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FISCAL IMPACT STATEMENT

LS 6148

BILL NUMBER: SB 51

NOTE PREPARED: Feb 11, 2021

BILL AMENDED: Feb 11, 2021

SUBJECT: Medicaid Reimbursement for Schools.

FIRST AUTHOR: Sen. Zay

FIRST SPONSOR:

BILL STATUS: CR Adopted - 1st House

FUNDS AFFECTED: GENERAL
 DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill allows the Office of the Secretary of Family and Social Services to apply for a Medicaid state plan amendment to allow school corporations to seek Medicaid reimbursement for medically necessary, school based Medicaid covered services that are provided under federal or state mandates. The bill specifies possible services for Medicaid reimbursement. It also adds physical therapy to the list of services a school psychologist may refer a student. It allows a school psychologist to make referrals to physical therapists for mandated school services.

Effective Date: July 1, 2021.

Explanation of State Expenditures: *Summary* - Subject to federal approval, the bill would expand services for which a school corporation may seek Medicaid reimbursement. Any additional Medicaid reimbursements would be budget-neutral at the state level, as state law requires school corporations to bear the non-federal share of Medicaid reimbursements for school-based services. This is typically enforced by deducting an offsetting amount from a school corporation's state tuition support, equal to the non-federal share of the school corporation's Medicaid reimbursements.

Currently, Indiana's Medicaid State Plan only allows school corporations to bill Medicaid for services provided through a student's Individualized Education Plan (IEP) or individualized family service plan (IFSP). The bill allows the Family and Social Services Administration (FSSA) to apply for a state plan amendment (SPA) to allow Medicaid reimbursement for Medically necessary, covered services, and covered services provided under a state or federal mandate in a school setting. Applying for a SPA is within FSSA's routine administrative functions and can likely be accomplished without additional appropriations, assuming near customary agency staffing and resource levels.

Additional Information - Additional Reimbursable Services: Until December 2014, the federal Centers for Medicare and Medicaid Services (CMS) prohibited Medicaid payment for services provided without charge to the beneficiary or to the community at large - referred to as “free care”. School-based services provided as part of an IEP/IFSP were an exception to this rule. The 2014 CMS rule change allowed for Medicaid reimbursement for additional school based services. However, Indiana’s Medicaid State Plan maintains the limitation that only IEP/IFSP services may be reimbursed.

Subject to federal approval of the SPA, the bill would allow schools to bill Medicaid for the following State and federally mandated services in addition to the currently reimbursable IEP/IFSP services for Medicaid-enrolled students:

- (1) Services mandated under Section 504 of the federal Rehabilitation Act;
- (2) Services provided under a Behavioral Intervention Plan, as defined in state statute;
- (3) Services provided in special education programs in non-public schools; and
- (4) Services provided under an Individualized Health Care Plan.

The bill specifies that these services must be medically necessary and currently covered under the Medicaid State Plan, and provided by a licensed and qualified practitioner. The bill also allows for medically necessary, Medicaid-covered nursing services to be made reimbursable in school settings.

Additional Medicaid Reimbursement: As of FY 2020, about 45% of Indiana school corporations were billing Medicaid for IEP/IFSP services. Subject to federal approval, overall growth in Medicaid spending would depend on the number of additional school corporations that begin billing Medicaid, the number of students receiving billable services, the types of services provided, and rates paid to providers. The addition of physical therapy to the list of services that a student may be referred to by a school psychologist may increase Medicaid expenditures for IEP services as well. Any additional Medicaid reimbursements would be budget-neutral at the state level, as state law requires school corporations to bear the non-federal share of Medicaid reimbursements for school-based services.

In FY 2019, school corporations billing Medicaid for IEP/IFSP services received a median reimbursement of \$145 per student enrolled in special education. If school corporations that are not currently billing Medicaid began doing so, they could draw down an annual average of \$40,000 per school corporation in federal reimbursements for IEP/IFSP services (assuming they receive the same average reimbursement per student enrolled in special education as school corporations that are already billing Medicaid).

It is expected that some school corporations that are not currently billing Medicaid may be incentivized to do so by the bill’s removal of restrictions on physical therapy referrals and by federal approval for a wider range of reimbursable school-based services. If 40% to 60% of non-billing school corporations begin billing Medicaid, total additional Medicaid reimbursements statewide would be estimated between \$2.8 M and \$4.1 M per year for IEP/IFSP services. The non-federal share of these reimbursements is estimated between \$945,000 and \$1.4 M. Additional reimbursements for non-IEP/IFSP services that would be made newly billable are currently indeterminable. FSSA would be initially responsible for remitting the non-federal share of any additional reimbursements to school corporations as a result of the bill. However, as required by existing law, total General Fund expenditures would be offset by a reduction in monthly state tuition payments to school corporations equal to the non-federal share of Medicaid payments received.

[Medicaid is jointly funded between the state and federal governments. The state share of costs for most Medicaid medical services for FFY 2021 is 34%.]

Explanation of State Revenues:

Explanation of Local Expenditures: Subject to federal approval of the SPA, school corporations may increase spending on school-based health services covered by Medicaid. School corporations would be responsible for the non-federal share of Medicaid costs (34% for most services in FFY 2021). However, additional Medicaid billing among school corporations is expected to result in a net reduction in overall expenditures at the local level, as additional federal reimbursement could replace school spending on IEP/IFSP and other mandated services (e.g., 504 plan or individualized health plan services) that are already being provided without reimbursement.

Explanation of Local Revenues: Subject to federal approval of the SPA, school corporations may receive additional federal reimbursements (66% of most service costs in FFY 2021) for school-based health services covered by Medicaid. Potential reimbursements would vary widely across school corporations, depending on the number of students on an IEP/IFSP and the types of additional services billed for as a result of this bill. If school corporations that are not currently billing Medicaid began doing so, they could be expected to draw down annual federal reimbursements ranging between \$3,000 and \$221,000 for IEP/IFSP services (with the average school corporation receiving approximately \$40,000). Additional reimbursements for non-IEP/IFSP services that would be made newly billable are currently indeterminable.

State Agencies Affected: Family and Social Services Administration; Department of Education.

Local Agencies Affected: School corporations.

Information Sources: State Medicaid Director Letter [*RE: Medicaid Payment for Services Provided without Charge \(Free Care\)*](#), December 15, 2014.

Indiana Department of Education, [*Medicaid Reimbursements for IEP Services*](#), SFY 2020.

Indiana Department of Education, [*Medicaid Billing Guidebook*](#), 2017.

OFMA Survey of School Corporations Regarding Medicaid Billing, 2020 Legislative Interim.

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