

Healthy Students, Promising Futures

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Getting to Know Your State’s School Medicaid Program: Overview for State Education Agencies and Other Partners

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Notes About Language

Throughout this document, the terms “physical and behavioral health services” and “school health services” both refer to the full range of services students receive in schools to support their physical, behavioral and mental health.

The terms school district (or district) and local educational agency (LEA) are used interchangeably.



Frequently Used School Medicaid Acronyms

CHIP - Children's Health Insurance Program
CMS - Centers for Medicare and Medicaid Services
CPE - Certified Public Expenditure
DMP - Direct Medical Percentage
EPSDT - Early and Periodic Screening, Diagnostic and Treatment
FERPA - Family Educational Rights and Privacy Act
FFP - Federal Financial Participation
FFS - Fee for Service
FMAP - Federal Medicaid Assistance Percentages
FQHC - Federally Qualified Health Center
HIPAA - Health Insurance Portability and Accountability Act
IDEA - Individuals with Disabilities Education Act
IEP - Individualized Education Plan
IFSP - Individualized Family Service Plan
IGT - Intergovernmental Transfer
LEA - Local Educational Agency (used interchangeably with school district or district)
MAC - Medicaid Administrative Claiming
MER - Medicaid Eligibility Ratio
MCO - Managed Care Organization
NPI - National Provider Identifier
QMP - Qualified Medicaid Provider
RMTS - Random Moment in Time Study
SEA - State Education Agency
SMA - State Medicaid Agency
SPA - State Plan Amendment

Introduction

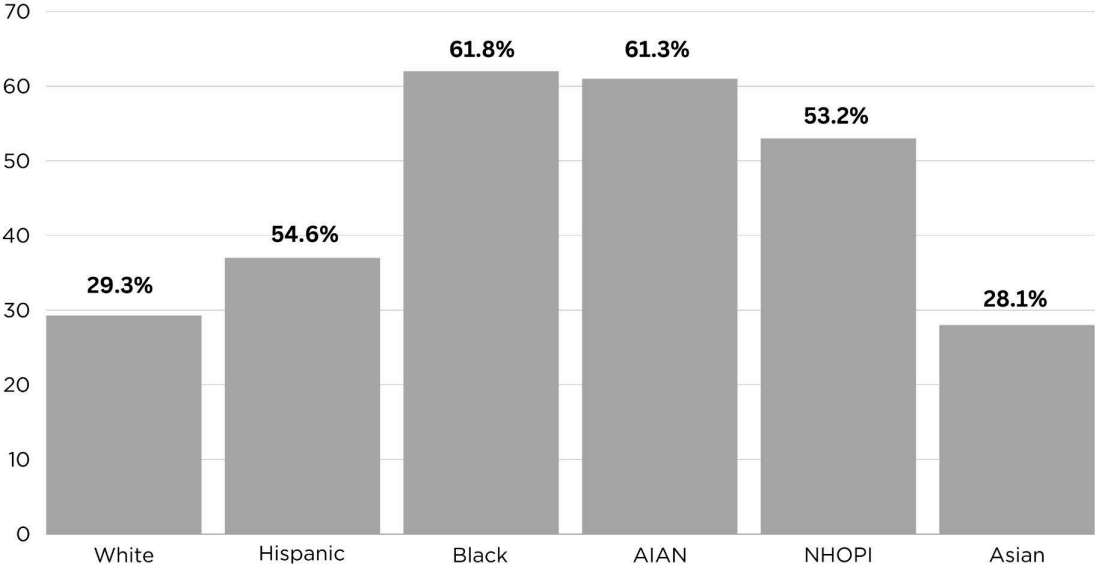
With the federal government’s 2023 release of updated [school Medicaid guidance](#), the establishment of a [Technical Assistance Center](#) and the allocation of [\\$50 million in grant funds](#) for school Medicaid, there has never been a more opportune time to leverage Medicaid as a sustainable funding source for much-needed school health services.

Although federal support for school Medicaid has increased, the complexity of the program — with its healthcare terminology, numerous acronyms and technical policy language — can make it a tough code to crack. The purpose of this brief is to support informed decision-making, partnership and advocacy by equipping state and local education agency staff, school-based providers and other key partners with an understanding of the Medicaid program and how it operates in schools.

What is Medicaid?

Medicaid and the Children’s Health Insurance Program (CHIP), referred to here collectively as Medicaid, provide low- or no-cost health insurance to millions of individuals and families with low incomes, including nearly [40% of all children](#).

More than half of all Hispanic, Black, AIAN and NHOPI children are covered by Medicaid and CHIP: Child Health Coverage by Race and Ethnicity, 2022



Data Note: AIAN refers to American Indian or Alaska Native. NHOPI refers to Native Hawaiian or Other Pacific Islander. Source: [KFF analysis of 2022 American Community Survey](#)

Medicaid provides a comprehensive benefit package, known as [Early and Periodic Screening, Diagnostic and Treatment \(EPSDT\)](#), which covers preventive care, treatment and services to address physical, mental and behavioral health concerns.

State Medicaid and CHIP programs go by different names in different states.

To learn what Medicaid and CHIP are called in your state, visit healthcare.gov/medicaid-chip-program-names

Medicaid is jointly funded and administered by states and the federal government. At the federal level, the Centers for Medicare and Medicaid Services (CMS) oversees the Medicaid program and sets the overarching rules that all states must follow. States have significant flexibility to customize their Medicaid program within those rules, allowing each state to address the unique health needs of its population.

States must pay a certain percentage of the overall cost to provide Medicaid coverage. This percentage, known as the Federal Medicaid Assistance Percentage (FMAP), [varies from state to state](#). The federal government reimburses at least 50 percent — and in some states more than 70 percent — of spending on eligible services provided to Medicaid enrollees. For Medicaid services delivered in schools, many states require school districts to cover the state's percentage of the cost; districts receive reimbursement for the federal government's share.

Each state has a designated Medicaid agency that develops and oversees a state Medicaid plan detailing how Medicaid will operate in the state. This includes defining the specific benefits, covered services and reimbursement mechanisms of the school Medicaid program. School Medicaid coverage varies based on policies unique to each state.

State Medicaid plans are frequently changed and updated. Changes are made by submitting a state plan amendment (SPA) or a waiver, which CMS must approve for it to take effect.

What Role Does Medicaid Play in Schools?

Today, one in four children has a chronic physical or mental health issue such as asthma, diabetes, vision impairment, anxiety or other physical or developmental disability that affects their ability to succeed in the classroom. If not appropriately managed, these conditions [can adversely affect](#) children's attendance, their ability and motivation to learn, their academic performance and their chances of graduating from high school. Students in underserved communities, particularly students of color, are at increased risk of health problems that can hinder learning.

Evidence has shown that school-based health services are essential to addressing these concerns. School-based health services include physical, behavioral and mental healthcare that can be delivered by a range of providers, such as school nurses, social workers and

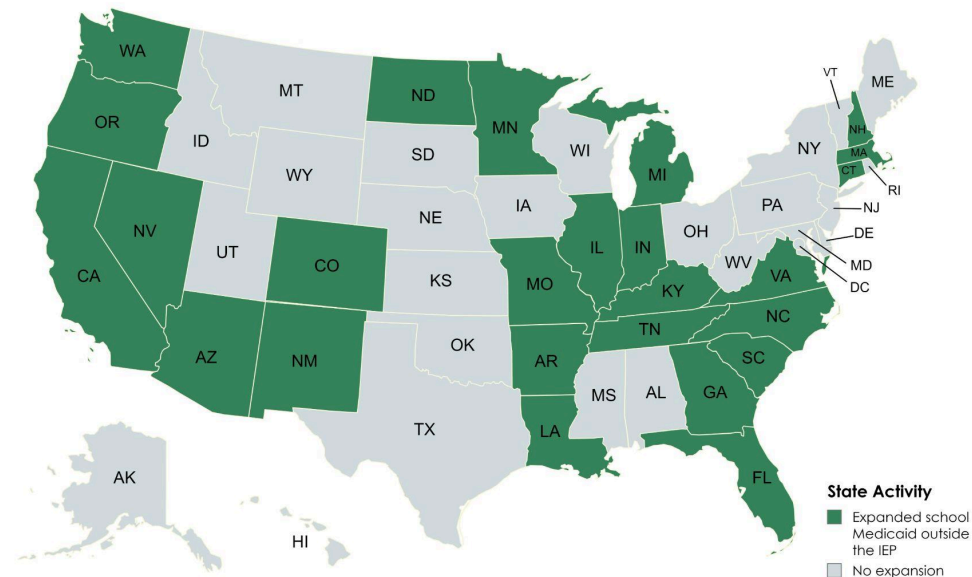
speech-language pathologists, as well as through school-based health centers or partnerships with local health organizations. [Studies show](#) that access to school health providers improves health and academic outcomes, particularly for students with chronic health issues. A lower student-to-nurse ratio, for example, is related to better [attendance](#). Increasing access to school health services can help states reduce inequities in both health and education.

Multiple funding streams from federal, state and local sources cover the cost of providing health services in schools. Since 1988, Medicaid [has paid for](#) eligible school health services included in a student's Individualized Education Plan (IEP) or Individualized Family Service Plan (IFSP) under the Individuals with Disabilities Education Act (IDEA), providing billions of dollars each year to support school health services. Many states and school districts rely on Medicaid funding to offset the expense of providing these necessary services and ease pressure on the state education budget.

In 2014, a [clarification in federal Medicaid policy](#) allowed states to receive federal Medicaid reimbursement for all eligible physical, behavioral and mental health services provided to all Medicaid-enrolled students — instead of covering only the services included in a student's IEP or IFSP. This policy clarification has created tremendous potential for school districts to use Medicaid funds as a sustainable source of revenue to support and enhance health services offered in schools, freeing up district dollars to be used for educational priorities.

However, to advance this opportunity, states need to make a series of updates to policy and practice, including potentially amending their state Medicaid plan. As of 2023, [25 states have expanded their program](#) to allow districts to receive reimbursement for eligible services provided to students outside an IEP.

States That Have Expanded Medicaid Coverage in Schools



What Does School Medicaid Cover?

Each state's Medicaid plan describes how the state administers its Medicaid program and includes guidelines on who is covered, which services are reimbursable and which providers are eligible to bill Medicaid. For school-based services to be reimbursed, the student, the service and the provider must be eligible to receive Medicaid reimbursement under the state plan.

When a state increases the number of eligible services and providers that are billed to Medicaid, the state and school districts receive more funding. The converse is also true: Not allowing districts to bill for otherwise eligible services that are already being provided in schools means leaving federal dollars unclaimed. It is estimated that nationwide, districts could be collecting [billions more each year](#).

In most states, participation in the school Medicaid program is optional; school districts can choose to cover the cost of services through alternative methods (e.g., using grant funds or drawing from their education budget). School districts that do participate, however, can generate additional sustainable funds for health services overall.

Eligible Students

For Medicaid to reimburse direct school health services, the student receiving services must be enrolled in the state Medicaid program. This is required in all states.

In states that have not expanded coverage to all Medicaid-enrolled students, the student must also have an IEP or IFSP, and any services billed to Medicaid must be included in the IEP/IFSP.

Eligible Services

Direct services

Direct health care services are eligible for Medicaid reimbursement when they are:

- **Medically necessary:** Services must be reasonable and necessary for the treatment of illness, injury, disease, disability or developmental condition to be considered medically necessary. Typically, an IEP or IFSP is sufficient to establish medical necessity. In states that have expanded coverage to all Medicaid-enrolled students, medical necessity is determined by a qualified healthcare provider, and the district must have written documentation consistent with the state definition.
- **Covered in the state Medicaid plan or authorized by the federal Medicaid statute:** All state Medicaid programs are required to cover comprehensive physical and behavioral health services for children, but not all of those services are covered in a school-based setting. Medicaid commonly reimburses in-school nursing services, screenings, physical and occupational therapy, speech and language services and mental health counseling. In many states, schools can be reimbursed for providing other

screening, diagnosis and treatment services such as vision and hearing screenings and diabetes and asthma management.

Administrative services

In many states, schools can receive Medicaid funding for certain administrative services, known as Medicaid Administrative Claiming (MAC). This includes meetings to determine if health services are necessary for a Medicaid-enrolled student as well as activities that support the provision of Medicaid-eligible services, such as care coordination, referrals and transportation.

The MAC program also can cover outreach and enrollment services to families with children who are eligible for but not enrolled in Medicaid, giving school districts an important opportunity to connect children to healthcare coverage.

Every state issues guidance that provides significant detail on covered benefits, providers, eligibility and documentation requirements. Refer to your state's school Medicaid program to learn more. State summary data on Medicaid-eligible services and providers is available at [Healthy Students, Promising Futures](#).

Eligible Providers

To qualify for reimbursement, Medicaid requires that school-based services be delivered by an eligible and enrolled provider. The state Medicaid plan lists the types of providers eligible to bill for services delivered in school-based settings, as well as the licensing, credentialing and/or certification requirements for those providers. This typically includes school nurses, counselors, school psychologists, speech-language pathologists, physical therapists and occupational therapists. The district itself must also be enrolled in the state's school Medicaid program.

The school Medicaid program focuses specifically on school district employees and contractors, such as school nurses and school counselors. However, Medicaid can play a role in schools in other ways. For example, nonprofit and community-based organizations often partner with schools to offer health services onsite. This operates under a different Medicaid structure than the school Medicaid program because the partner organization employs the providers and bills Medicaid directly.

How Are School Districts Reimbursed?

CMS, which oversees Medicaid at the federal level, reimburses states for a portion of the school health services that are billed, and states pass some of that money back to school districts. Though the amount each state retains varies, the money that flows back to the LEA is a

sustainable source of funding for services that would otherwise be paid for with district dollars. States can use one of several payment approaches for reimbursing schools for Medicaid services. The most common methods are fee for service and cost settlement.

Fee For Service

Under this approach, school-based providers document the eligible services they provide to Medicaid-enrolled students, and the district submits a claim to the state Medicaid agency. The agency reimburses the district at a pre-determined rate based on a fee schedule.

Cost Settlement

The most commonly used methodology, cost settlement, reimburses districts for a certain percentage of the costs incurred to provide Medicaid services. To calculate this amount, the state uses a formula that considers multiple factors, including the percentage of students enrolled in Medicaid, district health services expenses (such as staff salaries), and the results of the Random Moment Time Study (RMTS). The RMTS uses brief surveys sent at random moments to measure the percentage of time school health providers spend delivering eligible services.

With this model, states typically allow districts to submit “interim” fee-for-service claims throughout the year. Payments issued for these claims serve as an advance and are deducted from the final cost settlement payment issued to the district. The 2023 [school Medicaid guidance](#) from CMS outlines additional reimbursement options that states can explore and provides information about documentation requirements for these methodologies. SMAs and SEAs can partner to support districts in documenting services to help them maximize reimbursement.

Medicaid managed care organizations (MCOs) are private health insurance companies that work with Medicaid to provide insurance, contract with providers, and handle billing and reimbursement. In most states, school-based Medicaid services are *not* handled by MCOs; this is commonly known as being “carved out.” Instead, the state Medicaid agency directly reimburses districts for the provided services. In states where school-based Medicaid services are included in the MCO contract (“carved in”), the state will not pay school districts for those services. Instead, districts must contract with the MCOs their students are enrolled in to seek reimbursement.

How Do School Districts Use Medicaid Reimbursement Funds?

School districts use the Medicaid reimbursement that they receive to support a variety of services. [A study](#) by AASA, the School Superintendents Association, surveyed over 1,000 school leaders in 42 states and found that almost 70% of districts use Medicaid to support the

salaries of school health providers; 45% use Medicaid funding to expand health-related services; and nearly 40% use the Medicaid funding to facilitate outreach and coordination for services.

Other ways schools use Medicaid reimbursement include reinvesting funds in equipment and assistive technology, professional development for special education personnel and ancillary service professionals, and offsetting the costs of special education programming.

The reimbursement that flows from the state to the LEA is often designated as general funding. In other words, districts are not required to reinvest the funding in school health services. However, additional funding can significantly boost overall school budgets. In addition, this funding can incentivize districts to continue providing and even expand access to school health services. Some states have implemented legislation that encourages or requires districts to reinvest Medicaid reimbursement in school health services. These legislative efforts are an important step toward expanding these services.

Questions to Ask

To learn more about the specifics of your state's school Medicaid program, discuss the following questions with the state Medicaid agency. The answers can provide additional clarification and help raise potential opportunities for improvement.

General background information

- What percentage of students in the state are eligible for Medicaid? What percentage are enrolled?
- What does the current state Medicaid plan say about school health services?
- When was the state's school Medicaid program last updated?

Key staff and partners

- Who are the key state-level staff members involved with the school Medicaid program?
- Does the state Medicaid agency partner with any other agencies or entities to support or improve school Medicaid?
- Does the state Medicaid agency have a written agreement, such as a Memorandum of Understanding or Interagency Agreement, with the state education agency?
- Does the state use a vendor/contractor to administer any components of the school Medicaid program?
- Who are the largest Medicaid billing vendors for school districts in the state?

Program structure

- Has the state [expanded school Medicaid](#) to allow reimbursement for all eligible services provided in schools, or is it limited to services included in a student's IEP/IFSP?
- Which health services does Medicaid cover in a school-based setting? Does this align with the services that are most commonly delivered in schools?

- Which school-based providers can deliver Medicaid-reimbursable services? What qualifications and certifications must they hold? Are these [aligned with the qualifications](#) of providers currently delivering health services in schools?
- What are the leading student health needs in the state? To what extent does the school Medicaid program help districts meet those needs?
- How does the state support school districts in conducting Medicaid outreach and enrollment? Are these activities reimbursed?

Reimbursement funds

- How are districts reimbursed for Medicaid services? What methodology is used, and how much is reimbursed?
- How much reimbursement do districts receive annually for Medicaid services? How much do they spend on Medicaid services?
- Are there any restrictions on how districts can use Medicaid reimbursement funds?
- How much funding does the state currently generate from the school Medicaid program?
- How does the state use its reimbursement funds from school Medicaid?

School district engagement

- What systems are in place to support school district participation in the school Medicaid program? What training, guidance and technical support does the state provide?
- What mechanisms are in place to gather feedback from school districts on the school Medicaid program? Are there any suggested improvements that have been identified?

Additional Resources

- [CMS Issues Guidance on Medicaid and CHIP Services in School-Based Settings](#)
— *Manatt Health*
- [Medicaid Information Toolkit](#) — AASA, *The School Superintendents Association*

Healthy Schools Campaign Publications

- [A Guide to Expanding Medicaid-Funded School Health Services](#)
- [Understanding School Medicaid: A Primer for Chief State School Officers](#) — *with Council of Chief State School Officers*
- [Medicaid 101 for School Superintendents](#)

View more related resources at [Healthy Students, Promising Futures](#).

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.

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