

# HOUSE BILL REPORT

## SSB 5626

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### As Reported By House Committee On:

Education  
Appropriations

**Title:** An act relating to medicaid reimbursement payments to school districts.

**Brief Description:** Changing disbursement of medicaid incentive payments to school districts.

**Sponsors:** Senate Committee on Education (originally sponsored by Senators Franklin, McAuliffe, Fairley, Kohl-Welles, Patterson, Costa, McCaslin, Kline, Wojahn and Rasmussen).

### Brief History:

#### Committee Activity:

Education: 3/29/99, 3/31/99 [DPA];  
Appropriations: 4/5/99 [DPA(ED)].

#### Brief Summary of Substitute Bill (As Amended by House Committee)

- From the effective date of the act until July 1, 1999, second class school districts may retain 50 percent of the net federal portion of Medicaid reimbursements.
- Beginning on July 1, 1999, all school districts will be allowed to retain 50 percent of the net federal portion of the districts' potential Medicaid reimbursements.

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### HOUSE COMMITTEE ON EDUCATION

**Majority Report:** Do pass as amended. Signed by 14 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; Sump 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 special education students. School districts pay for medical services with state funds. The Department of Social and Health Services (DSHS) 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 DSHS. 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 net 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. The money received by the school districts must be used for special education students.

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 to 50 percent of the net federal portion of the reimbursements. However, the legislation did not pass.

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**Summary of Amended Bill:**

A new Medicaid reimbursement formula is adopted for school districts.

1. From the time that the bill takes effect until July 1, 1999, second class districts may retain 50 percent and first class districts may retain 20 percent of the net federal portion of Medicaid reimbursements.
2. Beginning on July 1, 1999, all school districts will receive one-half of the net federal share of the reimbursement amounts the districts would receive if they billed for all Medicaid eligible students. The new reimbursement formula replaces the current formula that provides the districts with 20 percent of the federal portion of Medicaid recoveries after the deduction of billing fees.
3. The corresponding rate change is made for any reimbursements received from private insurers.

**Amended Bill Compared to Substitute Bill:** From the effective date of the act until July 1, 1999, second class school districts may retain 50 percent of the net federal portion of Medicaid reimbursements.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date of Amended Bill:** The bill declares an emergency. Sections one and three take effect immediately. Sections two and four take effect on July 1, 1999.

**Testimony For:** This legislation provides districts with additional incentives to bill the federal government for certain services provided to Medicaid eligible students. When fully implemented, it will result in millions of new federal dollars for the education of children with disabilities. It provides school districts with additional resources that could be used to fund school nurses and other essential services needed by children with disabilities. The bill would be even better if it were amended to permit second class school districts to access the money that was provided to them in the 1998 supplemental budget.

**Testimony Against:** None.

**Testified:** Senator Rosa Franklin, prime sponsor; Doug Nelson, Public School Employees; Karen Davis, Superintendent of Public Instruction; and Joe Pope, Association of Washington School Principals.

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## HOUSE COMMITTEE ON APPROPRIATIONS

**Majority Report:** Do pass as amended by Committee on Education. Signed by 32 members: Representatives Huff, Republican Co-Chair; H. Sommers, Democratic Co-Chair; Alexander, Republican Vice Chair; Doumit, Democratic Vice Chair; D. Schmidt, Republican Vice Chair; Barlean; Benson; Boldt; Carlson; Clements; Cody; Crouse; Gombosky; Grant; Kagi; Keiser; Kenney; Kessler; Lambert; Linville; Lisk; Mastin; McIntire; McMorris; Mulliken; Parlette; Regala; Rockefeller; Ruderman; Sullivan; Tokuda and Wensman.

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

**Summary of Recommendation of Committee on Appropriations Compared to Recommendation of Committee on Education:** No new changes were recommended.

**Appropriation:** None.

**Fiscal Note:** Available.

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

**Testimony For:** The bill gives school districts the incentive to fully bill for all eligible students, which results in a "win" for the state and the districts in the form of increased revenue for both. The provision for second class districts for fiscal year 1999 honors agreements made in earlier budgets. With the added revenue it is hoped that districts will do a better job of training all employees who work with special education students.

**Testimony Against:** None.

**Testified:** Karen Davis, Office of the Superintendent of Public Instruction; and Doug Nelson, Public School Employees of Washington.