



on implementing special education in charter schools.

SPECIAL REPORT

MEDICAID IN CHARTER SCHOOLS?

By

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Medicaid... In CHARTER SCHOOLS?!

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Medicaid is a public health insurance program -- how is it used in charter schools?

The truth is, Medicaid has reimbursed schools in public school districts for special education related services for many years. Charter schools have been eligible to access Medicaid funding since they emerged in 1991, although many charter schools are just learning that Medicaid is a potential revenue source.

The Laws

Let's review a brief history. In 1975, a law—now called the Individuals with Disabilities Education Act (IDEA)—was passed guaranteeing all children with disabilities the right to a free appropriate public education (FAPE). This meant that public schools were required to provide appropriate accommodations and/or provide educational supports for eligible children, regardless of need, without regard to the cost. Services, including speech, occupational and physical therapies, and counseling, are required for some children with disabilities to succeed in the classroom and schools are required by law to provide them.

There is no question that all of this cost money—a lot of money. At the time the law was passed, Congress promised to provide 40 percent of the cost of special education, but federal funding has never risen to that level. In fact, the federal contribution under IDEA covers less than 20 percent of costs. School districts began to appeal to both federal and state lawmakers to make changes in funding allocations so they would have the resources to be in compliance with the federal special education law. Federal education and health service agencies have frequently battled over who was responsible for paying these extra costs. In the end, there was a compromise: IDEA funds would pay for specialized educational services and the Social Security Act would reimburse medically necessary services for Medicaid-eligible children in schools. Specifically, the Medicare Catastrophic Coverage Act of 1988 amended Section 1903(c) of the Social Security Act to allow Medicaid reimbursement for services required by an Individualized Education Program (IEP) or an Individualized Family Service Plan (IFSP) under IDEA. As a result, local education agencies have the authority to bill Medicaid for services provided under Part B and/or Part C of IDEA.

Medicaid in schools was born.

How Does it Work?

Every public school assesses children's performance in the classroom. When a child seems to be underperforming due to a disability, he/she is evaluated and sometimes determined eligible for special education under the IDEA. It is when the child is issued an IEP that Medicaid becomes available to cover services for that child.

In order to access Medicaid reimbursement, the following MUST be in place:

1. The child must be determined eligible for special education services, and have an IEP;
2. The child must be eligible for and enrolled in Medicaid;
3. The child must have medically necessary related services on his/her IEP, such as speech, occupational therapy, physical therapy and/or counseling; and,
4. The school must be a recognized provider of Medicaid services.

The best way to view Medicaid in a school environment is to remember that it is a health insurance plan that works under a medical model and it reimburses for health-related services. When schools get involved with Medicaid reimbursements, the Medicaid terminology gets translated into educational equivalents as follows:

In a medical model (*educational equivalent*),
Doctors (*related service providers*) create a
Treatment Plan (*IEP*) that provides services to the
Patient (*student*) on the treatment needed to be healthy again.
The patient (*student*) attends the
Clinic (*school*) to receive that
Treatment (*IEP related service*).
Providers (*related service providers*) administer
Treatment (*services*) and document progress in the
Patient's chart (*IEP file*).

In schools, Medicaid operates under the same model, slightly adjusted for the necessary differences between providing those services in a school versus a hospital or clinic.

As in a medical setting, each health provider must determine the need for the child to receive a service, then provide and document the service and finally submit the service as a claim to Medicaid for reimbursement. In school districts, the claim submission process is often centralized in school district offices, also referred to as local education agencies (LEAs).

For charter schools, the process of submitting claims varies significantly: some submit claims through a local district (if they are affiliated with an LEA), some enroll with Medicaid as independent providers, and many—currently most—do not seek Medicaid reimbursement at all.

What Services are Eligible for Payment and Who Decides?

Medicaid is a federal-state matching entitlement program under Title XIX of the Social Security Act. The federal government pays a percentage for each covered service and the state must pay the balance. The percent that is covered by federal funds varies from state to state. In the District of Columbia, for example, the federal portion is 70% of the fee, and the state pays 30%. In New York, cost is shared 50% - 50%. Percentages are based on federal poverty guidelines and state income measures. The table listing the federal medical assistance percentages for all states for Fiscal Year 2009 is available on the Internet at <http://aspe.hhs.gov/health/fmap09.pdf>.

Each state writes and submits a state plan to the Centers for Medicare and Medicaid Services (CMS), the federal Medicaid agency) describing what services they will allow for reimbursement for persons with Medicaid and the rates they intend to pay. Federal law provides only general guidelines for this process except to limit the rates of reimbursement to no more than the federal Medicare rate for each service. CMS then accepts or denies the state plan. States move forward with their approved plan, or submit a state plan amendment to address any issues that caused CMS to reject the state's original plan. Once the state plan is approved, additional state plan amendments must be submitted to CMS when the state's coverage needs change for its Medicaid recipients.

For most states, services covered in schools are limited. They primarily include evaluation and services for:

- 1) speech and language therapy;
- 2) occupational therapy;
- 3) physical therapy; and
- 4) mental health services.

Some states also cover nutrition, case management, audiology and nursing services. States may also seek coverage for specialized transportation for students to and from school and assistance with administrative costs for managing Medicaid billing (administrative claiming) and administration costs related to management of a child's health care services that are received in a school setting. CMS has recently attempted to restrict Medicaid coverage of transportation and administrative claiming, as well as some case management services. However, federal legislators have imposed a moratorium on this

restriction until April 2009. It remains to be seen if the reimbursement for costs involved in student transportation, administrative claiming and case management will be permanently removed or reinstated.

What are My Options as a Charter School to Get Medicaid Reimbursements in My School?

If you are part of a regular district school, Medicaid billing may already be in place with reimbursements flowing into the district's general funds. If you are in a charter school, however, you may have a number of options to consider, even more so if your school is its own LEA for special education. (See the Appendix for an explanation of this concept).

The first step is to find out how (or if) charter schools in your area are seeking Medicaid reimbursement. Contact the National Alliance for Medicaid in Education (NAME)¹ or your local or district education agency to ask if charter schools are billing Medicaid in your state and how they are doing it—through the district or as independent providers individually or collaboratively through an administrative service agency.

If you discover that charter schools are billing through the local education agency, contact the Medicaid billing office in the district to inquire about involvement. Since most districts across the country deposit Medicaid revenue into general funds, you may want to advocate for having at least some of that funding flow directly back into your school. Technically speaking, Medicaid is a reimbursement of cost—if costs for services came directly from your school budget, your school should receive the reimbursement (or at least part of it) for those costs incurred. (This would more likely be the case if your charter school functions as an independent school district.)

You may discover that charter schools in your area are billing Medicaid independently or through a non-district operated administrative service agency. In this case, you will most likely need to enroll with Medicaid as an independent provider. Each state has specific guidelines on enrolling as a provider, so contact your state's Medicaid agency to inquire about that process. Once you are enrolled, there are a number of options for participating in the Medicaid claiming process, including:

1. billing Medicaid individually, requiring internal resources to process Medicaid claims in your school;
2. hiring a Medicaid claiming contractor to process claims for your school (note: such contractors may not know the distinctions between school-based billing and billing for a typical medical practice); or

¹ The NAME website is at <https://www.medicaidforeducation.org/>

3. coordinating with other charter schools also interested in Medicaid billing and identifying or creating an agency to serve as an administrative service agency for all schools.

Finally, if you contact your state Medicaid authority and find that it has no idea how Medicaid operates in charter schools in your state, if at all, nor how you could access Medicaid revenue options, you may be able to get some helpful information from NAME. You may also contact the author of this article to discuss your options. There may be an opportunity to explore a new direction for charter school Medicaid billing in your state. You may need to organize with other charter schools or charter school agencies to lay the necessary path for opening up the opportunity to access Medicaid.

BE AWARE that independent billing by charter schools is rare. The District of Columbia may be the only region in the country where charter schools are enrolled as independent Medicaid providers. The following is a short summary of the story about the experience of District of Columbia charter schools in accessing Medicaid.

The History of Medicaid in DC Charter Schools

The charter school movement in Washington, DC began in 1996, but Medicaid did not enter the picture until much later. Though some schools may have been aware of Medicaid as a revenue option, starting up their schools under new charter legislation was, at the time, a higher priority. However, once some of the earlier charter schools became established, they recognized Medicaid as an entitlement worth exploring, especially since millions of dollars of Medicaid revenue had been supporting special education in the District of Columbia Public Schools (DCPS) system for some time.

The more established charter schools had by then formed a cooperative—the DC Public Charter School Cooperative (Coop)—a non-profit agency founded by charter school leaders to collectively advocate for issues and share information as a more organized and more formidable unit. Though all of these schools enjoyed their independent status, they recognized the power of unification in some areas, including seeking access to Medicaid. By 1999, the executive director of the Coop met with officials from the DC Medical Assistance Administration (MAA) and the Department of Mental Health to explore how to begin the process. After a series of meetings over a three-year period among these representatives and other DC agencies, efforts to bring Medicaid into the charter schools came virtually to a stand-still. The Coop had attempted to achieve Medicaid provider status as an Administrative Service Organization (ASO) for all charter schools, and was denied by MAA. Although there were some accomplishments, such as exempting the charter schools from the Certificate of Need requirement, and agreement that payment for services

would come directly from MAA, several issues concerning implementing a system for Medicaid reimbursement were left unresolved. Then, in late 2003, MAA agreed that individual charter schools should apply as independent clinics, thereby allowing them to submit claims and be reimbursed for special education services. Finally, after four years, the charter schools were recognized by MAA as providers of school based health care services, driven by both federal and local legislative mandates that special education services were reimbursable by Medicaid for eligible children.

By February 2004, several of the larger public charter schools in the DC metropolitan area worked with the Coop to apply for provider status. These schools also began working with a new company, Medicaid Billing Solutions (MBS), to build an internal infrastructure for billing, quality assurance and corrective action where needed. Capacity at the Coop at that time was limited—the scope and focus of Coop work centered on special education services and, though there is a definite link with Medicaid service delivery, the Coop had limited resources to perform the necessary technical assistance in both areas. MBS collaborated with the Coop where possible, and continued Medicaid provider application and claiming services for 15 charter schools until late 2007.

At the same time, other charter school advocates in DC were addressing the access issue through the authorization process. Part of the federal charter school funding request in 2005 included supplemental funding to support charter school access to Medicaid. The federal money was awarded to DC in their 2005 charter school authorization. Two years later, the Office of the State Superintendent of Special Education (OSSE) released an RFP for the “Medicaid Billing and Technical Assistance Grant.” By the time the RFP was released, the for-profit MBS and the nonprofit Coop agreed to collaborate more formally and they joined forces to respond to the RFP. The “behind the scenes” agreement was that, upon award of the grant, MBS would transfer all contracts and infrastructure for Medicaid services to the Coop and the work would resume where it began—in a nonprofit agency with charter school interests at heart.

By August 2007, MBS dissolved, and in October 2007, the “Medicaid Billing and Technical Assistance Grant” was awarded in full to the Coop.

Over time, efforts to get DC charter schools Medicaid-ready have been very successful in a number of ways. To date, 17 schools have become Medicaid providers and recovered enough revenue to cover costs and enhance special education services. These schools have implemented new systems for delivering and documenting services based on Medicaid standards, increasing accountability for related services within their special education programs. Quality assurance within these programs also improved, according to school leaders. Currently, an additional 12 schools are actively applying for Medicaid

provider status with help from the Coop and several more have expressed interest in learning more about it.

Despite the successes, there is still much work to be done, particularly with regard to improving the efficiency of application and billing systems; expanding access to non-provider schools; assisting schools in capturing and reporting special education costs; advocating on behalf of schools to improve the efficiency and consistency of MAA reimbursement practices; and educating all schools on compliance as Medicaid providers. But, the success of the DC Coop to date illustrates one effective method for charter schools to access Medicaid reimbursements.

One Last Thing

Keep in mind that Medicaid is a federal-state matching entitlement, meaning it is available for all eligible persons in need of it and all public agencies that serve them. Federal law laid the groundwork for all public schools to have access to the Medicaid revenue stream to support some of the additional costs of educating children with disabilities. Public charter schools are included in this entitlement and they should seek and receive the full benefit of the revenue Medicaid can provide.

For more information on school-based Medicaid services, go to:

- www.cms.hhs.gov/home/medicaid.asp - general information about Medicaid.
- www.medicaidforeducation.org - the National Alliance for Medicaid in Education (NAME) - a great resource for learning more about specifics of Medicaid in school settings, as well as more information on the moratorium of CMS restrictions.
- <http://aspe.hhs.gov/health/fmap09.pdf> - for federal-state percentages of Medicaid funds.
- http://www.k12.wa.us/SpecialEd/pubdocs/medicaid/Medicaid_Survey_Results.pdf - "2003 Medicaid Billing/Revenue Survey" conducted by the Washington State Office of the Superintendent of Public Instruction that includes a sample of services offered in 41 participating states. Since lists of approved services and rates vary state by state, this is a helpful side-by-side comparison.
- www.medicaidforeducation.org/pdf/SPAPHONECONSUM05-10-07.pdf -- a summary of a recent NAME phone conference addressing questions about the State Plan Amendment.
- www.medicaidforeducation.org/pdf/SPA101DocFinal.pdf - for more information on the general State Plan process.

For more detailed information about special education in charter schools, go to the Primer website at www.uscharterschools.org/specialedprimers

The author of this article is willing to communicate with representatives of charter schools about Medicaid issues. Her email address is lloessner@gmail.com

Appendix

The Legal Status of a Charter School

The place a charter school occupies in the public education system depends on the charter school's legal identity, usually referred to as a charter school's local education agency (LEA) status. LEA status is assigned by the state charter school law or other state policy that is legally binding. However, status is not always clearly delineated and a charter school's legal status for special education may be different from its legal status for all other matters. Depending on the state in which it is located, an individual charter school may be classified as:

- a separate LEA, or
- part of another LEA.

In addition, some states allow charter schools to have either status based on a choice by the charter school or the authorizer who sponsored the school.

While there are many aspects of a charter school's operation in which its legal status is a major influence, the area that most dramatically illustrates the consequences of this issue is related to educating students with disabilities. The level of a charter school's operational and fiscal responsibility for special education and its ability to make decisions about service delivery is determined by its LEA status. Thus, charter school officials must have a clear understanding of the school's LEA status before beginning the process of establishing their eligibility for claiming Medicaid reimbursement.

For more information on this and many other issues related to special education in charter schools, go to the Primer website at www.uscharterschools.org/specialedprimers