

# The Role of Title V Programs in Increasing Access to School-Based Health Services: Opportunities for Bolstering Medicaid Reimbursement

## Introduction

In 2014, the Centers for Medicare and Medicaid Services (CMS) [reversed](#) the 1997 Medicaid policy known as the Free Care Rule that limited the ability of schools to bill Medicaid for student health care services. This evolution in Medicaid reimbursement for services provided in schools has particular implications for children and youth with special health care needs (CYSHCN), who have or are at increased risk for a chronic physical, developmental, behavioral, or emotional condition and who require more services than children generally do.<sup>i</sup>

As the single largest payer of health care services for children, with robust benefits and cost-sharing limits, Medicaid is a crucial source of health coverage for CYSHCN. Medicaid financing covers a wide range of services in schools, including salaries of health providers, outreach and coordination services, and equipment and transportation for CYSHCN.<sup>ii</sup> The COVID-19 pandemic has highlighted schools as a crucial site for receiving needed care, as many CYSHCN have experienced delayed or missed services throughout the pandemic.<sup>iii</sup>

This Catalyst Center explainer provides an overview of the Free Care Rule reversal, outlines actions states have taken to implement the policy change resulting from the reversal, and details how state Title V Maternal and Child Health (MCH) and CYSHCN programs can collaborate with stakeholders to expand access to services in schools through Medicaid reimbursement.

## Free Care Rule Reversal

In 1997, CMS established the Medicaid Free Care Rule, which prohibited schools from billing Medicaid for health care services if the same services were provided free of charge to the general student population.<sup>iv</sup> This policy limited schools' ability to seek Medicaid reimbursement for health care services – such as health screenings, immunizations, chronic disease management, or therapies – provided to students enrolled in Medicaid. Under the Free Care Rule, schools were allowed to bill Medicaid only if three conditions were met:<sup>v</sup>

- 1) The student is enrolled in Medicaid
- 2) The student has an Individualized Education Plan (IEP)
- 3) The healthcare services provided are related specifically to the IEP

In December 2014, CMS reversed the Free Care Rule and allowed schools to request reimbursement for services provided to students enrolled in Medicaid, whether or not they meet the [IEP criteria](#). This is of particular importance to CYSHCN, as not all CYSHCN who require health care services at school meet the criteria to qualify for an IEP.

The graphic below details an example of the payment mechanisms available to cover health care services in schools for two Medicaid-enrolled students, one of which has an IEP, in states that have and have not taken action to implement the Free Care Rule reversal.



**Sean is in 4th Grade**  
**Sean is enrolled in Medicaid**

**Diagnosis: Autism**

**Is Sean entitled to a free and appropriate public education (FAPE)?**

Yes: Section 504 of the 1973 Rehabilitation Act



**Does Sean have an Individualized Education Plan (IEP)?**

Yes



**What health care services does Sean need to be successful in academic and functional activities at school?**

- Speech Language Therapy
- Occupational Therapy
- Applied Behavior Analysis (ABA)



**Who pays for the health services that Sean needs to be successful in school?**

Under the Individuals with Disabilities Education Act (IDEA), health services listed in Sean's IEP are covered under Medicaid since he is enrolled in Medicaid.



**Ellen is in high school**  
**Ellen is enrolled in Medicaid**

**Diagnosis: Cerebral Palsy**

**Is Ellen entitled to a free and appropriate public education (FAPE)?**

Yes: Section 504 of the 1973 Rehabilitation Act



**Does Ellen have an Individualized Education Plan (IEP)?**

No. She does not need an IEP.



**What health care services does Ellen need to be successful in academic and functional activities at school?**

- Physical Therapy on a regular basis
- If Ellen does not receive physical therapy at school, she would have to leave school several times per week during the day to access it at a clinic.



**Who pays for the health services that Ellen needs to be successful in school?**



**States that have not implemented the Free Care Rule reversal**

The school does not provide Ellen with physical therapy because they are not aware of a way to pay for it other than through their general budget; instead they encourage the gym teacher to do exercises with her occasionally.

**States that have implemented the Free Care Rule reversal**

Medicaid reimburses for Ellen's physical therapy services provided in school.

## Overview of State Actions to Implement the Free Care Rule Reversal

As a result of the Free Care Rule Reversal, states can now seek Medicaid reimbursement for services provided to all Medicaid-enrolled students, provided they meet certain conditions, including: 1) the services are covered by the Medicaid program (including services covered under the EPSDT benefit), 2) the services are administered by a provider that is recognized by the Medicaid program (Medicaid-qualified provider), 3) the state has billing mechanisms in place to capture Medicaid reimbursement for services provided in schools.<sup>vi</sup> Reimbursement mechanisms vary from state to state; for the purposes of this brief, references to ‘schools’ receiving reimbursement are shorthand for school districts, local education entities, or other entities responsible for seeking Medicaid reimbursement for school-based services.

States must choose to take action in order to access Medicaid reimbursement for school health services under the Free Care Rule reversal. Some states had codified the older policy into state law and will need to update their Medicaid plans into alignment with current federal policy.<sup>vii</sup> Implementing this policy change may require submitting a [state plan amendment](#) to expand Medicaid coverage for student health services or passing legislation to reverse free care exclusions, depending on state law.<sup>viii</sup>

Since the 2014 reversal of the Free Care Rule, 17 states have expanded Medicaid reimbursement for school-based health services.<sup>ix</sup> As of April 2022, 12 states expanded school Medicaid through a state plan amendment (SPA). New Hampshire passed legislation in May 2017 to expand its school Medicaid program to include services delivered to all Medicaid-enrolled students.<sup>x</sup> Other states were able to expand Medicaid reimbursement in schools without a state plan amendment or legislation.

Six states are currently in the process of expanding Medicaid reimbursement in schools. New Mexico, Illinois, Oregon, and Virginia submitted state plan amendments that are pending approval from CMS. Indiana and Utah passed legislation requiring their state Medicaid agencies to submit a SPA to expand the school Medicaid program.<sup>xi</sup> Appendix A lists the status of all 50 states regarding the expansion of Medicaid reimbursement of school-based health services as of April 2022.

## Potential Impacts of Expanding Medicaid Reimbursement in Schools

Expanding Medicaid reimbursement for more students, as well broadening the types of services covered in schools, could bring more federal revenue to states and school districts. Given that most states already provide some services to Medicaid-enrolled students without an IEP, and pay for them using state education funds, increased federal reimbursement can supplement limited education dollars and ultimately help states expand the staffing needed to provide health services to students.<sup>xii</sup>

For example, in the three years after Louisiana changed their state plan to allow school districts to bill for school-based nursing services delivered to all Medicaid-enrolled students, school-based Medicaid revenue tripled, and the number of school nurses increased statewide.<sup>xiii</sup> In another example, prior to submitting the state plan amendment in Colorado in 2019, nurses were spending 18 percent of their time on services for Medicaid-enrolled students without IEPs.<sup>xiv</sup> Allowing these providers to bill for the services they already provide to students without IEPs could bring in substantial federal funding to the state.

## Considerations for Title V Programs

Title V programs are uniquely positioned to support population-health interventions like the expansion of Medicaid reimbursement in schools due to their long-standing partnerships with family leaders and community-based organizations and statutory requirement to collaborate with Medicaid. State Title V programs may consider some of the following strategies:

- Leverage relationships with community-based organizations and other stakeholder groups to engage stakeholders across all sectors who are impacted by Medicaid in schools. This could include, but are not limited to:
  - State School Superintendents Organizations
  - State Chapters of the American Academy of Pediatrics
  - Family-to-Family Health Information Centers
  - Parent Training and Information Centers
  - Local Special Education Parent-Teacher Associations
- Leverage subject matter expertise to demonstrate the potential impact of expansion of Medicaid reimbursement in schools to state Medicaid programs. This could include a state-specific analysis of the financial impact of expanding Medicaid in schools. For example, prior to submitting a state plan amendment to expand reimbursement in schools, the Colorado Department of Education and Colorado Department of Health Care Policy and Financing conducted a [pilot study](#) to better understand the financial impacts of this policy decision.
- Provide Information and education to families and schools about the policy opportunity to increase access to health care services in schools.
- Capitalize on the Title V role as a convener to facilitate communications between Medicaid and school stakeholders. Use existing state priorities, such as telehealth, to deepen relationships with Medicaid and catalyze conversations about Medicaid reimbursement in schools. Discussions on updated billing mechanisms for school-based telehealth services could form the basis for further work to expand Medicaid reimbursement for school-based health services.
- For states that have already expanded Medicaid reimbursement in schools:
  - Utilize continuous needs assessment findings and relationships with families to identify opportunities to improve equity in access to school-based services.
  - Leverage Title V's relationship with [Medicaid Managed Care](#) (MMC) Organizations to advocate for coverage of school-based services in MMC plans.

## Appendix A

Information adapted from the Healthy Schools Campaign: <http://bit.ly/freecareupdate>. Updated April, 2022

State	Has Taken Action	In the Process of Taking Action	No Action to Date
Alabama			X
Alaska			X
Arizona	SPA		
Arkansas*	Other		
California	SPA		
Colorado	SPA		
Connecticut	SPA		
Deleware			X
District of Colombia			X
Flordia	SPA		
Georgia**	SPA		
Hawaii			X
Idaho			X
Illinois		X	
Indiana		X	
Iowa			X
Kansas			X
Kentucky	SPA		
Louisiana	SPA		
Maine			X
Maryland			X
Massachusetts	SPA		
Michigan	SPA		
Minnesota	Other		
Mississippi			X
Missouri*	Other		
Montana			X
Nebraska			X
Nevada	SPA		
New Hampshire	Legislation		
New Jersey			X

State	Has Taken Action	In the Process of Taking Action	No Action to Date
New Mexico		X	
New York			X
North Carolina	SPA		
North Dakota			X
Ohio			X
Oklahoma			X
Oregon		X	
Pennsylvania			X
Rhode Island			X
South Carolina	Other		
South Dakota			X
Tennessee			X
Texas			X
Utah		X	
Vermont			X
Virginia		X	
Washington			X
West Virginia			X
Wisconsin			X
Wyoming			X

\* Arkansas and Missouri are currently only covering behavioral health services outside of an IEP.

\*\* Georgia's SPA expanded coverage only to school nursing services outside of an IEP.

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