

HEALTHY SCHOOLS CAMPAIGN

Free Care Rule Reversal: Expanding Illinois' School Medicaid Program

Policy Background

The federal Medicaid policy known as the Free Care Rule (FCR) was in effect for nearly 20 years (1997-2014) and created barriers that prevented states and local education agencies (LEAs) from receiving Medicaid reimbursement for many of the health care services delivered in school-based settings. FCR stated that school districts could only receive Medicaid reimbursement for eligible services included in a Medicaid enrolled student's Individualized Education Program (IEP) and other limited situations. As a result, Medicaid reimbursement for health services in schools was limited to a small group of children.

In December 2014, the Centers for Medicare and Medicaid Services (CMS) issued guidance that reversed FCR and gave states the option to obtain federal reimbursement for the provision of eligible health care services to any student who is enrolled in Medicaid, providing all other Medicaid requirements are met. Since many states formalized FCR in their state Medicaid plans and, in a few cases, state legislation, many states must take additional steps to leverage this opportunity to expand their school Medicaid program to all Medicaid eligible students.

What This Means

The reversal of FCR provides an opportunity for significant, positive impact on the health and education of Medicaid enrolled children. Illinois has the opportunity to leverage Medicaid programs to improve health care access and chronic disease management for thousands of low-income children across the state, as well as better integrate school health services into larger health delivery system reform efforts. Research shows increasing access to school health services improves access to care, reduces health care costs and results in improvements in student attendance and academic outcomes.

Under this policy change, school districts are now able to bill for any Medicaid eligible service delivered by a Medicaid eligible provider to a student enrolled in Medicaid. These services include the comprehensive and preventive services available to Medicaid enrolled children under the broad entitlement called Early and Periodic Screening, Diagnostic, and Treatment (EPSDT), including, but not limited to, screening and diagnostic services; mental health and substance use disorder services; occupational, physical and speech therapy; physician services; dental, vision and hearing services; respiratory therapy; and nutritional services. These services could be delivered by school nurses, school psychologists, social workers and other Medicaid eligible providers.

Budget neutral: Given the current structure of the program in Illinois, these changes will not impact the state's Medicaid budget.

In short, implementation of FCR reversal can mean:

- An increase in sustainable revenue/reimbursement for schools
- Expansion of allowable health services and service providers
- An increase in students served and services provided
- Improved access to care for Medicaid enrolled children
- Improved student attendance and academic outcomes
- Reductions in overall health care costs

State Activity To-Date

State education and Medicaid agencies are increasingly recognizing the value of expanding school Medicaid programs as a strategy to meet the health needs of Medicaid enrolled children, control health care costs and create a sustainable source of funding for school health services.

Action	State
Approved SPA to implement FCR reversal	FL, KY, LA, MA, MI, NV, NC
Expanded school-based claiming program (no SPA needed)	MO, SC
SPA submitted to CMS and pending approval	CA, GA
Considering SPA	CO, OR
Passed legislation	CA°, NH°, OR°, UT°
Pursuing legislation	FL*, MA°

*CMS approved FL's SPA in October 2017, however IEP restrictions remain in FL statute and bills have been introduced to amend the law.

°Legislation is not required in CA, MA, NH, OR or UT in order to implement reversal of the free care policy; these states took/are taking legislative action for additional reasons.

Next Steps for Illinois

Illinois will need to submit a Medicaid State Plan Amendment (SPA) to CMS for approval in order to implement the FCR reversal. The SPA will need to amend the state Medicaid plan to clarify that school districts can seek Medicaid reimbursement for eligible services delivered to all Medicaid enrolled students, not just those included in a student's IEP. The Illinois Department of Health and Family Services (HFS) is responsible for submitting the SPA.

Recommended Next Steps:

1. Complete Illinois SPA
 - a. Work with HFS to finalize language and submit SPA to CMS for approval.
 - b. Update existing state guidelines and procedures that will need revision pursuant to SPA approval, i.e. billing guide, LEA handbook.
2. Prepare LEAs for Policy Change
 - a. Conduct statewide readiness assessment of school districts to identify and evaluate student health care needs, staffing and infrastructure levels and other capacity building needs.
 - b. Ensure schools have adequate resources and infrastructure in place to handle expanded billing and services, as well as ensure maximum enrollment levels.
 - c. Disseminate best practice guidelines and conduct informational trainings to support implementation.
3. Build and Promote School Environments that Prioritize Health and Wellness
 - a. Reinvest increased Medicaid revenue into additional school health services.
 - b. Evaluate opportunities for expanded school health services, testing innovative delivery models and piloting new ideas
 - c. Establish data sharing systems and agreements between school districts and health providers to support student health and improved education outcomes.
 - d. Build understanding, support and demand from parents and other school stakeholders for school-based health services.

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