

ADVOCACY BRIEF February 2011

Maximizing Federal Funding for Education in California

California public schools need help. To address budget shortfalls they are implementing layoffs, furloughs, and service reductions. Although Governor Brown's proposed 2011-12 state budget spares education from major cuts, its funding depends on voter approval of a 5-year extension of current tax rates and includes a \$2.1 billion deferral of payments to Local Educational Agencies (LEAs) through October 2012.

Under current circumstances, state and district officials may find some relief through existing state-federal match programs. Federal funds are available in the form of reimbursements for Medicaid services and administrative activities, which are already taking place on a daily basis. Yet, these funds often remain untapped:

\$0.47: the amount claimed in California per Medicaid-eligible child for every \$1 earned on average in states with similar demographics.¹

\$224 million: the average annual amount of federal funds drawn into California schools through school-based Medicaid programs.²

45%: the percentage of California school districts that participate in school-based Medicaid reimbursement programs.³

To help California LEAs receive a greater share of school Medicaid revenue, the following sections describe the two school Medicaid reimbursement programs, followed by ways that the California Department of Health Care Services (DHCS) can address reported challenges to using them.

School-Based Federal Reimbursement Programs

Two Medicaid programs that can bring federal money into school districts are:

LEA Billing Option Program (LEA Program)

Since 1993, this program has allowed LEAs to receive Medicaid reimbursement for the direct medical services delivered by school-based health providers. These federal funds are restricted and must be used to supplement or to enhance health programs in the schools.

¹ Department of Health Care Services. "Local Education Agency Medi-Cal Billing Option Program, Report to the Legislature." (March 2009) : 19, web: <http://www.dhcs.ca.gov/provgovpart/Pages/LEAReportLegislature.aspx>; Comparable states as outlined by DHCS for 2007-2008, including: New York (\$221), Illinois (\$269), Michigan (\$330) and Pennsylvania (\$346), to California's \$137.

² Ibid; The most recent data from the state's DHCS reports \$81.2 million reimbursed in 2007-08 for direct health services (LEA Billing Option) and approximately \$143 million in 2007-08 for administrative activities (SMAA).

³ 2007-2008 DHCS LEA Report, web: <http://www.dhcs.ca.gov/provgovpart/Pages/LEAReports.aspx>



Medicaid Administrative Activities Claiming Program (MAA)

Since 1998, the MAA program has allowed federal reimbursements for the costs associated with administrative activities that support the Medicaid program (known as Medi-Cal in California), such as outreach and referrals. This program generates *unrestricted* federal funds that districts can use freely in any area of the district budget.

Improving School-Based Federal Reimbursement Programs

California's Department of Health Care Services (DHCS) can further encourage LEA participation in federal Medicaid funding by working to allow claiming for all of these medically necessary services:

Transportation Services

Allow billing for medically necessary transportation services deemed eligible by state regulation.

Problem Reimbursement of medically necessary transportation services is authorized by state regulation in the California Code of Regulations (CCR), CCR Title 22, Section 51323 (a)(3)(B). Yet, DHCS has implemented a requirement that students *also* must be transported in a wheelchair. This unnecessarily prevents California LEAs from receiving federal reimbursement for transportation services that should be claimable.

Solution Amend California's LEA Billing manual to reflect the appropriate transportation requirements as outlined in the California Code of Regulations. This will allow schools to claim federal reimbursement for *all* eligible transportation services.

Regular Education Health Services

Allow billing for all necessary services provided to Medicaid-covered students, including *regular education health services* otherwise provided for "free" to the general student population and to students with private insurance that will not recognize LEAs as health providers.

Problem The Centers for Medicare and Medicaid Services have implemented a rule that prohibits billing for "free care." This rule is based on an interpretation of Title XIX that is unsupported by legal statute, and a Federal Departmental Appeals Board⁴ has twice concluded that CMS cannot enforce this rule. Additionally, compliance is made nearly impossible due to a universal lack of recognition by third party insurers of LEAs as health providers.

Solution DHCS is currently challenging CMS's free care rule.⁵ However, the Department continues to enforce the rule within California. DHCS should pursue a waiver to allow billing for all services or recognize blanket denials of coverage from private insurers.

Additional Information

Copies of Paradigm Publications are available on our website, www.paradigm-healthcare.com.

⁴ The DAB ruled in favor of The Oklahoma Health Care Authority in both 2002 and 2004 when they appealed CMS's decision to disallow \$1,902,390 in federal financial participation (FFP), web: <http://www.hhs.gov/dab/decisions/dab1924.htm>

⁵ DHCS audited San Francisco Unified School District, ultimately withholding \$305,000 in FFP (this dollar amount was the auditor's estimate for a 3 year cost recovery). SFUSD sued DHCS, citing Oklahoma's DAB ruling, and the Superior Court ruled in favor of SFUSD.

