

# HOUSE BILL REPORT

## HB 2743

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As Passed Legislature

**Title:** An act relating to health services provided by school districts.

**Brief Description:** Changing provisions relating to health services provided by school districts.

**Sponsors:** Representatives Sommers, Silver, Dorn and King; by request of Superintendent of Public Instruction and Office of Financial Management.

**Brief History:**

Reported by House Committee on:  
Appropriations, February 3, 1994, DP;  
Passed House, February 12, 1994, 94-0;  
Amended by Senate;  
House concurred;  
Passed Legislature, March 6, 1994, 89-0.

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### HOUSE COMMITTEE ON APPROPRIATIONS

**Majority Report:** Do pass. Signed by 27 members:  
Representatives Sommers, Chair; Valle, Vice Chair; Silver, Ranking Minority Member; Carlson, Assistant Ranking Minority Member; Appelwick; Ballasiotes; Basich; Cooke; Dellwo; Dorn; Dunshee; G. Fisher; Foreman; Jacobsen; Lemmon; Leonard; Linville; H. Myers; Peery; Rust; Sehlin; Sheahan; Stevens; Talcott; Wang; Wineberry and Wolfe.

**Staff:** Jack Daray (786-7178).

**Background:** The state provides funding to school districts for services to students with disabilities. School districts, in turn, provide special education and health services to students with disabilities. Many of the health services provided are eligible for Medicaid reimbursement if the student is eligible for Medicaid.

The 1993 Legislature enacted legislation establishing a program requiring school districts to seek Medicaid reimbursement for covered services to eligible students. The purpose of the program is to use federal Medicaid funds to offset part of the increasing cost to the state of education programs for students with disabilities. The

1993-95 budget projected \$14.4 million in savings to the state from school district participation in this program.

As an incentive for participation in the program, school districts are allotted 20 percent of the federal Medicaid moneys after deduction for billing costs. The 20 percent district share may be expended for any purpose. The state retains 80 percent of the federal Medicaid moneys after deduction for billing costs.

The process used to allocate state and federal Medicaid funds for each school district is complex compared to some other states. In this state, initial allocations are made to a school district based on enrollment of students with disabilities. Upon receipt of Medicaid funds by a school district, the state recovers state funds in the amount of 80 percent of the federal portion of the Medicaid funds less the billing agent's fees. Various other states use a less complex method. The method involves establishing a revolving fund to disburse the respective shares of Medicaid funds to the state and school districts. This avoids having to take back state funds upon receipt of federal Medicaid funds.

The 1993 legislation provided for the hiring of a state billing agent to enroll all districts in the program and to aid districts in securing the federal Medicaid funds. For districts enrolled with the state billing agent, the state and federal shares of Medicaid funds are calculated after deduction for the state billing agent's costs.

School districts are authorized to act as their own billing agent and to retain billing costs in an amount equivalent to that charged by the state billing agent. Districts having contracted with a private contractor prior to April 30, 1993, could continue to use the services of the private contractor. The 80 percent state share of the federal Medicaid funds is calculated after deduction for the private contractor's billing fee.

Under current law, school districts are the only entity authorized to bill for Medicaid funds. Educational service districts or educational cooperatives which provide services to students with disabilities in many parts of the state are not authorized to bill for Medicaid funds.

Medicaid eligibility data in each school district is to be reported through educational service districts and then to the Superintendent of Public Instruction and the state billing agent.

**Summary of Bill:** For purposes of the act, "district" is defined as including a school district, educational service district or educational cooperative.

Districts contracting with a private contractor may retain a billing fee equivalent to that of the state billing agent.

Districts must report Medicaid eligibility data to the Superintendent of Public Instruction.

The 20 percent local share of federal Medicaid funds must be expended for children with disabilities.

State and federal moneys received under Title XIX for medical services provided by school districts shall be initially channeled to the Office of the Superintendent of Public Instruction (OSPI). The OSPI shall disburse funds as follows: (a) reimbursement to the Department of Social and Health Services for the state-funded portion of Medicaid; (b) payment of the state billing agent's fees or the equivalent for districts acting as their own billing agent, or using a private contractor; and (c) the 20 percent local share after deduction for billing fees.

**Fiscal Note:** Available.

**Effective Date:** Ninety days after adjournment of session in which bill is passed.

**Testimony For:** This bill will streamline school district paper work required for recovery of federal Medicaid funds and ensure added funds will be spent on special education students.

**Testimony Against:** None.

**Witnesses:** Ken Kanikeberg Carol Schultz, Office of Superintendent of Public Instruction; and Mike Bigelow, OFM.