

South Carolina
DEPARTMENT OF HEALTH AND HUMAN SERVICES
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January 29, 2008

MC-DRC 08-02

MEDICAID BULLETIN

**TO: Providers of Administrative Claiming and Special Needs
Transportation in State Agencies**

**SUBJECT: Elimination of Reimbursement under the Medicaid Program for
School-Based Administration and some Special Needs
Transportation**

The Centers for Medicare & Medicaid Services (CMS) placed on display at the Office of the Federal Register a final rule (CMS-2287-F) regarding Medicaid reimbursement for school-based administration and transportation. Improper billing by school districts for administrative costs and transportation services under the Medicaid program is a longstanding concern of the Department of Health and Human Services (HHS). Both HHS' Office of the Inspector General (OIG) and the Government Accountability Office (GAO) have identified these categories of expenses as being susceptible to fraud, waste, and abuse, but not necessarily specific to any particular state.

Under the Medicaid program, Federal payment is available for the costs of administrative activities "as found necessary by the Secretary for the proper and efficient administration of the State plan." The final rule would eliminate reimbursement under the Medicaid program for the costs of certain activities based on a Secretarial finding that these activities are not necessary for the proper and efficient administration of the State plan, nor do they meet the definition of an optional transportation benefit. Based on these determinations, under the final rule, Federal Medicaid payments would no longer be available for administrative activities performed by school employees or contractors, or anyone under the control of a public or private educational institution, and transportation from home to school and back for school-aged children.

The final rule would not affect the expenditures for direct medical services that are included in the approved State Medicaid plan. Specifically, CMS would continue to reimburse States for:

- School-based direct Medicaid services in their approved State plans;
- Transportation costs related to school-aged children from school or home to a non-school-based direct medical service provider that bills under the Medicaid program, and from the non-school-based provider to school or home;

- Transportation costs related to children who are not yet school-age and are being transported from home to another location, including a school, and back to receive direct medical services, as long as the visit does not include an educational component or any activity unrelated to the covered direct medical service;
- Administrative overhead costs that are integral to, or an extension of, a direct medical service and, as such, are claimed as medical assistance. These activities are properly reimbursed at the applicable Federal Medical Assistance Percentage (FMAP) rate for the related direct medical service, and include patient follow-up, assessment, counseling, education, parent consultations, and billing activities; and
- School-based administrative activities, such as Medicaid outreach and eligibility intake, that are conducted by employees of the State or local Medicaid agency.

These regulations are effective 60 days after the date of publication in the Federal Register; however, under recently passed legislation, there will be a six month delay/moratorium in implementing these changes so school budgets in the 2007-2008 school year will not be affected. **This extension will be to June 30, 2008**, or the end of the state fiscal year and should not affect the current school year budget. Therefore, South Carolina Medicaid will not accept claims for the costs of school-based Medicaid administration for the 2008-2009 school year. The final rule was published in the Federal Register on Friday, December 28, 2007. A media fact sheet will also be available on the CMS website and may be accessed at: www.cms.hhs.gov/apps/media/fact_sheets.asp.

Your continued support of the South Carolina Medicaid Program is appreciated. Please contact your Program Coordinator at (803) 898-2655, if you have questions about the information contained in this bulletin.

/s/

Emma Forkner
Director

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