

Healthy Students, Promising Futures

October 17, 2023

How to Help States and School Districts Leverage Federal Medicaid Funding: A Guide for School Health Advocates

In May 2023, the Centers for Medicare and Medicaid Services (CMS) released new guidance on school Medicaid that is a clear victory for school health and student health.

[“Delivering Services in School-Based Settings: A Comprehensive Guide to Medicaid Services and Administrative Claiming”](#) affirms that states have flexibility in their school-based Medicaid program to allow school districts to bill Medicaid for health services delivered to *all* Medicaid-enrolled children, not just students with a special education plan such as an Individualized Education Plan (IEP) or Individualized Family Service Plan (IFSP).

The Guide offers pathways states can take to leverage Medicaid funding — all of which are designed to improve efficiency and reduce administrative barriers — so more school districts can access sustainable funds for school-based healthcare, including mental health services.

It builds on years of work by school health professionals, advocates and policymakers and launches a new era of collaboration — state Medicaid agencies, in partnership with state education agencies (SEAs), are encouraged to expand and/or strengthen their school Medicaid program in a way that works for all parties involved: school districts (or local education agencies, LEAs), healthcare providers and students.

This brief answers key questions about the new guidance and highlights what policymakers and advocates need to know — and how to get involved — to ensure states are best positioned to leverage federal opportunities so more children have access to the services they need.



Realistically, expanding school Medicaid can take months or years to complete; the timing depends on the changes a state chooses to make and how it implements those changes. **It is therefore important for state Medicaid agencies to begin the work now, with input from LEAs, school health advocates, school-based health providers and other stakeholders.**

Why the CMS Guide Matters

A Brief History of School Medicaid Guidance

When a [2014 CMS letter](#) to state Medicaid directors clarified that schools could bill for all medically necessary healthcare services provided to all students enrolled in Medicaid — instead of being limited to services included in a student’s accommodation plan — many states held back on updating their state Medicaid plans, in part due to a lack of clear guidance.

State Medicaid Plan: An agreement between a state and the federal government describing how the state administers its Medicaid program, including who gets covered and the types of health services and healthcare providers eligible to bill Medicaid for reimbursement. Changes can be made via a state plan amendment (SPA) or legislative action.

This was understandable; CMS’ administrative and direct services claiming guides were last released in 1997 and 2003, respectively, and states needed direction to leverage school Medicaid funding.

However, maintaining the status quo carried its own risks. Not billing for Medicaid-eligible services that are already being provided in schools means leaving federal dollars on the table. When that happens, school districts and state taxpayers bear the entire cost of services. This makes Medicaid a very important source of funding for school health services — and for state health and education budgets overall.

In addition, unlike short-term Covid-relief funds, Medicaid reimbursement is a long-term sustainable funding source. Schools can reinvest the money they receive back into school health services, which could enable them to fund additional health providers. This increase in staffing will benefit all students, not only students enrolled in Medicaid.

Over the past several years, especially as state and federal policymakers have looked for ways to address and support student mental health, more states have shown interest in increasing Medicaid reimbursement *and* in increasing the types of health services and healthcare providers considered Medicaid-eligible. But guidance was still needed.

Landmark Moment

The breakthrough occurred in June of 2022, when President Biden signed into law the [Bipartisan Safer Communities Act](#) — putting into action school Medicaid provisions that Healthy Schools Campaign (HSC) had long championed.

The Act calls on CMS to expand access to Medicaid-funded school health services by making it easier for schools to bill Medicaid. Specifically, CMS was charged with updating school Medicaid guidance, establishing a technical assistance center to support states and school districts with expansion, and offering \$50 million in state grants to help with implementation.



Later that summer, the Center for Medicaid and CHIP Services (CMCS) released an informational bulletin, "[Information on School-Based Services in Medicaid: Funding, Documentation and Expanding Services](#)," reflecting best practices identified by states that have already expanded school Medicaid or are in the process of doing so. In [our analysis](#), we note that school Medicaid stakeholders, including school districts and state Medicaid and education agencies, can use it to assess how they can strengthen their programs. The School-Based Health Services Checklist, which features strategies and guidance, is particularly helpful.

CMS continued moving along on schedule, releasing the long-awaited [new school Medicaid guidance](#) on May 18, 2023. This was the moment that HSC and other advocates had been working toward for more than a decade.

Developed in consultation with the U.S. Department of Education, the guidance combines and replaces the older administrative and direct services claiming guides and offers more detail on how states can use the so-called "[free care](#)" [policy reversal](#) of 2014 to expand access to school health services. It also explains the policies and new flexibilities intended to ease the administrative burden associated with billing and payment.

On the same day, CMCS released another informational bulletin, "[Information on School-Based Services in Medicaid: Policy Flexibilities and Guide on Coverage, Billing, Reimbursement, Documentation and School-Based Administrative Claiming](#)."

New School Medicaid Guidance Allows Coverage For:

- ❖ All Medicaid-enrolled students
- ❖ All medically necessary services
- ❖ A wide range of health providers

This statement of administrative policy introduces and summarizes the new guidance and emphasizes the critical role schools play in promoting the health of students. It enthusiastically encourages states to take action on school Medicaid investments — and affirms CMS is on standby to help.

What the New Guidance Includes

CMS' priorities are to simplify the school Medicaid program, allow for as much federal reimbursement to flow to school districts as possible, and reduce the administrative burden on schools and providers.

While encouraging states to expand access to and funding for school health services, the new guidance makes clear that states have the option to cover *all* Medicaid-eligible health services provided to *all* students enrolled in Medicaid or covered by CHIP — including services delivered to general education students.

In addition:

- All medically necessary services, including prevention, physical and mental health, and substance use disorder (SUD) services, can be covered by a Medicaid state plan.
- States and schools can expand their offering of school-based services to meet Early and Periodic Screening, Diagnostic and Treatment (EPSDT) requirements.
- States can expand their list of Medicaid-eligible providers to include a wide range of health providers, including mental health counselors.
- Key underlying Medicaid principles, including documentation and medical necessity, are still requirements; documentation of medical necessity is a federal standard required for the reimbursement of all services.

As of October 2023, [25 states](#) have expanded their school Medicaid program to include health services provided outside an IEP. But even some of these states could further improve upon their programs.

Covered Services: All states are required to offer comprehensive physical and behavioral health services for children enrolled in Medicaid, including prevention and diagnostic services, but not all of those services are covered in a school-based setting. Medicaid will commonly reimburse for in-school nursing services, physical therapy and counseling. In some states, all health services deemed medically necessary are eligible for reimbursement.

Timeline for Compliance

This information is included in the new Guide and in a CMCS informational bulletin:

If States are not already adhering to applicable federal standards and requirements as discussed in this guide, CMS expects that States submit SPAs, administrative claiming plan amendments, and/or amendments to time study implementation plans to comply as soon as possible, but no later than the start of the first quarter at least three years after the publication date of the guide. If States need assistance to submit SPAs, administrative claiming plan amendments, and/or amendments to time study implementation plans to comply with the comprehensive guide, or to take advantage of new policy flexibilities, CMS encourages States and school-based providers to use the SBS Technical Assistance Center to aid with their compliance efforts.

While this indicates a deadline of July 2026, we expect CMS to provide additional details sometime in the next year about the terms of compliance.

What's Needed Now: A Plan for Action

The guidance is effective immediately as a statement of administrative policy and outlines the minimum requirements for states. However, state and school districts won't see any immediate policy changes.

The next step is for state agencies to decide what changes they intend to make and how. Some states may completely redesign their school Medicaid plan; others may just tinker around the edges to align with the federal guidance.

For now, schools and school-based healthcare providers should continue to document and bill for services as they have been doing until further notice from the state Medicaid agency. They should also aim to get a seat at any decision-making table to participate in discussions concerning how the state should move forward.

Discussion, planning and stakeholder engagement need to start immediately. State Medicaid and education agencies, along with school districts, should begin to identify the highest-priority student health needs, the types of services students currently have access to in schools, and the gaps between them. CMS has made clear that it expects these groups to work together.

School-based health providers, parent representatives and student health advocates should be part of the decision-making process. Starting conversations early and welcoming all parties to the table can help create transparency and accountability from the start.

Choose Your Own Adventure: School Medicaid Options



The new guidance emphasizes ways to reduce the administrative burden on providers and LEAs. CMS has carved out more flexibility with regard to billing, documentation and time studies, offering states a menu of options to shape and improve the school Medicaid program.

States can choose which flexibilities make the most sense for them, taking into consideration existing state regulations and other requirements.

States have choices around:

- How to expand to the widest range of services and maximize administrative claiming
- How to cover the widest array of providers and align with current school providers
- How to integrate and coordinate with Medicaid managed care partners
- New options to bill for covered services
- New documentation flexibilities to assure Medicaid compliance and program efficiency

State, School & Advocacy Roles

Team Captain

State Medicaid agencies ultimately make the decisions on how school Medicaid programs work, what services they cover, and who can bill for services and how.

Though it is up to state Medicaid agencies to negotiate with CMS about changes to the school Medicaid program, CMS explicitly encourages Medicaid agencies to work with and receive significant input from state education agencies and school districts. The most successful programs are those that consistently engage with stakeholders and garner significant support from schools and school health providers.



Most changes to school Medicaid policy will require a state plan amendment (SPA). The state Medicaid agency is ultimately responsible for drafting and submitting the necessary documents to CMS for approval. Other changes may be able to be made through state-level guidance.

While state Medicaid agencies “own” the process of submitting a SPA and working with CMS on its approval, the process can take time, and that may feel frustrating to other stakeholders. The new federal guidance emphasizes transparency in decision-making; building strong partnerships is the way to build ongoing support.

Key Players

Multiple stakeholders have important roles to play. Here are some suggested next steps:

- The state education agency (SEA) can engage the state Medicaid agency, review existing interagency agreements, and provide LEAs information about the new federal guidance and anticipated timelines. The SEA also can work with LEAs to document which healthcare providers currently offer services in schools.
- LEAs can request additional information from their Medicaid agency regarding the new guidance flexibilities, review current claiming and administrative practices, and document questions to help streamline the program.
- State policymakers and leaders can familiarize themselves with the existing school Medicaid program, define state education and health goals, and clear a policy path to leverage Medicaid funding to advance student health and wellness.
- Parents and student health advocates can help elevate the school Medicaid program as an essential way to increase access to student health services. Advocates can assess the current school Medicaid program and identify its champions and the data and stories needed to advance the state’s overall goals.
- Healthcare providers can connect with their member associations to discuss their current experiences with Medicaid reimbursement structures in school-based settings, including any challenges they have with billing at this time, so that they can continue to deliver quality services for students.

Conclusion

The new guidance released by CMS opens the conversation for how states can transform their school Medicaid program and offers practical information on how to prepare for leveraging new flexibilities. The provisions will help states create or enhance school Medicaid structures that can simplify the paperwork and billing process and raise more funds for sustainable school-based healthcare, including mental health services.

As more states take the steps needed to leverage federal funding, HSC will continue to document their progress and the paths they choose to increase access to physical, behavioral and mental health services to meet student needs.

For more information, contact Jessie Mandle, Healthy Schools Campaign national program director: jessie@healthyschoolscampaign.org

ADDITIONAL READING

Federal Resources

- [Delivering Services in School-Based Settings: A Comprehensive Guide to Medicaid Services and Administrative Claiming](#) - clarifies and consolidates CMS's guidance on how to meet federal statutory and regulatory requirements.
- [Information on School-Based Services in Medicaid: Policy Flexibilities and Guide on Coverage, Billing, Reimbursement, Documentation and School-Based Administrative Claiming](#) - introduces and summarizes the Guide (above) and emphasizes the critical role schools play in promoting the health of students
- [Information on School-Based Services in Medicaid: Funding, Documentation and Expanding Services](#) - reflects best practices identified by states that have already expanded school Medicaid or are in the process of doing so.

Healthy Schools Campaign Resources

- [Healthy Students, Promising Futures](#) - supports states and school districts with resources, technical assistance and a national Learning Collaborative.
- [School Medicaid Expansion: How \(and How Many\) States Have Taken Action to Increase School Health Access and Funding](#) - summarizes the actions 25 states took to expand school Medicaid and includes related state documents and other resources.
- [Guide to Expanding Medicaid-Funded School Health Services](#) - covers best practices for bringing state Medicaid plans into alignment with federal policy and offers lessons for collaboration among agencies.
- [School Medicaid Matters Webinar Series](#) - features three webinars, including one on organizing for student health and school Medicaid.
- [School Medicaid Guidance Coverage Provisions](#) - reviews coverage options available to states, including additional details on Medicaid-eligible services and provider types.
- [Financial Impact of Expanding School Medicaid Programs](#) - considers five states that have seen or that estimate significant increases in sustainable federal Medicaid funding since expanding their school-based Medicaid program.

Healthy Schools Campaign

Healthy Schools Campaign (HSC) engages stakeholders and advocates for policy changes at local, state and national levels to ensure that all students have access to healthy school environments, including nutritious food, physical activity and essential health services, so they can learn and thrive. HSC's Healthy Students, Promising Futures initiative supports states and school districts in expanding access to Medicaid-funded school health services. To learn more, visit healthyschoolscampaign.org and healthystudentspromisingfutures.org.

This work is licensed under Creative Commons ([CC BY-NC 4.0](https://creativecommons.org/licenses/by-nc/4.0/))

