

**Transmittal Notice**

**REGION IV**

JUN 17 1991

T-28 Office of Medical Assistance

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Dennis  
Daphne  
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file*

**DATE:** JUN 13 1991

**PROGRAM IDENTIFIER:** MCD-62-9:

**TO:** All Title XIX Agencies and Welfare Agencies in AL, GA, KY, MS, SC, TN

**SUBJECT:** Medicaid Funding of Services Provided in Schools--**INFORMATION**

This memorandum is intended as guidance to States concerning Medicaid coverage of services provided in schools.

The joint Federal/State- Medicaid program pays for certain medically necessary **services** which are specified in Medicaid law when provided to individuals eligible under the State plan for Medicaid assistance. The Individuals with Disabilities Education Act (IDEA) authorized Federal funding to States for two programs that impact Medicaid payments for services provided in schools. One program was designed to ensure that children with special education needs receive a free, appropriate public education (Part B of the IDEA). The other program provides for financial assistance to the States to develop and implement comprehensive, Interagency early intervention programs for handicapped infants and toddlers (Part H of the IDEA).

Under Part B (established by Public Law 94-142 and formerly called the Education of the Handicapped Act), school districts must prepare an Individualized Education Program (IEP) for each child which specifies all special education and "related services" needed by the child. The Medicaid program can potentially pay for some of the "related services" required by Part B of the IDEA in an IEP, if they are among the services specified in Medicaid law. In addition, the services must be included in the State's Medicaid plan or available through the Early and Periodic Screening, Diagnosis, and Treatment (EPSDT) benefit. Examples of such services include: physical therapy, speech pathology services, occupational therapy, psychological services, screening and assessment services. Within Federal and State Medicaid program requirements regarding allowable services and providers, schools providing these services can bill the Medicaid program for these health-related services when provided to children eligible for Medicaid. To do so, the school must be a participating Medicaid provider.

Part I-I of P.L. 99-457 provides for early intervention programs that include all of the available developmental services needed by the handicapped infant or toddler and the development of an Individualized Family Service Plan (IFSP). Although the Department of Education is the lead agency for Part H, many of the services included in IFSPs can be covered by Medicaid if all Medicaid statutory and regulatory requirements are met. Examples of such services would again include: physical therapy, speech pathology services, occupational therapy, psychological services, screening and assessment services.

In summary, under both parts B and H of the IDEA, Medicaid payment may be available for **services** that are medical or remedial in nature. The services must be medically necessary and either (1) included as covered services in the State's Medicaid plan, or (2) available as a result of the EPSDT benefit which requires that any other necessary services described in section **1905(a)** of the Act, the need for which is discovered by an EPSDT screen, must be provided. In order to bill the Medicaid program, the provider of these services must be a participating Medicaid provider directly furnishing the service. (It is important to note that schools can only be participating providers for these services if related provider qualifications in the State plan are met. However, Medicaid agencies cannot restrict providers of services to schools.) In addition, all Medicaid providers, including schools or practitioners, must abide by the payment of claims provisions in 42 CFR 433.139 where third-parties are involved. This means that a school, or the medical practitioner enrolled as a **Medicaid** provider, may be required to bill a private health insurance plan before billing the Medicaid program.

If you have any questions, please contact William R. Lyons', Associate Regional Administrator at (404) 331-2418, Mal Williams at (404) 331-5889, or Cathy Kasriel at (404) 331-5038.

  
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Regional Administrator  
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