

# HOUSE BILL REPORT

## HB 1240

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### As Reported By House Committee On:

Education

**Title:** An act relating to medicaid reimbursements to school districts.

**Brief Description:** Increasing medicaid reimbursements to second class school districts.

**Sponsors:** Representatives McMorris, Quall, Sump, Haigh, Keiser and Kenney; by request of Superintendent of Public Instruction.

### Brief History:

#### Committee Activity:

Education: 2/1/99, 2/8/99 [DPS].

#### Brief Summary of Substitute Bill

- School districts with enrollments of fewer than 2,000 full time equivalent students will receive 50 rather than 20 percent of the net federal portion of Medicaid reimbursements after the deduction of billing fees.
- The new percentage takes effect immediately upon the Governor's signature.

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### HOUSE COMMITTEE ON EDUCATION

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 13 members: Representatives Quall, Democratic Co-Chair; Talcott, Republican Co-Chair; Haigh, Democratic Vice Chair; Schindler, Republican Vice Chair; Carlson; Cox; Keiser; Rockefeller; Santos; D. Schmidt; Schual-Berke; Stensen and Wensman.

**Staff:** Susan Morrissey (786-7111).

### Background:

Washington receives federal Medicaid funds to reimburse school districts for costs incurred in providing medical services to Medicaid eligible students. School districts

pay for medical services with state funds. The state then bills Medicaid for covered services.

After administrative and billing fees are paid, the Office of the Superintendent of Public Instruction (OSPI) pays 50 percent of the Medicaid reimbursement to the Department of Social and Health Services. The OSPI divides the remaining 50 percent, sometimes called the net federal portion, between the state general fund and the school districts. The general fund receives 80 percent of the federal portion. The school districts receive 20 percent. Currently, a school district that bills Medicaid for \$100 would see \$10.37 returned to the district. That money must be used for students with disabilities.

The 1997-99 state budget was developed on the assumption that \$11.6 million in Medicaid funds will offset state general fund expenditures as a result of billings submitted by 264 school districts, including 201 districts with enrollments of fewer than 2,000 full time equivalent students (second class districts). The 1998 supplemental budget assumed the passage of legislation that would have increased the Medicaid reimbursement share of second class school districts. However, the legislation did not pass.

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**Summary of Substitute Bill:**

School districts with enrollments of fewer than 2,000 full time equivalent students will receive 50 rather than 20 percent of the net federal portion of Medicaid reimbursements after the deduction of billing fees. The new percentage takes effect immediately upon the Governor's signature.

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**Substitute Bill Compared to Original Bill:** An emergency clause is attached and an additional statute which references the 20 percent share for second class districts is amended.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date of Substitute Bill:** The bill contains an emergency clause and takes effect immediately.

**Testimony For:** (Original) In the early 1990's, the Legislature created an incentive to entice school districts into billing the federal government for school health services provided to Medicaid eligible students. The incentive provides school districts with about \$10.37 for every \$100 billed. The money must be used for students with

disabilities. Many school districts question the amount of the incentive, believing that the cost to the districts for requesting the reimbursement is higher than the amount the districts receive from their current statutory share of the reimbursements. In addition, in order to help small districts provide assistance to students with disabilities, the 1998 Legislature earmarked about \$350,000 in the 1998 supplemental budget to take small districts from a 20 percent to a 50 percent ratio of the net federal share of the reimbursement. However, the statute change needed to effect the change did not pass. This legislation would make the change for second class districts and would allow the districts to use the money earmarked in the budget for this purpose. A recommendation was made to earmark these funds for school health services.

**Testimony Against:** None.

**Testified:** (Original) Rep. Linville, prime sponsor; Karen Davis and Carol Nolan, Office of the Superintendent of Public Instruction; and Ann Simons, School Nurse Organization of Washington.