



# Rising tides lift all schools:

School-based Medicaid revenue and compliance opportunities



## Background on school-based Medicaid

As of 2021, all 50 states have seized the opportunity to offset the costs they incur for providing healthcare services in schools through their school-based Medicaid (SBM) state plan amendment (SPA).<sup>1</sup> States can claim federal financial participation (FFP) for both the direct provision of certain Medicaid-covered medical services and certain administrative activities that support the program.

Schools are already required to provide these services under federal and state laws, such as the Individuals with Disabilities Education Act (IDEA). Although the specific sets of claimable services vary according to each state plan, they typically include services pursuant to an Individual Education Program (IEP), and often include speech language pathology (speech therapy), occupational therapy, physical therapy, nursing, and behavioral health (mental health and substance use) services.

Though the public health emergency has produced new funding sources and government programs, those funds will eventually sunset and return states to tighter budgets. Before 2020, SBM was the third largest funding source for schools behind IDEA and Title I. With still untapped opportunities, at an estimated \$4.5 billion each year, SBM is a reliable source of revenue that will carry on after the COVID-19 pandemic crisis and related funding have both passed.



## Opportunities for additional revenue through school-based Medicaid

Many states are pursuing new revenue opportunities by updating their SPAs to include services provided outside of an IEP (commonly called expansion, or SPAs in response to the reversal of the Free Care Rule). This is particularly crucial as mental health needs for all students (not just those on IEPs) are at historic highs. Between April and October 2020, mental health-related visits for children aged 5–11 and 12–17 years to U.S. emergency departments increased approximately 24 percent and 31 percent, respectively, compared to 2019.<sup>2</sup> When returned to districts, additional revenue from increased school-based claiming can fund additional behavioral health practitioners and other needed services and supports.



<sup>1</sup> Healthy Students Promising Futures Map of School Medicaid Programs

<sup>2</sup> Mental Health–Related Emergency Department Visits Among Children Aged <18 Years During the COVID-19 Pandemic

In June 2022, President Biden signed the Bipartisan Safer Communities Act into law, which among other initiatives makes a policy and financial commitment to supporting states' implementation of school-based Medicaid, especially expansion and "Free Care."<sup>3</sup>

Selected highlights from Section 11003, Supporting Access to Health Care Services in Schools, include:

- By June 2023, the bill requires the U.S. Secretary of Health and Human Services in consultation with the Secretary of Education to:
  - Issue updated guidance for school-based Medicaid (previous guidance is from 2003 and 1997)
  - Outline strategies and tools for local education agency (LEA) billing and support compliance with federal requirements
  - Establish a technical assistance center to assist and expand school-based Medicaid programs' capacity, claiming, and coordination
  - Develop resources specifically for small and rural schools.
- Directs \$500 million for School-Based Mental Health Services Grants to increase the number of qualified mental health service providers that provide school-based mental health services to students in school districts with demonstrated need.
- Directs an additional \$500 million for Mental Health Services Professional Demonstration Grants to help train and diversify the pipeline of school counselors, school social workers, and school psychologists.
- Establishes a \$50 million grant program for the purpose of implementing, enhancing, or expanding school-based Medicaid.

Revenue is proportionate to districts' Medicaid population and the number of children for whom revenue can be claimed for receiving these services is significant and growing. In 2019, an estimated 36 percent of school-aged children were enrolled in Medicaid and the Children's Health Insurance Program (CHIP). That figure has only increased due to the COVID-19

pandemic. Child enrollment in Medicaid and CHIP increased by 15.5 percent between February 2020 and March 2022.<sup>4</sup> Therefore, child enrollment is now likely over 40 percent. By bringing revenue to the LEAs that stand to benefit from it most, this program can advance health equity and access.

### Strategies to increase school-based Medicaid revenue

#### Pursuing and implementing expansion

- **State Plan Amendments** – Although 17 states have expanded their SBM programs, 33 states and the District of Columbia still only receive federal reimbursement for services pursuant to an IEP. Submitting SPAs and claiming for evaluations and mental health services provided outside of an IEP can be a great place to start as the services are provided by the same practitioners who provide IEP services that are likely already being claimed. In one state, revenue realized a 15 percent (\$8.2 million) revenue increase in the first year of implementation alone.<sup>5</sup> Another state reported to the Centers for Medicare & Medicaid Services (CMS) that revenue was expected to increase by 33 percent (\$19.1 million).<sup>6</sup> States should monitor the forthcoming federal grant program to support SBM expansion, implementation, and compliance.
- **Program adoption** – School-based services exist within a broader ecosystem and research shows that as many as 12 stakeholder groups may need to be involved to maximize services and revenue optimization.<sup>7</sup> Without clear communication and collaboration, adoption will likely take more time or be less effective.

#### Access to hands-on technical assistance

- **Access** – Rarely do school districts have the resources and dedicated staff to seek out the hands-on technical assistance (TA) that would help them identify opportunities for revenue optimization. State agencies can supplement this gap by offering TA to the districts directly. This type of assistance can help turn state rules and trainings into district action and claiming.
- **Automation** – With automated technology, districts can identify gaps between planned services (e.g., IEPs, Section 504 plans, individualized healthcare plans, etc.) and billed services.
- **Billing policies and procedures** – By evaluating workflows and implementing claim stops, districts can systemically optimize their revenue opportunities. Billing process improvement and tracking claiming and revenue throughout the year/across the revenue cycle can lead to charge capture and earlier detection of underbilling.

<sup>3</sup> Bipartisan Safer Communities Act

<sup>4</sup> Centers for Medicare and Medicaid Services March 2022 Medicaid and CHIP Enrollment Trends Snapshot

<sup>5</sup> School Health HCPF LRFI#4 (1).pdf (colorado.gov) and 2020-21 SHS LRFI #2 Final (colorado.gov)

<sup>6</sup> Centers for Medicare and Medicaid Services California State Plan Amendment CA-15-0021

<sup>7</sup> Healthy Schools Campaign A Guide to Expanding Medicaid Funded School Health Services



## Challenges that school-based Medicaid creates

Simultaneously, while SBM is a significant opportunity for federal-state-local partnerships that directs millions of dollars in revenue back to schools and municipalities, these programs are complicated and bring risks. The causes of these challenges and risks are often due to programmatic complexities and unique challenges for schools participating in a Medicaid reimbursement program.

These programs are increasingly under federal and state scrutiny. In the past decade, the volume of federal Office of the Inspector General (OIG) reports has increased by 53 percent over the previous ten years and the OIG has recommended that 25 percent of all dollars claimed be returned.<sup>8</sup>

Compliance challenges indicate process dysfunctions, which in turn indicate revenue optimization opportunities. Addressing compliance also boosts revenue, improves processes, and increases efficiency.

### Programmatic complexities

- **Random Moment Time Study (RMTS)** – Complicated state and federal rules for random moment sampling, problems with state validation of moments, and the need for schools to include the proper employees are just some of the most common challenges for SBM.
- **Cost reports** – As the basis for cost allocation-based reimbursement, states and districts need to avoid duplication of benefits/claiming and reconcile issues with salaries and other costs matching internal recordkeeping.
- **Parental consent and Medicaid eligibility ratios** – Family Educational Rights and Privacy Act (FERPA) requirements, privacy considerations, and data matching needs can lead to privacy violations or difficulty getting the data needed for claiming.
- **Implementation of expansion in response to the reversal of the “Free Care” policy** – Since CMS began to allow states to claim FFP for services provided outside an IEP in 2014, even more programmatic complexities have emerged. As school-based claiming moves beyond special education and related services, non-special-education staff are getting involved and issues demonstrating medical necessity or service orders can stifle implementation.

### Unique challenges for schools

- **Schools are not typically set up for Medicaid billing** – Schools’ focus is on learning, not Medicaid. As such, systems are built for IEP or educational documentation—not Medicaid service documentation and ordering and referring requirements. If schools have the infrastructure in place, then they may not have the internal controls needed for quality control or the record retention systems needed to produce documentation in the event of a state or federal audit.
- **Schools are not hospitals or doctor’s offices** – Unlike those settings, in schools there are rarely supervising physicians, and referrals often come from within the school rather than the student’s pediatrician. This can make compliance with Medicaid rules written for more traditional healthcare settings particularly challenging.
- **Misaligned IT systems** – Schools often use a mix of IEP software, nursing electronic health records, and third-party billing systems. Having several data systems and sources of information leaves room for error, loss of information, and inefficiencies.

### School-based Medicaid is consistently under federal scrutiny

- The federal OIG frequently conducts audits of states that claim SBM. In the last five years, OIG found 60 percent of states’ claimed funds to be unallowable and since 2000, the OIG has recommended **\$1.2 billion** in refunds across 33 OIG reports.<sup>9</sup>
- Common findings by OIG include:
  - Improper use of RMTS, including scheduling, sampling, coding moments, and participant lists (19 audit reports)
  - Lack of supporting documentation/evidence (15 audit reports)
  - Insufficient Local Education Agency oversight or guidance (12 audit reports)
  - Services reported as provided or billed on a day the student was not in attendance (9 audit reports)
  - Incorrect cost report methodology (9 audit reports)
  - Provider requirements not met (8 audit reports).

<sup>8</sup> Healthy Schools Campaign Office of Inspector General School Based Medicaid Reports: A Consolidated Review

<sup>9</sup> Healthy Schools Campaign Office of Inspector General School Based Medicaid Reports: A Consolidated Review



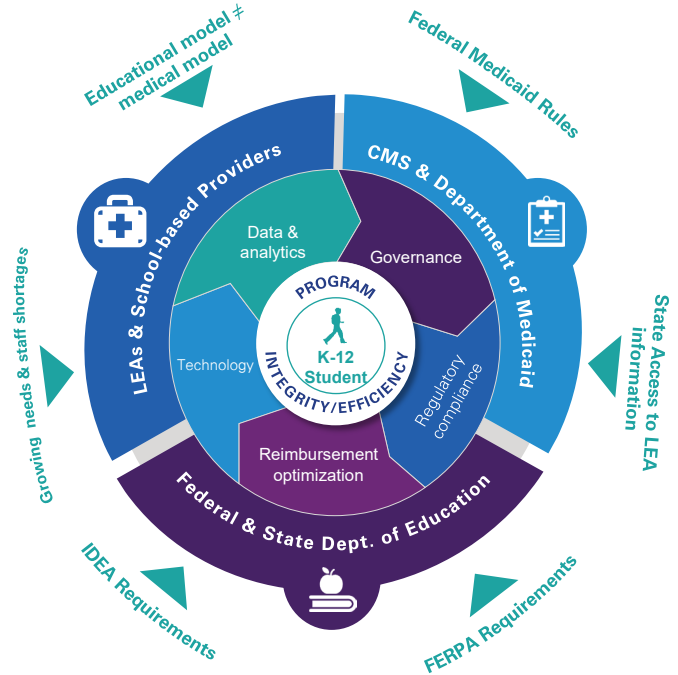
## Potential options to address the challenges

The path to get schools back on track is clear—states have a few broad options available to achieve compliance with all federal and state SBM requirements and get SBM-participating districts audit-ready:

- **Develop processes at all levels** – SBM involves a wide range of actors from service providers to administrators, all with critical inputs but differing levels of familiarity with the program. To help ensure success and compliance, defined processes with clear roles and responsibilities for all stakeholders are critical to mitigate vulnerabilities to improper claims, missed funding, and federal or state recoupments.
- **Perform self-assessments** – States can assess themselves and school districts for compliance with federal regulations and state requirements (e.g., SPA, program guides).
- **Conduct prepayment data analyses and reviews** – These activities are easier and more cost-effective than pay-and-chase and can predict if schools are under- or overclaiming. These approaches also limit political exposures that come with funding reductions and recoupments from school districts.

## The school-based Medicaid ecosystem

The school-based Medicaid ecosystem is depicted below. There are many stakeholders and forces that influence program integrity and efficiency reflected in the center. The outside forces (the outermost layer) put pressure on the three public sectors that influence the services children can access in schools and LEAs' ability to claim FFP (LEA and school-based providers, CMS and the state Department of Medicaid, and the federal and state Departments of Education). Finally, the five puzzle pieces reflect the levers states and LEAs can pull to support student services, program integrity, and efficiency. The complexities of the ecosystem underscore why this program can be so challenging.





## KPMG capabilities

KPMG has deep subject matter specialization in program integrity. We have provided revenue optimization, compliance, programmatic, and technical advisory services to 26 states and the federal government, assisting them in various Education and Health and Human Services initiatives.

KPMG employs subject matter professionals whose experience includes being state administrators of SBM programs and former vendor staff who assisted state implementation of SBM. As a distinctly unique program, having SBM experience makes a difference. In addition, we have subject matter professionals who are clinicians, statisticians, and claims operations specialists and have decades of experience with optimizing revenue and audit preparedness. Taking an education-based approach, KPMG works with states and school districts to develop and implement solutions and action plans that integrate into everyday workflows. Understanding that each client is unique in their needs, KPMG provides a custom-fit solution that yields sustainable processes with lasting impacts.

KPMG services include:

- Identifying revenue opportunities and developing implementation plans
- Reviewing policies and procedures, including staffing, related to claims review, adjudication, and payment
- Aligning IT and digital infrastructure
- Creating customized automation tools and other reductions of administrative burden
- Supporting clinical documentation improvement
- Conducting gap analyses, risk assessments, and process mapping
- Authoring claiming and compliance technical assistance materials
- Developing questionnaires and templates to guide districts to conduct their own assessments and reviews
- Conducting desk reviews of interim or fee-for-service claiming
- Creating tailored operational processes and workflows
- Cost report quality assurance and review
- Providing ongoing support as part of transition planning.

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