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Memorandum

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Refer to: FME-42

From

Director  
Medicaid Bureau

Subject

Medicaid Funding of Services Provided in Schools--INFORMATION

TO

All Regional Administrators

This memorandum is intended as guidance to regional offices and Medicaid officials concerning Medicaid coverage of services provided in schools.

The joint Federal/State Medicaid program pays for certain medically necessary services which are specified in Medicaid law when provided to individuals eligible under the State plan for Medicaid assistance. The Individuals with Disabilities Education Act (IDEA) authorized Federal funding to States for two programs that impact Medicaid payments for services provided in schools. One program was designed to ensure that children with special education needs receive a free, appropriate public education (Part B of the IDEA) and the other program provides for financial assistance to the States to develop and implement comprehensive, interagency early intervention programs for handicapped infants and toddlers (Part H of the IDEA).

Under Part B (established by Public Law 94-142 and formerly called the Education of the Handicapped Act), school districts must prepare an Individualized Education Program (IEP) for each child which specifies all special education and "related services" needed by the child. The Medicaid program can potentially pay for some of the "related services" required by Part B of the IDEA in an IEP, if they are among the services specified in Medicaid law. In addition, the services must be included in the State's Medicaid plan or available through the Early and Periodic Screening, Diagnostic, and Treatment (EPSDT) benefit. Examples of such services include: physical therapy, speech pathology services, occupational therapy, psychological services, screening and assessment services. Within Federal and State-Medicaid program requirements regarding allowable services and providers, schools providing these services can bill the Medicaid program for these health-related services when provided to children eligible for Medicaid if the school is a participating Medicaid provider.

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Part H of P.L. 99-457 provides for early intervention programs that include all of the available developmental services needed by the handicapped infant or toddler and the development of an Individualized Family Service Plan (IFSP). Although the Department of Education is the lead agency for

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Part H, many of the **services included in IFSPs can be covered by Medicaid** if **all Medicaid statutory and regulatory requirements are met**. Examples of such services would again include: **physical therapy, speech pathology services, occupational therapy, psychological services, screening and assessment services.**

**In summary, under both parts B and H of the IDEA, Medicaid payment may be is available for services that are medical or remedial in nature.** The services must be medically necessary and either included as covered services in the State's Medicaid plan or available through the EPSDT benefit as any other necessary services described in Section 1905(a) of the Act discovered by EPSDT screening services. The provider of these services must be a participating Medicaid provider directly furnishing the service in order to bill the Medicaid program. (It is important to note that schools can only be participating providers of these services if all provider qualifications in the State plan are met. However, Medicaid agencies cannot restrict providers of services to schools.) In addition, all Medicaid providers, including schools or practitioners, must abide by the payment of claims provisions in 42 CFR 433.139 where third-parties are involved. This means that a school or the medical practitioner enrolled as a Medicaid provider may be required to bill a private health insurance plan before billing the Medicaid program.

Questions concerning this overview of Medicaid coverage and payment for services provided in schools should be directed to Terese Klitenic on FTS 646-6117.

Christine Nye

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