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This **FOCUS on Results** document will describe the Medicaid School Based Services (SBS) program, through which Medicaid partially reimburses for some health care services provided in schools.

Key Ideas:

- The SBS program helps defray some of the rapidly increasing costs of delivering health care in schools to students enrolled in special education and to infants and toddlers and their families in *Early On*® programs.
- All 57 of Michigan's intermediate school districts (ISDs) are enrolled as Medicaid providers, along with the Michigan Schools for the Deaf and Blind and Detroit Public Schools.
- The reimbursement process is complex, and only a small share of actual costs are reimbursed (approximately 33 percent in 2004); still, schools report a positive financial impact from participation in the SBS program.

Michigan Medicaid School Based Services Program Helps Cover the Costs of Some Health Care Services

by Jane Reagan, MPA

Many people are unaware that the Medicaid program partially reimburses some health care services provided in schools. It does so through the Medicaid School Based Services (SBS) program.

In Michigan, over one million persons are eligible for Medicaid. Many of these eligible persons are children or youth who attend Michigan's public schools and who receive school-based health care services such as speech therapy, physical therapy, or service coordination during their school day.

In 1993, the Michigan Department of Education (MDE) and Michigan Department of Community Health (MDCH) forged a partnership to allow ISDs to enroll in the Medicaid program (then within the Department of Social Services). This partnership was designed to help defray some of the costs of delivering health care in schools, mostly for children enrolled in special education but also for those

infants and toddlers and their families in *Early On*® programs.

This state level interagency agreement was made possible by changes Congress made in 1988 in the federal Medicaid statute (Title XIX of the Social Security Act) allowing for reimbursement of certain health care and related costs provided by schools for individuals enrolled in the Medicaid program.

It has not always been easy developing and implementing a program that brings together two very different systems—Medicaid and education. However, most Michigan stakeholders agree SBS is worth the hard work in order to cover some of the costs of providing essential care for children and youth with disabilities.

This *FOCUS on Results* document will:

- Describe the Medicaid School Based Services (SBS) program.
- Provide information about the

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history of SBS and level of participation by intermediate school districts (ISDs) in Michigan.

- Explain the fiscal and administrative impacts of the Medicaid SBS program, particularly on special education and early intervention staff in Michigan.
- Share recent and anticipated changes in the SBS program.
- Link to resources for obtaining more information about the program.

What Is Medicaid?

Medicaid is the nation's public health insurance program that finances health and long term care services for more than 50 million eligible Americans. The program was established in 1965 and provides access to affordable and comprehensive health care for children and adults in low-income working families. Medicaid also serves the elderly and persons with disabilities, who often rely on the program to fill in critical gaps in their Medicare coverage. Although three quarters of Medicaid's enrollees are families with children, services for the elderly and persons with visual impairment and other disabilities account for 70 percent of the program's expenditures (Kaiser Family Foundation-KFF).

Individual states and the federal government jointly finance and operate Medicaid, which has become a huge player in the health care industry. The Kaiser Family Foundation notes:

Medicaid accounts for roughly one fifth of the nation's health care spending and nearly half of all spending on long-term care. As the largest source of federal support to the states, Medicaid is also a major engine in state economies, supporting millions of jobs across the country. Its guarantee of open-ended federal financing that matches state spending enables states to respond to losses of private health insurance caused by unemployment and rising health insurance

premiums, increases in health care costs, emergencies and disasters, and an aging society.

In Michigan, over one million individuals of all ages—nearly one tenth of Michigan's population—are enrolled in Medicaid, according to the Michigan Department of Community Health (MDCH), the state department that administers the program.

What Does Medicaid Cover?

Medicaid covers a wide range of services including hospitalization, physician, midwife and certified nurse practitioner service; laboratory and x-ray services; prescription drugs; dental services; nursing home and home health care; family planning; speech therapy; physical therapy; some health status assessment and evaluation; medical transportation; and rural health clinics and federally qualified health centers, among others. Because Medicaid beneficiaries have limited financial resources, they are generally not expected to share costs. Children and pregnant women are not permitted to share costs.

What Is the School Based Services Program? ▼

In 1993, Michigan's Medicaid Program added the SBS component to reimburse for some health services provided by school districts. All 57 of Michigan's ISDs enrolled as Medicaid providers within the first year. Later, the Michigan Schools for the Deaf and Blind and the Detroit Public Schools enrolled. Since then, Medicaid has determined that only ISD-level districts will be allowed to enroll as Medicaid providers for this program.

Through SBS, Medicaid reimburses these providers for some health care services provided to individuals who are enrolled in Medicaid and who are eligible for special education or other programs like *Early On*. The services reimbursed are those provided during the school day by qualified personnel as set forth in the

student's individualized education program (IEP) or individualized family services program (IFSP). **The Medicaid agency requires local school districts and public school academies to work through their ISD to participate in the program.** Each ISD has established and adjusted many of its procedures in order to work with the Medicaid agency and its computerized billing system.

How Does Reimbursement Work?

For almost all Medicaid services in Michigan, reimbursement for health care expenditures made by a private sector provider—such as a Health Maintenance Organization (HMO), dentist, pharmacist, or nursing home—comes partially from federal funds (approximately 55 percent last year) and partially from state funds (approximately 45 percent in Michigan last year) [see Figure 1]. Reimbursement through the SBS program is different. The enrolled Medicaid provider is an ISD—a publicly funded entity—that is using state, local, and some federal money to ensure education and health care professionals deliver all needed services.

Because schools are publicly funded, their reimbursement through the SBS program is different than that of other health care providers. For schools, reimbursement consists of *only the federal share*—or Federal financial participation (FFP)—at the 55 percent rate. For exam-

ple, in 2003 when an ISD asked for \$100 reimbursement for therapies, the state received only the \$55 federal share of Medicaid funds. The \$45 “state share” was considered previously allocated to the district from state and local funds—your state taxes.

In addition, the program sets aside 40 percent of the federal share to be given to the Medicaid agency's general fund. As a result, the districts receive 60 percent of the federal share, and the Medicaid agency receives 40 percent. That is, for each \$100 claimed by ISDs last year for services they had already delivered, ISDs received approximately \$33 ($\$100 \times .55 = \55 ; $\$55 \times .60 = \33).

How Does the Michigan SBS Program Affect Schools?

The process of submitting claims for reimbursement for one child who received one service on one particular day is complex. There are over 230,000 students/children eligible for special education and/or *Early On* in Michigan.▼▼ Many of these individuals receive multiple services *each day* that may be Medicaid reimbursable.

Procedural Challenges

The Medicaid program is like a health insurance company. It is built on a medical model with expectations that all of its providers will follow its established, pub-

▼ The Medicaid SBS program is occasionally confused with the Child & Adolescent Health Centers operated in 31 locations throughout the State. The two programs are not the same.

The Child & Adolescent Health Centers implement the Comprehensive School Health Education, also called the Michigan Model for School Health, and provide some Medicaid outreach activities.

The primary distinction between the two is the Medicaid SBS program serves children and youth enrolled in both the Medicaid program and special education or *Early On*, while the Child and Adolescent Health programs provide services to all students and children.

▼▼ In Michigan:

Early Intervention Services (under Part C of the IDEA) and special education services (under the Michigan Mandate) are available to eligible infants and toddlers (birth through two years of age) and their families.

Special Education Services (under Part B and Section 619 of the IDEA) are available to eligible children through age 21, and are available under the Michigan Mandate to age 26.

Figure 1

Who Pays for Medicaid?

States contribute up to 50 percent of Medicaid funds, although the federal contribution can go as high as 77 percent, depending on the state's per capita income. The “federal share” of funding is adjusted annually. For Michigan during the fiscal year 2004 (October 1, 2003 through September 30, 2004), the federal share for most expenses was 55.89 percent, with Michigan tax dollars paying for 44.11 percent of all Medicaid costs. For fiscal year 2005, the federal share is 56.71%, and Michigan's share is 43.29%.

The positive effect of this cost sharing is that states are not burdened with the entire load of health care costs for low-income individuals. In lean economic times, when employers cut health care benefits or jobs, more families qualify for Medicaid, increasing the total cost of health care to both the state and federal governments. This has been the case in the past few years. Nearly every state in the country is seeing increases in Medicaid enrollees. This forces states to pay their share of the increasing costs of Medicaid, which are growing faster than most states' income and consuming a larger share of state budgets.



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HIPAA stands for the *Health Insurance Portability and Accountability Act of 1996*; **FERPA** stands for the *Family Education Rights and Privacy Act of 1974*.

lished guidelines and standards in their operations. In order to request reimbursement, providers must follow rules about record-keeping and clinical notes, follow specific procedures, and communicate in approved computer language when submitting a claim for payment electronically.

Because ISDs are not experts in medical billing, most ISDs have hired billing companies that have developed their own proprietary software and protocols for billing and that meet the Medicaid requirements. Billing companies help track each child's services, collect the information the staff records about those services actually delivered, and transfer that information to standardized claim forms for electronic submission claims. Since the billing companies do not work for free, they also receive payment for their services.

Odds are high that most Michigan public school staff members working with children in special education or *Early On* have attended training sponsored by the various Medicaid SBS billing companies that serve ISDs. Training usually covers the intricate details of Medicaid-accepted record-keeping practices, policy changes, and the scores of service-specific procedure codes that exist. **All staff working with the Medicaid program must learn and apply strict protocols in order to ensure compliance so appropriate reimbursement is paid.** Accuracy is important, since ISD records may face review. Like any payer of health care services, the Medicaid agency has the authority to audit providers it pays, including school districts. It also has the authority to take funds back when school records do not properly reflect payments made for services delivered.

Communication Challenges

In addition to differences in procedures, the SBS program raises considerable language barriers. These directly result from bringing together people and systems from the “medical model” used

by the Medicaid agency and the education model used in special education. Medicaid says “treatment plan”; education says “IEP.” Medicaid says “case manager”; Education says “service coordinator.” Medicaid says “HIPAA”; Education says “FERPA.” ▼▼▼ It's a wonder the two systems ever get anything accomplished together!

As a result, when staff members participate in training on Medicaid issues and requirements, they devote some time to translating Medicaid-specific words and phrases into education terms, and vice versa. The communication gap creates frustration, but it also generates rewards, as school district staff and Medicaid staff work on improving communication as an ongoing process. Taken one at a time, these small issues have little impact on the day-to-day activities of school staff. Cumulatively, however, dealing with the differences between the systems can cause significant “hassle factors” that staff must deal with on a regular basis. In the end, the common ground both systems share—delivering high quality, essential human services—usually outweighs the “hassles” faced in getting there.

Fiscal Impact

For many years, Michigan special education costs have totaled at least \$1 billion. Even though ISDs receive only about 33 percent of the reimbursement they claim from Medicaid, the SBS program has had a substantial positive fiscal impact on districts. Since its start in 1993, the SBS program has reimbursed ISDs over \$300 million; it has reimbursed Michigan's Medicaid general fund over \$200 million. Most superintendents and school boards will agree: SBS reimbursements have helped over the years. Medicaid reimbursement returned to districts and ISD special education programs allows for a variety of quality improvement activities. Reimbursements can pay for the costs of a peer review system, and they have even prevented layoffs.



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In the long term, Medicaid reimbursement has helped schools consistently recover a portion of the costs they incur for health care services mandated by the *Individuals with Disabilities Education Act* (IDEA) and other statutes and regulations for students with disabilities. At the same time, the Medicaid program is meeting its statutory obligation to pay for such health care services for its beneficiaries.

SBS Includes Two Components

The SBS program includes two components:

- **The Fee-For-Service (FFS)** component reimburses ISDs for direct health services to students/children with an IEP or IFSP.
- **The Administrative Outreach** component reimburses ISDs for providing information about Medicaid to families and helping locate, identify, and refer qualifying children and their families for Medicaid services.

The FFS for direct health services reimbursement began in 1993 and includes:

- Speech, language, and hearing therapy and evaluations.
- Occupational and physical therapy and evaluations.
- Assistive technology device services.
- Nursing.
- Psychological, counseling, and social work.
- Developmental testing.
- Orientation and mobility services.
- Physician services.
- Service coordination (also called targeted case management).
- Medical transportation.

Effective October 2003, Michigan's FFS component changed significantly as required by a federal law, the *Health Insurance Portability and Accountability Act of 1996* (HIPAA). After nearly a year of drafts, reviews, and valuable input from

ISD work groups, the totally rewritten policy now uses nationally recognized universal procedure codes for all Medicaid reimbursement. Before the change, Michigan and most other states developed their own codes for billing SBS.

Administrative Outreach Services reimbursement began in 1996 and includes:

- Outreach and public awareness efforts.
- Facilitating Medicaid eligibility determination.
- Referral, coordination, and monitoring of Medicaid services.
- Program planning, policy development, and interagency coordination related to medical services.

The claim for reimbursement of this component is calculated using a formula that includes the student population Medicaid eligibility rate and costs to perform certain outreach activities—including salaries, fringe benefits, and other related expenses like supplies and travel. The claim is derived from time studies, completed by school staff who are likely to be involved in Medicaid outreach activities during their workday.

The time studies must accurately identify and isolate the school district costs *directly related* to the Medicaid program. The federal Centers for Medicare and Medicaid Services (CMS) issued national standards in 2003 for all states to follow. Michigan revised its Administrative Outreach policy during that time. Effective January 2004, Michigan implemented its revised policy.

These two major changes to SBS program policies cost districts many hours during the 2003-2004 school year as staff adjusted to all the new Medicaid requirements. School staff received extensive training for both components of the SBS program, and updates of previous training continue. As of the end of 2004, these program changes have had mixed fiscal impact. Reimbursement levels for most ISDs increased slightly for the direct care services after one year of the new policy



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and procedure codes. But after two quarters of Administrative Outreach time studies and claims, reimbursement decreased significantly. At the time of this writing, it is too early to predict the actual fiscal impact of the changes.

What's Next?

The Medicaid SBS program poses future opportunities and challenges to those involved:

Adding new services. Michigan public schools provide many services for students and children with disabilities that currently are not reimbursed by Medicaid but possibly could be. Under consideration for future addition are assistive technology devices and services provided by licensed practical nurses, paraprofessionals, and aides.

Transportation. The current Medicaid requirement that transportation services be documented per child per day poses a costly burden for many districts. A transportation work group consisting of representatives from various ISDs formed in early 2004 to study other options for documenting special education transportation. Their work is incomplete at the time of this writing.

Re-calculating reimbursement rates. The Michigan Medicaid staff is reviewing recent communication from the Federal CMS regarding the formula used for reimbursement to ISDs. A reimbursement work group formed in summer 2004 to review the CMS requirements, what other states are doing, and what existing data can be used.

Advisory Groups. Two groups work to maintain strong and useful dialogue between the education community and the Medicaid agency. The Administrative Outreach Advisory Group formed in early 2004 to deal with emerging policy issues, particularly as the "new" Administrative Outreach component began in January 2004. Consisting of representatives from ISDs and staff from the MDCH and MDE, the group initially met monthly; the group continues to meet, but

less frequently. The SBS Provider Liaison group handles all issues, but focuses more on the Fee-For-Service component. This group meets twice yearly, and anyone interested in SBS issues may attend.

Participation. School year 2003-2004 was a key year for Michigan's SBS program with so many policy and procedural changes occurring. Many ISDs are weighing the costs and benefits of program participation. For example, when the Michigan Medicaid agency contracted with one vendor to conduct time studies and develop claims for the Administrative Outreach component for 2004, the ISDs experienced substantial savings compared to costs with their previous billing companies. However, some of the savings have been offset in a few ISDs because school staff members are doing more of the day-to-day work associated with time studies and program administration than before. Also, with reimbursement from the Administrative Outreach component coming in at much less than previous levels, reviewing its commitment to the program is simply good business practice for an ISD.

CMS. All states, including Michigan, are feeling a shift on the part of the federal CMS toward the SBS program in both published policy and its stronger emphasis on audits. The Federal Department of Health and Human Services Office of Inspector General (OIG) has visited various states, conducting audits on SBS programs and recommending millions of dollars previously paid to school districts be returned when apparent errors are discovered in record-keeping, compliance with specific regulations, and other areas.

Controversial national policy. The American Association of School Administrators and the National Association of School Boards have announced they are doing preliminary work in preparation for litigation against the CMS restrictive policy guidelines released in May 2003 that prevent reim-

bursment for previously covered services under the Administrative Outreach component. Many Michigan school boards have supported this effort financially.

References and Suggested Resources

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WEB LINKS

Michigan Medicaid Web Sites

Michigan Medicaid Published SBS Policy Bulletins

(arranged in chronological order by date of release)

www.michigan.gov/mdch

Click on “Providers,” then “Information for Medicaid Providers.”

Center for Advancing Community Health (CACH)

www.cachlink.org

General Information on Medicaid in the Schools

HelpforSchools.com

Office of Special Education Programs (OSEP) Region VII Comprehensive Center

<http://helpforschools.com/medicaid/index.shtml>

National Alliance for Medicaid and Education

<http://www.medicaidforeducation.org/>

**U.S. Department of Health and Human Services,
 Centers for Medicare and Medicaid Services (CMS)**

www.cms.hhs.gov/medicaid

Michigan Special Education Web Sites

**Citizens Alliance to Uphold Special Education (CAUSE)
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www.causeonline.org/

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www.cenmi.org

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