

**PUBLIC HEARING ON**

**THE FISCAL YEAR 2007 BUDGET OF THE  
DISTRICT OF COLUMBIA PUBLIC SCHOOLS**

**Before the  
Committee on Education, Libraries, and Recreation  
Council of the District of Columbia**

**The Honorable Kathy Patterson, Chairman**

**March 28, 2006, 9:00 a.m.  
John A. Wilson Building  
Council Chamber**



**Testimony of  
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Chief Financial Officer  
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Good morning, Chairperson Patterson and members of the Committee on Education, Libraries and Recreation. I am Dr. Heather McCabe, Senior Health Policy Advisor for Medicaid in the Office of Budget and Planning. My office provides policy and fiscal analysis of health care financing in the District, with particular emphasis on Medicaid. I am also formerly the executive director of the D.C. Public Schools' (DCPS) Medicaid Unit.

I am pleased to report on the State Plan Amendment that the Medical Assistance Administration submitted last week for approval to the Centers for Medicare and Medicaid Services. This State Plan Amendment will increase the types of services reimbursable by Medicaid and will also change the method of reimbursement for all services provided by DCPS and Public Charter Schools under the State Plan.

In the District of Columbia, the Department of Health (DOH) is the single state agency responsible for the administration of the Medicaid program that provides health insurance for low-income District residents. Within DOH, the Medical Assistance Administration (MAA) performs the functions of administering the Medicaid program, which include the development of State Plan Amendments (SPA) that define the benefits and services paid for by Medicaid. All SPAs must be approved by the Centers for Medicare and Medicaid Services (CMS), the responsible agency within the federal government.

DOH is also responsible for developing quarterly expenditure reports to CMS. Reimbursement for the federal share of the costs of services to enrollees is received based on those reports (CMS 64). In addition, MAA and any agency receiving

federal dollars must have a method to identify local matching dollars. Since late 1994, MAA has been submitting claims on behalf of DCPS to CMS. Recently, some Charter Schools have started billing for Medicaid eligible services as well.

Medicaid payments for health-related services provided in schools are authorized through Section 411(k) (13) of the Medicaid Catastrophic Coverage Act of 1988. Services are provided under the Individuals with Disabilities Education Act (IDEA) to students with a diagnosed disability that is delineated in IDEA. For each eligible child and youth an Individualized Education Plan (IEP) is developed. The IEP defines what services are to be provided to the student and the scope, frequency and duration of those services.

Schools must also meet all the requirements for Medicaid payment, and school-based service providers must comply with the following:

- All services must be identified and codified in an IEP, which must remain current.
- The services must be medically necessary and be a covered Medicaid service.
- The services must comply with all state and federal regulations, including those for provider qualifications.
- Services must be included in the State Plan or be covered under the Early and Periodic, Screening, Diagnosis and Treatment (EPSDT) program. This is called Health Check in D.C. The student must be actively enrolled in Medicaid at the time of the service.

At present, Medicaid services are provided under the heading of “clinic services” or as fee-for-service services. The clinic services are provided to children in DCPS

schools and non-public schools. The reimbursement method is through a bundled rate on the premise that children (largely level 3 and 4) are in need of at least several services per day that are medical services, and those services can be bundled into one daily rate. The school reports to the Medicaid Unit of DCPS the number of days the student was absent, and all other days are billed to Medicaid. The revenue from the public per diem schools in FY 2005 was \$6.5 million and from the non-public per diem schools \$6 million.

In some of the DCPS schools, the students' services are billed on a fee-for-service method. This is the method used currently by Charter Schools. This requires that the provider complete an encounter form and submit it to the Medicaid Unit, which turns that encounter into a claim for payment by MAA. In FY 2005, the revenue for fee-for-service was \$1.9 million. In both the per diem and fee-for-service billing methods, the importance of accurate record keeping determines whether the claim is paid, and then later on denied due to lack of adhering to all the Medicaid rules, or paid and kept by DCPS and the Charters. From the inception of Medicaid billing, DCPS has been hindered by documentation problems that have required payment back to MAA and subsequently back to CMS. For fiscal years 1999-2000 the payback was between \$9 million and \$11 million each year.

The new SPA, which might take months for CMS approval, removes the school-based health services from the "clinic option" that allows for bundled rates to EPSDT that require fee-for-service billing. This will be a major change in the process that some schools use to submit claims to the DCPS Medicaid Unit. This may be particularly difficult for some non-public schools that may be resistant to the change and additional paperwork. However, as the revenue numbers illustrate, the potential loss of revenue is substantial (\$10.6 million). As documentation and

record keeping is an ongoing issue for school-based providers, it is extremely important that there be adequate training of providers on completing forms correctly, monitoring of case loads, accurate IEP information to authorize services, and data available on all students with IEPs enrolled in DCPS and the Charter Schools.

The SPA, as submitted to CMS, increases the kinds of services that can be reimbursed. The new services include:

- Nursing provided by a registered nurse or licensed practical nurse under the direction of a physician;
- Nutrition services provided by a licensed dietician;
- Audiology services to include hearing aids, a cost that has been largely borne by Special Education;
- An expansion of mental health services, to include counseling families on the social and emotional impact of the child's disability, provided by professional counselors, psychologists and licensed social workers;
- Case management services under a memorandum of understanding between DCPS and MAA, with the management of the program resting with DCPS providers who are those employees of DCPS who have expertise in the primary disability of the student. The Charters and MAA will have to work together to determine the most expeditious method to develop a MOU for those schools.

Existing services include:

- Physical therapy,
- Occupational therapy,

- Speech and language services,
- Evaluation/reevaluation,
- Counseling, and
- Psychiatric evaluation and consultation.

The new services provide an opportunity for DCPS and the Charters to generate additional revenue in the fee-for-service billing. During the next weeks as the SPA is reviewed by CMS, it will be important for all stakeholders to convene to begin to work on rates for these new services and develop a fiscal impact statement. The new services will provide the opportunity for DCPS and the Charters to bill for services that, at present, are mostly paid for out of local funds. One example of this is the expensive psychiatric evaluations that Special Education has been paying without reimbursement from federal sources. The fiscal impact of adding the new services could be substantial if DCPS and the Charters put processes in place to successfully bill for these additional services.

A careful examination of all services paid for out of local funds beyond the ones mentioned here should be undertaken to determine how to align the billable services with all services currently provided. Some services will not be Medicaid reimbursable, but some will be. Again, the caveat is that without documentation, the funds collected from Medicaid will not stay in DCPS's and the Charters' coffers but will be recouped by MAA.

There are also changes on the horizon that threaten revenues. The federal Budget Reduction Act (2006) prohibits schools from billing Medicaid for transportation and administrative services starting in July 2006. This will be a reduction in possible Medicaid revenue for transportation of \$2.9 million (the FY 2005

revenue) for DCPS. Also, the number of children in special education in DCPS is decreasing, thereby limiting the pool of potential Medicaid enrollees. The audits conducted by Mr. Lorigo highlight some of the concerns that I have about the implementation of this SPA. It will be imperative that the Office of Special Education and the Medicaid Unit work in a collaborative manner to achieve success with this new process.

It will also be extremely important that correct and up-to-date data be maintained for all students in Special Education, so that maximum recovery can be achieved by the Medicaid Unit. Because CMS can take months to approve a SPA, DCPS has time, if it acts quickly, to get the process and procedures in place and train the staff in this new reimbursement process. I agree with Mr. Lorigo's recommendation that there should be a joint task force formed involving program and finance staff, which would include a working group to tackle the transition from per diem billing to fee-for-service as quickly as possible. If this is not initiated, time and money will be wasted. The Charters will also need technical assistance and training to enable them to be effective and efficient in billing MAA.

Madame Chairperson, this concludes my testimony. I would be pleased to respond to any questions the committee may have.