

SCOPE STATEMENT

K-12 Education: Reviewing School Districts' Use of Medicaid Reimbursements To Pay for Special Education Services

The federal Individuals with Disabilities Education Act (IDEA) requires states to provide special education services to all children between the ages of 3 and 21 who need special services because of conditions such as mental retardation, hearing or visual impairment, emotional disturbance, or autism. Because some of these services are health-related, school districts and special education cooperatives can bill Medicaid to help pay for these services if the students are eligible.

School districts have never been reimbursed for all the health-related services they provide to Medicaid-eligible students. A 2003 Legislative Post Audit report that examined ways the State could draw down more federal funding found that districts were missing out on \$3 million to \$5 million in Medicaid funding because they hadn't obtained parental consent to bill for services. Beginning with the 2007-08 school year, several changes were made to the rules for school-based Medicaid that made it even more difficult to get reimbursed—further reducing the total amount of school-based Medicaid funding from more than \$36 million in 2006-07 to less than \$14 million in 2007-08.

Recently, members of the 2010 Commission have expressed concerns about whether school district are missing out on large amounts of Medicaid funding for special education services. This school district performance audit would answer the following question:

- 1. To what extent have school districts billed Medicaid to receive reimbursement for eligible special education services?** To answer this question, we would use special education and Medicaid data from the most recent year in which data are available to identify special education students who participate in the Medicaid program. For a sample of these students, we would determine which of their services are eligible for Medicaid reimbursement, whether the school district or special education cooperative has billed Medicaid for those services, and for any unbilled services quantify the amount of potential reimbursement foregone by not billing Medicaid. We would follow up with the appropriate school districts or special education cooperatives to find out the reasons for not billing Medicaid for these services, and try to identify the most efficient way districts would be allowed to bill for these services. We would conduct additional testwork as needed.

Estimated Resources: 2 staff (8-10 weeks)