

Healthy Students, Promising Futures

June 2023

Preliminary Discussion: School Medicaid Guidance Coverage Provisions

This memo summarizes new school Medicaid guidance released in May 2023 by the Centers for Medicare and Medicaid Services (CMS) and also draws from CMS' August 2022 Informational Bulletin. We collectively refer to these documents as "the guidance" or the "guide":

- [Delivering Services in School-Based Settings: A Comprehensive Guide to Medicaid Services and Administrative Claiming](#) (May 18, 2023)
- [Informational Bulletin: Information on School-Based Services in Medicaid: Policy Flexibilities and Guide on Coverage, Billing Reimbursement, Documentation and School-Based Administrative Claiming](#) (May 18, 2023)
- [Informational Bulletin: Information on School-Based Services in Medicaid: Funding, Documentation and Expanding Services](#) (Aug.18, 2022)

This guidance makes clear that:

- All Medicaid-enrolled students can be covered for school-based health services.
- All medically necessary services, including preventive, physical, mental health and substance use disorder services can be covered in a school setting.
- States are able to support a wide range of providers in a school setting.
- Students covered by CHIP can be included in school Medicaid.

This is a huge victory. It gives state Medicaid agencies the ability to create a school-based health services ecosystem that works for local education agencies (LEAs), providers and students.

The guidance also goes into detail about how the program works and the options available to state Medicaid agencies to improve its efficiency and reduce administrative barriers. The decisions made by state Medicaid agencies, in partnership with LEAs and state education agencies (SEAs), are critically important to the overall success of the program and to maximize billing. We look forward to working on those issues at a later date.

This memo reflects our preliminary understanding of the guidance. There are still questions to unravel, and since each state’s regulatory environment is complex, the specific applicability of these provisions needs to be analyzed on a state-by-state basis. Still, we hope that this memo provides a strong initial assessment of how states could move forward to expand and enhance their school Medicaid programs.

Expanding School Health Services to All Medicaid-Enrolled Students

The policy is clear: States have flexibility in their school-based Medicaid programs to allow school districts to bill Medicaid for health services delivered to all Medicaid-enrolled children, not just those with a special education plan documented by an Individualized Education Plan (IEP) or Individualized Family Service Plan (IFSP).

The new guidance is a consistent interpretation of the [CMS 2014 “free care” clarification](#) and reflects the language in the [Bipartisan Safer Communities Act](#) and the [joint letter](#) that Health and Human Services Secretary Xavier Becerra and Education Department Secretary Miguel Cardona sent to states in July 2022. It also builds on the success of the [nearly two dozen states](#) that already expanded coverage (as of June 2023) for services outside of the IEP.

CMS strongly encourages states to use this flexibility and specifically identifies it as a way that school districts can receive financial support through Medicaid for services that they may already provide. It is worth noting that in order to seek reimbursement for health services delivered as part of a 504 plan, a state would need to expand coverage outside of the IEP. In most states, this means the state Medicaid agency will need to apply to CMS for a state plan amendment (SPA).

When working on school Medicaid expansion to cover services outside an IEP, state Medicaid agencies will have the opportunity to consider which services they want to cover as well as pursue additional billing flexibilities described in this guide. Expanding coverage also provides an opportunity to think holistically about the school health services delivery system.

While this section does not take up many pages in the guide, we strongly believe that it is the foundation on which the rest of the guidance is built. Since 2014, CMS has repeatedly offered this interpretation: **States can — and should — expand their school Medicaid program to cover all students.**

CMS’ approval of state Medicaid programs that do this further proves its commitment. CMS has approved a variety of state approaches: covering all students for all services; covering only those students with 504s; and covering all students, but only for behavioral health services.

Our stance is that all students should be covered for all services, and we believe that the new guidance is consistent with that approach. (Note that “all students” means all students in an LEA. A public charter

school would be eligible to participate in the school health services program; a private school would not be eligible unless it is delivering services for which an LEA has contracted.)

We also believe that any state activity taking advantage of other flexibilities outlined in the guide would be insufficient without first leveraging the opportunity to expand reimbursement for all services provided to all Medicaid-enrolled students. Unless states are billing for all Medicaid-enrolled students, they are leaving federal funding on the table for services that are already being delivered in the school. We therefore strongly encourage all states to take advantage of this opportunity either before or concurrent with leveraging other flexibilities.

Expanding to Cover All Services

There is no distinct Medicaid benefit called “school-based services.” Rather, the school is a site of service, and a wide variety of services may be delivered in the school setting, subject to all other federal and state Medicaid requirements.

The guidance makes clear that states may cover a comprehensive range of services in a school setting. In particular, the guidance identifies both the Early and Periodic Screening, Diagnostic and Treatment (EPSDT) benefit and the Preventive Services Benefit as eligible for reimbursement.

EPSDT provides preventive, diagnostic and treatment services that are both therapeutic and rehabilitative. The [August 2022 Informational Bulletin](#) further reminds states that the obligation to provide all medically necessary care under EPSDT extends to prevention, screening, assessment and treatment for mental health and substance use disorders (SUDs). In other words, school health services could cover an extremely broad set of services — including mental health and SUD services. (The guidance also includes information about several other Section 1905(a) benefits commonly provided in schools, including vision, dental, physical therapy; occupational therapy, audiology, personal care services, physicians’ services benefits and transportation.)

In practice, we have seen states that have eliminated the separate “school-based services” section of their existing SPA; instead, they make clear that all medically necessary services or all EPSDT services are covered in a school setting. Other states take a different route, listing the specific services (e.g., PT/OT) that are covered in schools. It does not mean that these are the only services being delivered in a school, but rather that Medicaid will only reimburse for these services — leaving districts to pick up the cost of other services provided in a school.

Based on this guidance, our stance continues to be that **states should submit a SPA to cover all medically necessary services that are delivered in a school setting.**

Covering All Providers

A wide range of providers deliver services in schools. These providers are licensed and/or credentialed under the scope of their licenses and by the SEA. They are all critical parts of the school health ecosystem. But not all providers who deliver services in schools are qualified as Medicaid providers under the state plan. This means that even though these types of providers are delivering Medicaid-covered services to Medicaid-enrolled students, the school cannot draw down reimbursement for those services.

Previous CMS policy on provider qualifications was not transparent, which made it challenging to get all school health providers qualified as Medicaid providers. In the new guide, CMS revisits its past guidance and explicitly gives state Medicaid agencies more flexibility to cover services provided by a wider range of school-based healthcare providers, and it identifies how a state can include these types of providers.

The guide clarifies that state Medicaid plans may use certification by the federal, state or local education agency, or national accrediting bodies, in order to include new provider types in the state plan. Once added, the newly Medicaid-qualified school-based providers would be eligible for reimbursement.

(Scope-of-practice laws and other processes for setting provider qualifications are not addressed in the new guidance but are an important consideration when determining provider qualifications. The guidance does not supersede provider requirements.)

The guide strongly encourages states to use this flexibility in order to maximize reimbursement for services delivered in the schools. There are examples of states that have expanded to include new types of providers and have ironed out billing for additional provider types. These examples demonstrate that expanding billing for new provider types — or, in other words, seeking federal reimbursement for services already being delivered in the schools — is a significant source of revenue.

When Louisiana expanded its school Medicaid program to include school nurses (for whom billing previously was not allowed), the state's financial analysis showed a 35% increase in Medicaid revenue since implementation. Michigan expanded its school Medicaid program to include school psychologists. In the first two years of expansion (2020-2021), the state received about \$12 million new federal dollars for services provided to students without IEPs. And because schools are now allowed to bill for the services of school psychologists, billing for students with IEPs has increased by over \$20 million. (Read [HSC's analysis](#) for these and other examples.)

Billing for masters-level school psychologists alone [was projected](#) to lead to **an increase of \$14 million**. Thanks to the comprehensive expansion, the state has seen an increase in reimbursement. In the first two years of expansion (2020-2021), the state received about \$12 million new federal dollars for services provided to students without IEPs. And because schools are now allowed to bill for the services of school psychologists, billing for students with IEPs has increased by over \$20 million.

We strongly encourage LEAs and SEAs to look closely at the types of providers currently delivering services in schools, and map that against the types of providers included in the state Medicaid plan.

As state Medicaid agencies begin to develop the state plan to expand the school health services program, it is important to include as qualified Medicaid providers all the providers who are able to deliver services in schools. A [recent analysis](#) by the Aurrera Health Group provides an initial overview of the Medicaid and education standards for school health personnel and is a starting point for this work.

Coverage Under CHIP

The Children’s Health Insurance Program (CHIP) can pay for services delivered to students in a school. In many cases, the school Medicaid program will look the same regardless of whether the student has coverage through Medicaid or through CHIP. It depends on [how the state has structured its program](#).

In states that have a separate CHIP program, states may offer coverage of school health services including nursing services; crisis intervention; outpatient mental health and SUD; and PT, OT and SLP. It is important to note that students in stand-alone separate CHIP programs are not covered by the EPSDT benefits, meaning their benefits package is limited to the services named in the state plan.

For states that have expanded their CHIP program into a Medicaid program (referred to as a “[Medicaid expansion CHIP](#)”), states would follow the same Medicaid requirements and standards for students enrolled in CHIP; students would be covered in functionally the same way as if they were enrolled in Medicaid.

Health Services Initiatives (HSIs) are an additional option under CHIP that states may implement. They allow states to cover additional items and services targeted at Medicaid and CHIP enrollees ages 18 and under, but can also benefit a broader range of students. Yet only 14 states so far have approved HSIs for students.

HSIs are [funded out of the CHIP program](#). They operate as grants to stand-up healthcare services but can be an invaluable source of additional funds to support student health by covering, for example, vision services (screenings and eyeglasses); training and naloxone kits for school personnel to treat overdoses; and school-based health centers.

The new guidance makes clear that states should consider these funds to complement the delivery of student health services and that technical assistance will be available to implement these programs.

Delivery of Services

The guide covers two topics about *how* services are delivered and financed: managed care and telehealth.

The vast majority of school health programs do not interact with managed care organizations. They are “carved out” of managed care, and the LEAs work directly with the state Medicaid agency rather than with the managed care plans.

The guide gives advice to states where school health services are covered by managed care (or states are considering managed care). In particular, CMS strongly encourages state Medicaid agencies to proactively establish and/or strengthen relationships between MCPs, schools/LEAs, and school-based providers. Further, it recommends that state Medicaid agencies actively include schools as part of the managed care procurement and contracting processes as a way to encourage partnership and coordinate care.

To be clear, the guide does not require schools to participate in managed care or introduce federal policy regarding participation in managed care; those decisions are made at the state level. However, given that 80% of all children enrolled in Medicaid are covered through managed care, states are increasingly looking at ways to strengthen the coordination of health services. There may be more state interest in this topic in the future.

The guide reminds states about the opportunities to deliver school health services via telehealth and cites Medicaid's coverage policies. Almost all states have increased reimbursement for services delivered by telehealth in school settings, and many have [made these flexibilities permanent](#) after COVID. The guide also reiterates that state Medicaid agencies may pay providers for additional costs associated with delivering services via telehealth within Medicaid payment methodologies.

Conclusion

While there are still questions about the guide and its implementation to work through, this guide makes it very clear that states can invest in school health services — and that CMS is encouraging them to do so.

What's more, CMS knows that it takes collaboration, partnership and coordination between state Medicaid and education agencies and LEAs to truly transform state Medicaid programs. We couldn't agree more.

Building on the strength of interstate collaboration has long been the key to successful partnerships. Healthy Schools Campaign looks forward to supporting states in designing and implementing strong school Medicaid programs in compliance with this guidance.

For background about school Medicaid, read [“A Guide to Expanding Medicaid-Funded School Health Services,”](#) a comprehensive yet accessible roadmap developed by Healthy Schools Campaign.

Healthy Schools Campaign

Healthy Schools Campaign (HSC) engages stakeholders and advocates for policy changes at local, state and national levels to ensure that all students have access to healthy school environments, including nutritious food, physical activity and essential health services, so they can learn and thrive. HSC's Healthy Students, Promising Futures initiative supports states and school districts in expanding access to Medicaid-funded school health services. To learn more, visit healthyschoolscampaign.org and healthystudentspromisingfutures.org.

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