



“Leadership in Public School Governance”

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SCHOOL-BASED MEDICAID REIMBURSEMENT

Recommendation

The WASB urges Congress to work with school boards and other stakeholders and the Administration to rescind a recently promulgated federal regulation (CMS-2287), which eliminates federal reimbursement for *Individuals with Disabilities Education Act* (IDEA)–related school-based administration and transportation costs for Medicaid eligible students with disabilities, and to clarify in statute school districts’ authority to claim for school-based-Medicaid expenses.

Background

Under the Medicare Catastrophic Coverage Act of 1988 (P.L. 100-360) school districts may receive payment from Medicaid for health services delivered to Medicaid-eligible children with disabilities who may need diagnostic, preventive, and rehabilitative services; speech, physical and occupational therapies; and transportation for such services. In addition, school districts may claim reimbursement for the administrative costs of providing school-based Medicaid services, such as outreach for enrollment purposes and coordination and/or monitoring of medical care.

The President’s FY 2008 budget proposal, through administrative action by the U.S. Department of Health and Human Services, would prohibit federal reimbursement for IDEA-related school-based administration and transportation costs for Medicaid-eligible students. The Office of Management and Budget (OMB) estimates that the proposed action will save the federal government (and therefore, cost school districts) roughly \$635 million in FY 2008 and \$3.65 billion over the next five years.

On August 31, 2007, the Centers for Medicare and Medicaid Services (CMS), which oversees the federal-state entitlement program, initiated a rulemaking process to implement these proposed changes. The rule (CMS-2287), which was published in the Federal Register on September 7, 2007 and finalized on December 28, 2007, eliminates federal reimbursement under the Medicaid program for the costs of administrative activities (such as Medicaid outreach, program planning, referral and monitoring) and certain types of transportation based on a finding by the Secretary (DHHS) that these activities are “not necessary for the proper and efficient administration of the State plan.” As a result, schools will no longer be eligible to receive federal Medicaid payments for the administrative activities performed by school employees or contractors as well as for transporting disabled students from home to school and back.

In order to obtain a temporary fix to the problem, language was included in the Medicare, Medicaid and SCHIP Extension Act of 2007, to delay the U.S. Department of Health and Human Services from implementing cuts to school-based administrative and transportation services for six months, effectively guaranteeing that the finalized rule will not be implemented until the 2008-2009 school year. President Bush signed the legislation on December 29, 2007. A more permanent solution is needed.

WASB Concerns

WASB believes schools play a key role in identifying children for Medicaid reimbursement and connecting them to needed services in schools and the community and the WASB supports efforts to block CMS from prohibiting school districts from claiming federal reimbursement for these services.

The CMS rule would halt reimbursements to school districts for such things as the costs of transporting eligible children when Medicaid-eligible services such as speech or physical therapy are provided at school, and would also halt payments for schools' administrative costs of identifying and enrolling Medicaid-eligible students and for coordinating the provision of medical services covered under a state's Medicaid plan.

The loss of administrative and transportation reimbursement would hurt school districts' efforts to provide needed health services, and would result in eligible children not being identified and/or not receiving these health services in a timely manner. Additionally, the loss of funding could impact students in regular education programs since Medicaid reimbursement affects school districts' bottom line. The funding in question reimburses school districts for dollars that have already been spent, and will continue to be spent, on Medicaid-eligible services.

WASB urges Congress to use the six-month moratorium period to resolve this issue by enacting legislation to allow schools to claim reimbursements for services they provide to Medicaid-eligible students with disabilities.