HEALTHY SCHOOLS CAMPAIGN

Healthy Students, Promising Futures

School Medicaid Minute | October 2026

Medicaid Reimbursement for Health Services Outlined in a 504 Plan

Bottom Line: Medicaid will cover medically necessary school-based health services outlined in a student's 504 plan, but only if a state has opted to include health services provided outside of an individualized education program (IEP) in its school Medicaid program.

What Are the Similarities and Differences Between IEPs and 504 Plans?

Both individualized education programs (IEPs) and 504 Plans help ensure that students with disabilities have equal access to education and can fully participate in school. Both may include health services, such as nursing or counseling, needed to support a student's access to a free and appropriate public education (FAPE).

FAPE is the right of eligible students with disabilities to receive a public education at no cost that meets their individual needs. The Individuals with Disabilities Education Act (IDEA) provides FAPE through an IEP, which includes special education and specialized instruction.

Under Section 504 of the Rehabilitation Act, a federal civil rights law, FAPE is generally provided through accommodations, physical adaptations and support services inside the general education classroom. Some 504 plans include medically necessary health services.

In summary:

- **Individualized Education Program:** A formal plan for students who qualify for special education under IDEA. It outlines the specialized instruction, services and supports the student needs to make educational progress.
- **Section 504 Plan**: A formal plan for students with a disability who need classroom accommodations, physical adaptations, health services or other supports but who do not require special education services under IDEA.

How Does Medicaid Treat IEPs and 504 Plans Differently?

Although IEPs and 504 plans both support students with disabilities, Medicaid treats the health services they include differently.

Under IDEA, Medicaid can reimburse schools for covered, medically necessary health services provided under an IEP when the school district participates in Medicaid billing and meets applicable billing requirements.

Health services provided under a Section 504 plan are treated the same as health services provided to the general student population for Medicaid reimbursement. As explained in guidance from the Centers for Medicare & Medicaid Services (CMS): "While students with disabilities who receive services under Section 504 likewise are entitled to FAPE, their Medicaid coverage is identical to eligible students who need general health care services."

In practice, this means:

- **IEPs:** Medicaid covers medically necessary health services provided under an IEP, subject to applicable requirements, including school district participation in Medicaid billing.
- **504 plans:** Medicaid can reimburse medically necessary health services under a 504 plan only if the state allows reimbursement for those services outside the special education context (i.e., has chosen to cover services provided outside the IEP).

Medicaid reimbursement does not change a student's educational rights or the services a school is required to provide. Services included in an IEP or 504 plan must be provided at no cost to the family. Medicaid reimbursement helps schools offset the cost of services they are already required to provide.

Which States Cover Services in a 504 Plan?

As of October 2026, 28 states cover at least some school-based health services provided outside an IEP, including services that may be included in a 504 plan. View Healthy Schools Campaign's School Medicaid State Activity Tracker for the full list.

Coverage varies by state:

- **Broader coverage:** Some states cover all medically necessary health services delivered in schools, including those provided under 504 plans.
- **More limited coverage:** Other states cover only certain services outside an IEP, or cover all services for limited groups of students enrolled in Medicaid.

Do the Same Requirements Apply to Medicaid Reimbursement for Services in a 504 Plan?

Yes. Services provided under a 504 plan must meet the same state Medicaid requirements as other covered health services. To qualify for Medicaid reimbursement, services must be covered

by the state Medicaid plan, deemed medically necessary and delivered by a qualified Medicaid provider. Schools must also maintain documentation supporting medical necessity; a 504 plan alone does not establish it.

All other applicable state Medicaid requirements must be met, including billing and coding rules and parental consent requirements.

Key Resources

- Delivering Services in School-Based Settings: A Comprehensive Guide to Medicaid Services and Administrative Claiming – CMS
- Section 504 – U.S. Department of Education
- School Medicaid Activity Tracker: State Efforts to Expand School Medicaid – Healthy Schools Campaign

View more School Medicaid Minutes — short FAQs and information on key aspects of school Medicaid and its effective implementation.