What Will Medicaid and CHIP Pay For?

Medicaid pays for care delivered in a range of settings, including hospitals, outpatient settings, private practice settings, clinics, nursing homes, community health centers, schools, mental health clinics, and at home.\(^{29}\) If a service is covered under the Medicaid state plan, it must be covered everywhere in the state unless the state obtains a federal “statewideness” waiver.

Mandatory and Optional Benefits

Medicaid includes mandatory benefits that states are required to cover under federal law and optional benefits that states may choose to cover. Here is an overview:

Mandatory benefits include:

- Inpatient and outpatient hospital services;
- Physician services;
- Early Periodic Screening, Diagnosis, and Treatment (EPSDT) for children (which includes screening, diagnosis, and any services, even if they are otherwise optional, needed to treat identified conditions);
- Family planning services and supplies;
- Nursing facilities;
- Nurse practitioner services;
- Laboratory and X-ray services;
- Tobacco cessation for pregnant women;
- Transportation for non-emergency medical care;
- Home health services.

Among the many optional services are:

- Prescription drugs;
- Occupational, speech, and physical therapies;
- Optometry;
- Targeted case management (see page 26 on Case Management/Care Coordination for description);
- Skilled nursing facilities for children under 21;
- Rehabilitative services;

• Personal care services;
• Dental services;
• Hospice services;
• Inpatient psychiatric services for children under 21;
• Medical and remedial care from other licensed providers, including psychologists.

All 50 states provide some variety of optional services. For example, every state provides prescription drugs, occupational and physical therapies, targeted case management, and optometry. Whether optional or mandatory, each service provided must be adequate in amount, duration, and scope to “reasonably achieve its purpose.”

Copayments and Deductibles

Medicaid is prohibited from imposing copayments, deductibles, co-insurance, or other fees (“cost-sharing”) on services for children whose family income is less than 150% FPL. States and managed care organizations have also been prohibited from imposing anything more than “nominal” cost sharing on adults receiving Medicaid.

Early Periodic Screening, Diagnosis, and Treatment (EPSDT)

The EPSDT program is a key benefit for children who receive Medicaid coverage. It requires that states provide screening, diagnosis, and treatment to prevent, ameliorate, or treat conditions and to promote development. The treatment of identified needs must be provided even if the service is not normally covered in the state’s Medicaid plan. Thus, for children covered by the Medicaid program, any medically necessary service is actually mandatory and must be provided.

This does not mean that Medicaid pays for everything a child needs under EPSDT. The service must be a medical service, delivered by a qualified health care provider, and it must be medically necessary. Thus, a child with significant oral health needs identified in an EPSDT screening would be covered for those oral health services even if those services are not listed in the state’s Medicaid plan. On the other hand, a teen with Autism Spectrum Disorder who needs support to learn a new job skill may find that the state Medicaid program denies coverage on the grounds that such support is an educational or vocational service.

30 In response to litigation, the Affordable Care Act of 2010 (Section 2304) clarified that it is not enough for a state to simply pay for or reimburse Medicaid enrollees for covered services; the state must ensure care is received.


32 42 Code of Federal Regulations Section 447.54.
rather than a medical one. In short, while the EPSDT program provides comprehensive coverage for children, this coverage is limited by the rules that the services must be medically necessary and delivered by qualified providers.33

Care Coordination/Case Management

Title V programs often fund care coordination services for CSHCN. Medicaid programs also fund care coordination services through Home and Community-based Services (HCBS) waivers, managed care plans, primary care case management programs (see Section 7 for more detailed information on managed care and primary care case management), EPSDT, and targeted case management. Within Medicaid, care coordination is usually called case management. Sometimes case management involves a “gatekeeper” function designed to ensure that services are provided in the most cost-effective manner or in accordance with health plan utilization management guidelines. In other cases, case management services are similar to Title V-funded care coordination, helping children gain access to needed medical, social, educational, and other services.

Home and community-based services waiver programs are required to include case management as a covered service. This case management might include information and referral services, coordination across multiple care providers, and service allocation decisions, particularly if there is a concern that the cost of home and community-based services might exceed the cost of institutional care. Managed care and primary care case management programs also vary widely in their implementation and interpretation of case management. Targeted Case Management services (TCM) may be provided for specific groups of children with complex needs such as children in out-of-home placement, children with developmental disabilities, or children with special health care needs. TCM regulations require that case managers take a client history, perform a comprehensive assessment, prepare a care plan, make referrals, and conduct monitoring and follow-up activities.34

EPSDT will cover services such as information and referral, arranging for screenings, and arranging assessment and follow-up care. Sometimes Medicaid programs enter into agreements with Title V programs, using EPSDT or Targeted Case Management funding mechanisms to have the Title V programs deliver care coordination services to CSHCN and receive federal Medicaid matching dollars.

Not all states provide for case management in their CHIP programs. In the states that do not, Title V funds can provide critical “wraparound” services to ensure that CSHCN in CHIP have access to care coordination.

Home and Community-based Services

Some children and adults with serious disabilities receive Medicaid services through the Home and Community Based Services (HCBS) waiver or an HCBS option without a waiver. These programs assist children or adults with severe disabilities to live at home and avoid institutionalization. These are called waiver programs because they waive Medicaid rules regarding covered services and in some cases, income eligibility. Waiver services may include care coordination, attendant care services, community support services, home-based behavioral services, visiting nurse services, or other services that are not otherwise available under the state plan. The

33See 42 Code of Federal Regulations Parts 440 – 441 for descriptions of covered services. Issues about what is reimbursable under Medicaid often arise related to school-based health services. Although medical services, such as occupational, speech, physical, and psychological therapies, are covered when provided in school, services are not generally covered by Medicaid or CHIP if they can be covered as special education services under the Education of the Handicapped Act (20 United States Code 1401 (16) and (17)). Services are also generally not covered if they are Vocational/Rehabilitation services available under the Rehabilitation Act of 1973 (29 United States Code 730). Difficulty delineating between educational services and medical services in schools has caused the Office of Inspector General (OIG) to audit school-based Medicaid services, resulting in significant state liability for federal Medicaid payments. See e.g., U.S. Department of Health and Human Services, Office of Inspector General (OIG). (2010). Review of New Jersey’s Medicaid School-Based Health Claims Submitted by Public Consulting Group, Inc. Retrieved Jan. 13, 2011 from http://oig.hhs.gov/oas/reports/region2/20701052.pdf Medicaid services in schools must be part of the state Medicaid plan or EPSDT and provided by a qualified health care provider.

34The regulation for TCM is found at 42 Code of Federal Regulations Section 440.169.
waiver restricts the availability of these services to individuals who are enrolled in the program; thus, unlike other Medicaid services, these services are not an entitlement. Historically these services have only been provided under waivers granted by the federal government. More recently, Congress has permitted states to deliver the same services simply by submitting a state plan amendment (SPA) and without going through the waiver process.35 Because a state may cap the number of participants under a waiver, but not under a state plan amendment, the choice of a waiver or a SPA will impact the number of people who will be able to receive these benefits.

Premium Assistance Programs

Finally, many Medicaid and CHIP programs have “premium assistance” programs. In these programs, if the child’s parent has access to private health insurance for the child through his or her employer, the state may pay for the parent to purchase the private coverage through the employer. The state might do this in circumstances where it is less expensive to pay the employee’s share of the private insurance premium than to pay directly for the child’s care. The child maintains Medicaid or CHIP coverage to pay for those services not covered by private insurance. In this way, the parent often can obtain coverage as well.36

CHIP Benefits

States with CHIP programs that are expansions of the state’s Medicaid program and governed by the same rules must offer the same mandatory services required by federal Medicaid law, including the periodic screenings for physical and mental conditions, and vision, hearing and dental services required by EPSDT.

States that administer their CHIP programs separately from their Medicaid programs have greater flexibility in designing their benefit packages. The CHIP benefit package must offer:

- Benchmark coverage: coverage that is provided through one of three options including the Federal Employee Health Benefit Program, state employee coverage, or coverage offered by the HMO with the largest commercial enrollment offered in the state;
- Benchmark-equivalent coverage: coverage that is not provided by one of the three options described above but is equivalent to that level of coverage;
- Coverage approved by the Secretary of the U.S. Department of Health and Human Services; or
- Comprehensive state-based coverage that existed when CHIP was enacted (only in Florida, New York, and Pennsylvania).37

In addition, all CHIP programs must cover well-baby and well-child care (including immunizations), inpatient and outpatient hospital services, physicians’ surgical and medical services, and laboratory, X-ray, dental, and emergency services. As with private insurance, if mental health services are provided, they must not be restricted any more than physical health services.

---

35Social Security Act, section 1915(i).


Separately administered CHIP programs are not as likely to cover some of the services most needed by CSHCN that are covered under Medicaid’s EPSDT benefit.

Finally, more cost sharing, such as premiums and copayments, may be imposed on CHIP families than those in Medicaid; however, the total cost sharing may not exceed five percent of the family’s income.

**Covered Services for CSHCN and the Affordable Care Act**

In 2014, EPSDT became available to more children in 20 states because the ACA required states to raise Medicaid eligibility for children ages 6 to 19 from 100% FPL to 138% of the federal poverty level, shifting children from CHIP to Medicaid. Other coverage changes are described in Section 9.

---


59The language of the ACA sets the eligibility limit at 133% of the federal poverty level (FPL) in 2014, but then instructs states to disregard an amount of income that brings the household to 138% of the FPL. ACA, section 2001(a); Health Care and Education Reconciliation Act, Pub. L. No. 111-152 section 1004(e).

---

Where Are the Opportunities for Title V Programs?

Title V programs have significant opportunities to collaborate with Medicaid agencies regarding Medicaid and CHIP benefits. For example, Title V programs may:

- Advise the Medicaid programs how to help parents of enrollees understand the EPSDT benefit that will be available to their children;

- Work with Medicaid and other state policy-makers to develop Medicaid buy-in programs or waiver programs to enhance benefits for CSHCN whose health and support service needs are above and beyond the services covered by private insurance, CHIP, or standard Medicaid programs;

- Work with the Medicaid agency to improve Medicaid-funded case management.

---

This document is part of *Public Insurance Programs and Children with Special Health Care Needs: A Tutorial on the Basics of Medicaid and the Children’s Health Insurance Program (CHIP)*, available in its entirety at [http://cahpp.org/resources/Medicaid-CHIP-tutorial](http://cahpp.org/resources/Medicaid-CHIP-tutorial)


The Catalyst Center is funded under cooperative agreement #U41MC13618 from the Division of Services for Children with Special Health Needs, Maternal and Child Health Bureau, Health Resources and Services Administration, U.S. Department of Health and Human Services. LCDR Leticia Manning, MPH, MCHB/HRSA Project Officer.
Test your knowledge

1. EPSDT stands for:
   a. Early Piloting of Special Diagnostic Tests
   b. Early Periodic Sailing is Definitely Treatment
   c. Early Periodic Screening, Diagnosis, and Treatment
   d. Early Partners in Diagnosis and Treatment

2. EPSDT is required by federal law in:
   a. Medicaid, but not CHIP
   b. CHIP, but not Medicaid
   c. All Medicaid and CHIP programs

3. If a vision problem is discovered during an EPSDT screening, treatment for it is covered by:
   a. CHIP in all states
   b. Medicaid in all states
   c. Medicaid in some states

4. In 2014 many children shifted from CHIP to Medicaid. Why did that happen and why does it matter?
   a. It happened because states can reduce CHIP coverage, and it matters because CHIP provides EPSDT.
   b. It happened because states are changing the name of CHIP, and it doesn’t matter.
   c. It happened because the ACA mandated that states raise Medicaid income eligibility for 6- to 19-year-olds from 100% FPL to 138% FPL.

Find Out in Your State

1. Was your state one of the 20 in which EPSDT became available to more children in 2014, because Medicaid eligibility will increase to 138% of the poverty level?

2. How is care coordination funded for CSHCN in your state?

3. What “optional benefits” are covered by your state Medicaid Plan?