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OPPORTUNITY: EXPANDING SCHOOL-BASED MEDICAID PROGRAMS THROUGH THE “FREE CARE” RULE

Many states are in the process of (or are considering) expanding school-based Medicaid programs to include all Medicaid-enrolled students—and to add additional covered services and provider types. This presents a tremendous opportunity to expand access to and resources for school health services.

The History of the “Free Care” Rule

In 2014, the Centers for Medicare and Medicaid Services (CMS) issued a [letter to state Medicaid directors](#) that clarified which services can be reimbursed by Medicaid in a school-based setting.¹⁴ This guidance allows school districts to expand their school-based Medicaid programs to cover more students and potentially bring in additional, sustainable federal funding for states.

Known as the “free care” policy reversal, the letter clarified CMS policy that prohibited reimbursement for services provided to Medicaid-enrolled students if those services were provided free of charge to all students. There were some exceptions: Services could be submitted for Medicaid reimbursement if they were included in a student’s Individual Education Plan (IEP) or Individualized Family Service Plan (IFSP) or delivered through the Maternal and Child Health Block grant.

The CMS letter clarifies that schools can seek reimbursement for covered services provided to all students enrolled in Medicaid—not just those with IEPs and IFSPs. It states that the “goal of this new guidance is to facilitate and improve access to quality healthcare services and improve the health of communities.”

Some states have used this policy to expand their school-based Medicaid programs, with more following suit. It presents an important opportunity for states to: 1) support school districts, or local educational agencies (LEAs), in drawing down additional Medicaid funding for school health services; and 2) increase access to school health services.

This policy has also opened the door to broader conversations about what school-based Medicaid programs could look like. Many states are considering how to get Medicaid to recognize the role of additional providers who are delivering services in schools—and to increase the types of school-based physical and behavioral health services that are reimbursed by Medicaid.

States now must make policy decisions about what their school-based Medicaid program will include. Will LEAs be allowed to bill for services delivered to all Medicaid-enrolled students, or just for services included in IEPs or IFSPs? Will more states expand the types of covered services—or the list of providers qualified to seek reimbursement for school-based services?

14. Dec. 15, 2014 CMS letter on Medicaid Payment for Services Provided without Charge (Free Care): <https://www.medic-aid.gov/federal-policy-guidance/downloads/smd-medic-aid-payment-for-services-provided-without-charge-free-care.pdf>

Expanding billing for more students—as well as expanding the types of services and providers being reimbursed—could mean more federal revenue to the state and more reimbursement to districts. And since most schools already deliver some of these services (and pay for them with education dollars), bringing in federal reimbursement can replace scarce education money and help stretch resources further.

As a result, this can help ensure ongoing investment in and support for the delivery of school health services to students enrolled in Medicaid. And it could also ultimately help schools expand the staffing needed to provide physical and behavioral health services to students.

BILLING MEDICAID

What does an expanded school-based Medicaid program mean for the process of billing Medicaid? For the most part, states will continue to bill using the same CMS-approved structures as before. In states that use a fee-for-service model, LEAs will continue to bill on a fee-for-service basis. In states that use a cost-settlement model, LEAs will continue to use the random moment in time sampling methodology to apply their costs. But in each environment, more students will be included. There will need to be more LEA and provider training to ensure services are billed correctly.

Federal funds can be used to supplement education funds to increase provider capacity, add additional services, or plug budget holes to keep school health services strong. The “free care” policy reversal helps increase health equity across schools by targeting reimbursement to schools that have higher percentages of Medicaid-enrolled students.

Moving forward with a plan to expand school-based Medicaid takes time and coordination. But there are potentially huge benefits. Some states will need to pursue a formal state plan amendment (SPA) with CMS, while other states may be able to make the change at the state level. This will depend on the existing language in each state’s Medicaid plan.

Many [state Medicaid plans codified](#) the pre-2014 CMS policy by explicitly stating that school districts may only seek Medicaid reimbursement for health services delivered

under a student’s IEP.¹⁵ In order to bill for covered health services delivered to all students enrolled in Medicaid, those states will need to submit a SPA to expand that definition and to make changes to the types of eligible services and providers.

It is also important to note that a small number of states codified the restrictive policy in state law as well as in their state Medicaid plan. For example, Florida and Maryland have state laws that limit LEAs to billing only for school health services included in a student’s IEP. While state law can present a barrier to the implementation of the revised CMS policy, it can also serve as an important tool for catalyzing action.

WHAT IS A STATE PLAN AMENDMENT (SPA)?

The Medicaid state plan is the formal, written agreement between the state Medicaid program and CMS that outlines the operational and policy decisions that determine who is eligible for Medicaid, what services and providers are covered, and how payments are set.

The state plan can be amended as needed to reflect changes in state policy and federal law and regulation. Changes or updates to the state plan are made through a state plan amendment (SPA). States can choose to submit SPAs on a variety of different policies, and CMS must formally approve the SPA before it can be implemented.

The Medicaid and CHIP Payment and Access Commission (MACPAC) has [excellent information](#) about Medicaid state plans and the SPA process.

States that do not need to pursue a SPA are able to leverage the “free care” policy reversal to expand their school-based Medicaid programs without engaging CMS. In those cases, state policy and program decisions would determine the LEA’s opportunity to begin billing for additional populations.

Every state has its own process for moving a SPA forward, but it’s worth noting that state Medicaid departments change state plans regularly—and Medicaid officials can advise on the formal process for pursuing a SPA. In general, a state submits paperwork to CMS requesting the policy change and then works with CMS to iron out the details, with other stakeholders joining in as needed. While there are time clocks on how quickly the SPA process should move, CMS can start and stop the clock.

15. Medicaid’s “Free Care Policy.” Results from Review of State Medicaid Plans, National Health Law Program (2016): <https://healthyschoolscampaign.org/wp-content/uploads/2017/07/MedicaidFreePolicyCare.rev10.20.pdf>

As of December 2019, 10 states—Connecticut, Kentucky, Louisiana, Massachusetts, Michigan, Missouri, Nevada, New Hampshire, North Carolina and South Carolina—have successfully expanded their school-based Medicaid programs, with many more in the queue. Though each took a slightly different approach, they all leveraged the opportunity to expand access to covered services and providers. Here’s how five of those states accomplished this.

Louisiana

In 2015, [CMS approved a change](#) to the Louisiana state plan to remove the IEP requirement and to allow school districts to bill for school-based nursing services delivered to all Medicaid-enrolled students. Louisiana’s SPA was fairly narrow in that it was a limited expansion for school-based nursing. It did not add additional providers or services to the school-based Medicaid program.

Unofficial estimates from the state suggest that school-based Medicaid revenue has, over three years, dramatically increased as a direct result of this policy change, as has the number of school nurses statewide.

Massachusetts

In 2016, [CMS approved a change](#) to the Massachusetts state plan to allow school districts to bill for all Medicaid-enrolled students and to allow billing for additional services and providers types. The state then spent time on building the necessary infrastructure for implementation. This expanded Medicaid program change went into effect in the 2019-2020 school year (billing is not retroactive back to 2016).

Massachusetts did have to apply for a SPA to make these changes to its school Medicaid program. Notably, CMS approved a new methodology that allowed the state to settle costs for IEP and non-IEP services separately. Under the expansion, separate calculations will be done based on a provider’s time spent delivering either IEP or non-IEP services, as well as Medicaid eligibility rates for IEP services and non-IEP services. This important development helped the state ensure appropriate reimbursement for each set of students.

Massachusetts also provides an example of a state that used its SPA to expand the types of services and providers covered by the school-based Medicaid program. The SPA makes clear that coverage applies to all medically necessary services covered by MassHealth (the state’s Medicaid program) and provided in a school-based setting to Medicaid-enrolled students. It also stipulates that the LEA may seek reimbursement for those services. Additional details are available in [this brief](#) prepared by Community Catalyst, Healthy Schools Campaign and the National Health Law Program.

Michigan

In August 2019, [CMS approved](#) Michigan's SPA to allow districts to bill for school-based services provided to both IEP and non-IEP students. Michigan's approach greatly simplified the SPA for by covering all medically necessary services included in Medicaid's comprehensive Early, Periodic, Screening, Diagnosis and Treatment (EPSDT) benefit.

The SPA also enhances and clarifies the list of qualified providers in the Medicaid state plan who can claim for services provided to Medicaid-enrolled students. The newly added providers include nurse practitioners, physician assistants, clinical nurse specialists, marriage and family therapists, behavior analysts and assistant behavior analysts, school social workers and school psychologists.

North Carolina

In January 2019, [CMS approved a change](#) to the North Carolina state plan, allowing school districts to bill for nursing, counseling, occupational therapy, speech language therapy and physical therapy services for all Medicaid-enrolled students. The school-based Medicaid program also now allows billing for vision screening and clarifies the definition of hearing services. The state did need a SPA to make the policy change to expand billing for all Medicaid-enrolled students and to expand services and provider types.

In many ways, the North Carolina SPA is similar to the Massachusetts SPA. One key difference is that North Carolina does not cover all medically necessary services provided in schools in the same way that Massachusetts does. North Carolina's school-based Medicaid program is limited to the specific services outlined in the plan. Additional details are available [in this analysis](#) prepared by Community Catalyst.

South Carolina

In 2016, South Carolina started permitting districts to bill for eligible services delivered to all Medicaid-enrolled students. There were no restrictions in South Carolina's state Medicaid plan that precluded it from taking full advantage of CMS policy. As a result, the state did not need to submit a SPA, nor did it need approval from CMS.

A particular focus for expansion has been nursing services provided by the school districts and behavioral health provided in collaboration with the state's Department of Mental Health.

Seizing the Opportunity

There is now a significant amount of activity around school-based Medicaid. Many states are considering expanding the program to include billing for all Medicaid-enrolled students—and to add additional services and provider types to the list of covered benefits and services. A significant number of states have expressed interest in expanding their programs to increase access to behavioral health services to address unmet mental health needs.

As a result, many states already have—or are planning to—submit SPAs. Community Catalyst, Healthy Schools Campaign and Trust for America’s Health regularly update a state activity brief pertaining to school-based Medicaid expansion:

bit.ly/freecareupdate.

Now is the time to engage in the conversation. Some issues and questions to consider include:

- **My state is pursuing opportunities to expand school-based Medicaid, and I want to be at the table.** *Who is convening the stakeholders in my state?*
- **I see students whose needs aren’t being met in school or in the community.** *How can my LEA expand school-based health services? Can we leverage CMS policy to increase the types of services and providers that are reimbursed by Medicaid?*
- **It looks like my state is interested in submitting a SPA.** *What are the details? Which students does it affect? Does the SPA expand school-based Medicaid to cover additional providers or services?*
- **I want to increase mental and behavioral health services in schools.** *Does CMS policy present an opportunity to increase funding for my state to expand access to these services?*
- **I really want to get engaged but have no idea how to participate.** *Who is working on expanding school-based Medicaid in my state? Is my LEA’s Medicaid coordinator involved? What about children’s advocacy groups?*

Does your state...	Read more about...
Need a SPA to expand services?	LA, MA, MI, NC, NV
Seem prepared to expand without a SPA?	SC
Want to expand reimbursement to a single provider type (e.g., school nurse)?	LA
Want to expand reimbursement for a range of providers?	MI
Want to expand reimbursement for all medically necessary services provided to Medicaid-enrolled students?	MA, MI, NV
Want to understand the impact of the methodology used to separate billing for students with IEPs and students without IEPs?	MA, MI, NC
Interested in expanding reimbursement for a specific set of services?	NC
Interested in expanding reimbursement for behavioral or mental health services?	MI
Need to make legislative changes to clarify what can be covered by Medicaid in schools?	FL