement proceedings as the Sec-  
9 retary may require, the Secretary determines that  
10 the holder has suffered a loss—

11                   “(A) the Secretary shall pay to such holder  
12                   75 percent of such loss, as specified in the  
13                   guarantee contract;

14                   “(B) upon making any such payment, the  
15                   Secretary shall be subrogated to all the rights  
16                   of the recipient of the payment; and

17                   “(C) the Secretary shall be entitled to re-  
18                   cover from the borrower the amount of any pay-  
19                   ments made pursuant to the guarantee con-  
20                   tract.

21           “(2) REQUIRED ENFORCEMENT OF FEDERAL  
22 RIGHTS.—The Attorney General of the United  
23 States shall take such action as may be appropriate  
24 to enforce any right accruing to the United States

1 as a result of the issuance of any guarantee under  
2 this section.

3 “(3) FORBEARANCE.—Nothing in this section  
4 precludes any forbearance for the benefit of the bor-  
5 rower of a loan that is made or guaranteed under  
6 this section which is agreed upon by the parties to  
7 the loan and approved by the Secretary, provided  
8 that budget authority for any resulting cost to the  
9 Government (as defined in section 502(5) of the  
10 Federal Credit Reform Act of 1990) is available.

11 “(g) DEFINITIONS.—In this section:

12 “(1) The term ‘children’s hospital’ means a  
13 hospital that predominantly serves patients under  
14 the age of 18.

15 “(2) The term ‘critical access hospital’ has the  
16 meaning given to such term in section 1861(mm) of  
17 the Social Security Act.

18 “(3) The term ‘eligible entity’ means public,  
19 private for-profit, and private not-for-profit—

20 “(A) hospitals including general acute hos-  
21 pitals, psychiatric hospitals, critical access hos-  
22 pitals, rural emergency hospitals, sole commu-  
23 nity hospitals, children’s hospitals, and other  
24 hospitals as specified by the Secretary;

1           “(B) substance use disorder treatment fa-  
2           cilities;

3           “(C) mental health treatment facilities;

4           “(D) facilities that employ licensed mental  
5           health and substance use disorder professionals,  
6           such as child, adolescent, and adult psychia-  
7           trists, child, adolescent, and adult psychologists,  
8           advanced practice registered nurses, social  
9           workers, licensed professional counselors, or  
10          other licensed professionals that provide mental  
11          health or substance use disorder services to pe-  
12          diatric, adolescent, or adult patients;

13          “(E) alliances of hospitals or facilities list-  
14          ed in any of subparagraphs (A) through (D);  
15          and

16          “(F) other facilities as determined by the  
17          Secretary.

18          “(4) The term ‘mental health treatment facil-  
19          ity’—

20                 “(A) includes—

21                         “(i) a child, adolescent, or adult out-  
22                         patient facility that provides—

23                                 “(I) intensive outpatient services;

24                                 “(II) partial hospitalization serv-  
25                                 ices;

1                   “(III) crisis intervention and sta-  
2                   bilization; or

3                   “(IV) other mental, behavioral,  
4                   or emotional health services deemed  
5                   appropriate by the Secretary;

6                   “(ii) a hospital (including a general  
7                   acute hospital, a psychiatric hospital, a  
8                   critical access hospital, a rural emergency  
9                   hospital, a sole community hospital, a chil-  
10                  dren’s hospital, or other type of hospital as  
11                  specified by the Secretary) that—

12                  “(I) provides acute, short-term  
13                  inpatient psychiatric treatment serv-  
14                  ices or outpatient services; and

15                  “(II) may include a military serv-  
16                  ices program to meet the needs of ac-  
17                  tive and retired military  
18                  servicemembers; and

19                  “(iii) a facility within or near an  
20                  emergency department for providing dis-  
21                  charge planning and instructions to emer-  
22                  gency department patients in need of men-  
23                  tal health or substance use disorder treat-  
24                  ment and transfer to an appropriate men-

1           tal health or substance use disorder treat-  
2           ment care setting; and

3           “(B) excludes a facility that provides long-  
4           term inpatient care.

5           “(5) The term ‘psychiatric hospital’ has the  
6           meaning given to such term in section 1861(f) of the  
7           Social Security Act.

8           “(6) The term ‘rural emergency hospital’ has  
9           the meaning given to such term in section  
10          1861(kkk) of the Social Security Act.

11          “(7) The term ‘sole community hospital’ has  
12          the meaning given to such term in section  
13          1886(d)(5)(D)(iii) of the Social Security Act.

14          “(8) The term ‘substance use disorder treat-  
15          ment facility’—

16                 “(A) includes—

17                         “(i) a child, adolescent, or adult out-  
18                         patient facility that provides outpatient  
19                         substance use disorder services; and

20                         “(ii) a hospital (including a general  
21                         acute hospital, a psychiatric hospital, a  
22                         critical access hospital, a rural emergency  
23                         hospital, a sole community hospital, a chil-  
24                         dren’s hospital, or other type of hospital as  
25                         specified by the Secretary) that—

1                   “(I) provides acute, short-term  
2                   inpatient substance use disorder treat-  
3                   ment services or outpatient services;  
4                   and

5                   “(II) may include a military serv-  
6                   ices program to meet the needs of ac-  
7                   tive and retired military  
8                   servicemembers; and

9                   “(B) excludes any facility described in  
10                  paragraph (4)(B).

11               “(h) FUNDING LIMITATIONS.—The Secretary may  
12               provide loans and loan guarantees under this section—

13                   “(1) only to the extent or in the amounts pro-  
14                   vided in advance in appropriation Acts; and

15                   “(2) totaling not more than \$200,000,000 for  
16                   each of fiscal years 2026 through 2030.”.

17 **SEC. 3. MENTAL HEALTH AND SUBSTANCE USE TREAT-**  
18 **MENT TRUST FUND.**

19               (a) ESTABLISHMENT.—There is established in the  
20               Treasury of the United States a trust fund to be known  
21               as the Mental Health and Substance Use Treatment Trust  
22               Fund (in this section referred to as the “Trust Fund”).

23               (b) DEPOSITS.—There are hereby authorized to be  
24               appropriated to the Trust Fund, to remain available until  
25               expended, amounts equivalent to any revenues from the

1 program of loans and loan guarantees under section  
2 399V-8 of the Public Health Service Act, as added by sec-  
3 tion 2, that exceed the costs of carrying out such program.

4 (c) USE OF FUND.—Amounts in the Trust Fund  
5 shall be available, as provided by appropriation Acts, for  
6 block grants for community mental health services under  
7 subpart I of part B of title XIX of the Public Health Serv-  
8 ice Act (42 U.S.C. 300x et seq.).

○