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Region V
105 West Adams
Chicago, Ill 60603

June, 1991

CHICAGO REGIONAL STATE LETTER NO: 34-91**SUBJECT: Medicaid Funding of Services Provided in Schools -
INFORMATIONAL**

This letter is intended as guidance to State Medicaid agencies concerning Medicaid coverage of services provided in schools.

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) and 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).

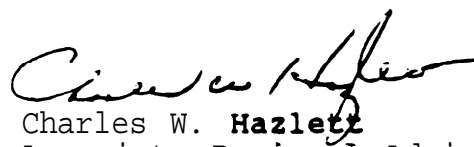
Under Part B [established by Public Law (P.L.) 94-142 and formerly called the Education of the Handicapped Act], school districts must prepare an Individualized Education Program (IEP) for each child which specifies all special education and "related services" needed by the child. The Medicaid program 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, Diagnostic, 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 if the school is a participating Medicaid provider.

Part H 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 included as covered services in the State's Medicaid plan or available through the EPSDT benefit as any other necessary services discovered by **EPSDT** screening services as described in Section **1905(a)** of the Social Security Act. The provider of these services must **be** a participating Medicaid provider directly furnishing the service in order to bill the Medicaid program. (It is important to **note** that schools **can** only be participating providers of these services if **all** 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 related to **liable** third parties. Therefore, **a** school **or** **medical** practitioner enrolled as **a** Medicaid provider must bill any liable third party, including **a** private health insurance plan, before billing the Medicaid program.

If you have any questions please contact Barbara J. **England**, Medicaid Policy Specialist, at (312) **353-8720 or your** Medicaid Program Specialist.



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