



Since 1997, the “free care” rule has stated that Medicaid will not pay for services that are offered to the general public free of charge.<sup>1</sup> The rule has stood as a significant barrier for schools to receive Medicaid reimbursement for health services provided to students enrolled in Medicaid. On December 15, 2014, the Centers for Medicare and Medicaid Services (CMS) issued a letter to State Medicaid Directors informing them of a decision to withdraw prior regulatory guidance on the free care rule.<sup>2</sup> The following Q&A explains how this important reversal of Medicaid policy will impact coverage of school-based interventions for low-income children with asthma.

***Why are school health services so important for low-income children with asthma?*** Many children come to school needing access to preventive health services, support for emotional development, care for acute illnesses, and help with managing chronic conditions. Almost half of public school children live in families at or below the federal poverty level,<sup>3,4</sup> and many live in medically underserved communities with limited access to health care.<sup>5,6</sup> For these children, schools become an important venue for receiving necessary health care services. School health services are especially important for the more than 7 million US children with asthma who depend on access to school nurses and other health providers for appropriate management of their condition while at school. As Medicaid-eligible populations are more likely to have asthma and less likely to have their condition well-controlled,<sup>7,8,9,10</sup> offering asthma programs in low-income school districts is important for insuring that underserved children with asthma have access to the care they need.

***How did the free care rule limit access to school health services for children with asthma?*** Suppose a school had a large population of students with uncontrolled asthma and wanted to implement a comprehensive asthma management program for their students following National Asthma Education and Prevention Program (NAEPP) guidelines.<sup>11</sup> If the school implemented such a program – including elements such as maintaining an asthma action plan for students and providing asthma education to help with self-management skills – the school would not be able to seek any Medicaid reimbursement for asthma management services rendered to Medicaid beneficiaries if the same services were provided to other students for free. Application of the free care rule prevented Medicaid funds from flowing to schools even though medically necessary services (medical assistance to students experiencing asthma symptoms) and health education and anticipatory guidance (asthma self-management education) are covered generally by Medicaid and reimbursable under other circumstances. Without the opportunity to seek Medicaid funding, many schools in disadvantaged areas have been unable to deliver or maintain asthma management services for their students.

***How does the rule change improve opportunities for school health services?*** The recent withdrawal of the free care rule by CMS removes a major barrier to accessing funding for school health services. This shift in Medicaid policy has the potential to greatly change the health service landscape in schools that serve predominantly low-income, Medicaid-eligible students. Upon implementation of this rule change, schools will have access to a dependable, sustainable source of reimbursement for the Medicaid-eligible services they provide or may want to provide. The accessibility of Medicaid dollars opens doors to schools to address student health needs – high rates of asthma, diabetes, behavioral health issues, etc. – by implementing evidence-based programs school-wide.

***What are next steps in implementation and what challenges exist?*** CMS has now cleared the way for Medicaid reimbursement for school health services, but it is up to states and school districts to implement this rule change. Many states have integrated the free care rule into state regulations and these will need to be updated to enable schools to start seeking reimbursement from the state Medicaid plan. Resolving outdated state regulations is just the first step: the education sector needs to be informed about the rule change to help school districts overcome assumptions that they cannot bill Medicaid. Furthermore, schools will need to acquire the staff and technology infrastructure necessary to bill Medicaid for health services rendered. These factors will take time and resources.

***What steps can advocates take to support health in schools?***

- ✓ Contact state Medicaid agencies to encourage the regulatory updates needed to facilitate Medicaid billing in schools.
- ✓ Educate school districts about the rule change.
- ✓ Promote this new reimbursement flexibility to clinical and community asthma providers.

## Free Care Rule Regulatory Change: New Opportunities for Medicaid Reimbursement in Schools



## Childhood Asthma Leadership Coalition

<sup>1</sup> Health Care Financing Administration (HCFA) (currently known as the Centers for Medicare and Medicaid Services). Medicaid and School Health: A Technical Assistance Guide. August 1997. Available at: [http://www.medicaid.gov/Medicaid-CHIP-Program-Information/By-Topics/Financing-and-Reimbursement/Downloads/School\\_Based\\_User\\_Guide.pdf](http://www.medicaid.gov/Medicaid-CHIP-Program-Information/By-Topics/Financing-and-Reimbursement/Downloads/School_Based_User_Guide.pdf).

<sup>2</sup> SMD# 14-006: Medicaid Payment for Services Provided without Charge (Free Care). Centers for Medicare and Medicaid Services. December 15, 2014.

<sup>3</sup> National Center for Education Statistics, Department of Education (US). Digest of education statistics, table 45: Number and percentage of public school students eligible for free or reduced-price lunch, by state: Selected Years, 2000-01 through 2009-10. Available from: [http://nces.ed.gov/programs/digest/d11/tables/dt11\\_045.asp](http://nces.ed.gov/programs/digest/d11/tables/dt11_045.asp).

<sup>4</sup> National Center for Education Statistics, Department of Education (US). 2010 High-Poverty Public Schools. Available at: <http://nces.ed.gov/programs/coe/analysis/2010-index.asp>

<sup>5</sup> National Association of Community Health Centers. Access Denied: A Look into America's Medically Disenfranchised. Washington, DC; 2007. Available at: [http://www.graham-center.org/prebuilt/Access\\_Denied.pdf](http://www.graham-center.org/prebuilt/Access_Denied.pdf).

<sup>6</sup> State Health Access Data Assistance Center, University of Minnesota. A needed lifeline: chronically ill children and public health insurance coverage. Robert Wood Johnson Foundation. August 2008.

<sup>7</sup> Kaiser Commission on Medicaid and the Uninsured. The Role of Medicaid for People with Respiratory Disease. *Kaiser Family Foundation*. November 2012. Available at: [http://www.kff.org/medicaid/upload/8383\\_RD.pdf](http://www.kff.org/medicaid/upload/8383_RD.pdf). Accessed: January 15, 2013.

<sup>8</sup> Gold LS, Smith N, Allen-Ramey FC, et al. Associations of patient outcomes with level of asthma control. *Ann Allergy Asthma Immunol*. 2012; 109:260-265.

<sup>9</sup> Hanania NA, David-Wang A, Kesten S, Chapman KR. Factors associated with emergency department dependence of patients with asthma. *Chest* 1997; 111:290-295.

<sup>10</sup> Finkelstein JA, Barton MB, Donahue JG, et al. Comparing Asthma Care for Medicaid and Non-Medicaid Children in a Health Maintenance Organization. *Archives of Pediatric & Adolescent Medicine*. 2000;154:563-568.

<sup>11</sup> National Asthma Education and Prevention Program (NAEPP) Managing Asthma: A Guide for Schools. US Department of Health and Human Services: National Heart, Lung and Blood Institute and US Department of Education: Office of Safe and Drug-Free Schools. July 2003. Available at: [http://www.nhlbi.nih.gov/health/prof/lung/asthma/asth\\_sch.pdf](http://www.nhlbi.nih.gov/health/prof/lung/asthma/asth_sch.pdf).