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# GETTING STARTED: UNDERSTANDING THE MEDICAID LANDSCAPE

Medicaid provides a significant amount of funding in almost every state for school health services. State eligibility and benefits vary based on factors and policies unique to each state.

## How Does Medicaid Impact Children?

Medicaid provides health coverage to more than 65 million people, including 37 million children in low-income families.<sup>4</sup> It covers comprehensive and preventive physical and behavioral healthcare services.

Medicaid's signature benefit for children and adolescents, the [Early and Periodic Screening, Diagnostic and Treatment \(EPSDT\) benefit](#), is designed to ensure that children receive all medically necessary services. Its components include:

- **Early:** Assessing and identifying problems early
- **Periodic:** Checking children's health at periodic, age-appropriate intervals
- **Screening:** Providing physical, mental, developmental, dental, hearing, vision and other screening tests to detect potential problems
- **Diagnostic:** Performing diagnostic tests to follow up when a risk is identified
- **Treatment:** Control, correct or reduce health problems found

For services to be considered medically necessary, they must be reasonable and necessary for the treatment of illness, injury, disease, disability or developmental condition. Medical necessity is a critical factor for determining eligibility for Medicaid-reimbursable services.

## Medicaid's Role in Funding School Health Services

The cost of school health services is covered by different funding streams. Federal, state and local sources of education funding cover most of the cost, while the Medicaid reimburses a smaller portion of the total healthcare costs.

Medicaid spending on school health services was estimated to be \$3.3 billion in 2016 (with an additional \$1.2 billion spent on related administrative services). Medicaid provides a significant amount of funding in almost every state for school health services, particularly for children with disabilities, although it's only a small proportion of Medicaid's overall expenditures (about 0.5 percent in FY 2016).<sup>5</sup>

Since 1988, Medicaid has reimbursed states for certain medically necessary services provided in a school-based setting to children with an Individualized Education

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4. *Fact sheet on children's health insurance coverage, created by the Georgetown University Center for Children and Families and the American Academy of Pediatrics:* <https://ccf.georgetown.edu/wp-content/uploads/2017/02/United-States-Medicaid-CHIP-new-v1.pdf>

5. *Medicaid in Schools, Medicaid and CHIP Payment and Access Commission (April 2018):* <https://www.macpac.gov/wp-content/uploads/2018/04/Medicaid-in-Schools.pdf>

Program (IEP) and in other limited situations, providing billions of dollars of federal funding to support school health services.<sup>6</sup>

States are not required to participate in Medicaid, nor are they automatically eligible to receive Medicaid payment for services provided in schools. But schools are required to provide the services listed in an IEP—whether or not Medicaid funding is available. Many states and school districts (also known as local educational agencies, or LEAs) rely on federal Medicaid funding to offset the expenses of providing these medically necessary services and ease the pressure on the state education budget.

Medicaid is a federal-state partnership; states must pay a certain percentage of their state’s overall Medicaid costs, known as the Federal Medicaid Assistance Percentage (FMAP). The FMAP varies from state to state<sup>7</sup>, but the federal government reimburses, at a minimum, 50 percent of a state’s spending on eligible services provided to Medicaid enrollees. This means states are responsible for up to 50 percent of the cost of care (otherwise known as the state’s match). To raise their share of the match, states rely on many different funding sources, and most states require LEAs to draw from their district budget to contribute some or all of the non-federal share of school-based services.

The Centers for Medicare and Medicaid Services (CMS) reimburses states for a portion of the services that are billed, and each state passes some of the money back to schools and districts. The process for reimbursement is complicated and varies state-by-state, but one thing is clear: When a state increases the number of eligible services that are billed to Medicaid, the state gets back more money from CMS.

The converse is also true: Not billing for otherwise eligible services that are already being provided in schools means leaving federal dollars unclaimed. When that happens, state taxpayers bear the entire cost of services. This makes Medicaid a very important source of funding for school health services—and for state health and education budgets overall.

## The Role of State Medicaid Plans

Benefits and eligibility levels are outlined in each state’s Medicaid state plan. This agreement between a state and the federal government describes how the state administers its Medicaid program and includes clear guidelines about *who gets covered*, *what services are covered* and *who the eligible providers are*.

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6. A 2014 Medicaid rule change known as the “Free Care” rule reversal opened the door to Medicaid funding for a wider range of students and services. See Chapter 6.

7. For a list of all state FMAP percentages, visit Kaiser Family Foundation: <https://www.kff.org/medicaid/state-indicator/federal-matching-rate-and-multiplier/>

In general, Medicaid will pay for covered health and behavioral health services as long as they are medically necessary; follow local, state and federal rules; are covered by the state Medicaid program; and are delivered by a Medicaid-enrolled provider. Medicaid will also pay for certain activities that are directly related to enrollment, outreach and administration of the Medicaid program.

In most states, LEAs are not required to participate in school-based Medicaid, but those that do can seek reimbursement for eligible health services delivered to Medicaid-enrolled students, thereby recouping a portion of their spending.

It's important to emphasize that states have significant flexibility in designing their state Medicaid plan within certain CMS guidelines. Information about what and who is covered is available through the state Medicaid department.

Every state issues guidance that provides significant detail on covered benefits, providers and eligibility. States with managed care arrangements for Medicaid may also have guidance for providers on how to seek reimbursement with Medicaid managed care organizations.