

## **Executive Summary of *Cutting Medicaid: A Prescription to Hurt the Neediest Children***

Since 1998, Medicaid has permitted payment to schools for certain medically necessary services provided to children under the Individuals with Disabilities Education Act (IDEA) through an individualized education plan (IEP) or individualized family service plan (IFSP). Schools are thus eligible to be reimbursed for direct medical services to Medicaid eligible students with an IEP or IFSP.

In addition, districts can be reimbursed by Medicaid for providing Early Periodic Screening Diagnosis and Treatment Benefits (EPSDT), which provides Medicaid eligible children under age 21 with a broad array of health care screening, diagnosis and treatment services. These services may include vision, hearing and mental health screenings, and diabetes and asthma diagnosis and management.

Republicans have expressed a desire to reduce federal Medicaid spending by 25 percent by distributing Medicaid funding through a block-grant or a per-capita cap, which would shift costs to states. However, the Congressional Budget Office estimates that the block grant like the one proposed in the House 2017 budget would cut Medicaid spending by \$1 trillion over a decade, which would be the equivalent in 2026 of cutting away one-third of the program's budget.

Reduced federal expenditures and a lack of responsiveness to adjust funding because of changing health costs and circumstances would create competition for limited Medicaid dollars between hospitals, doctors, urgent-care clinics, and other healthcare centers to ensure continued reimbursement. The National Alliance for Medicaid in Schools estimates that schools receive less than 1 percent of the federal Medicaid allocation, so it is unlikely they would be able to compete for funds with these other providers. The assumption is that schools would experience a 30 percent reduction in Medicaid funds if Medicaid refinancing occurs.

AASA felt compelled to survey school leaders to understand whether student health would be impacted by a 30 percent decline in Medicaid reimbursement. AASA, along with our partners, the Association of School Business Officials and the Association of Educational Service Agencies, conducted a short survey in January 2017 to assess the impact of a per-capita cap or block grant to the Medicaid program in schools. Close to 1,000 responses from 42 states were recorded. Respondents ranged from school superintendents, assistant school superintendents, school business officials, special education directors, and education service agency leaders.<sup>1</sup>

The first survey question asked school leaders to explain the impact, if any, of a federal policy that would reduce Medicaid reimbursements for districts by 30 percent.

- School leaders overwhelmingly expressed concern that students in special education programs will be negatively impacted if a 30 percent Medicaid reduction were to occur. Specifically, there are concerns about the ability of districts to maintain special education

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<sup>1</sup> Some state-specific survey data is available upon request.

program quality and meet federal mandates under IDEA if a 30 percent reduction is realized.

- School leaders were deeply worried about how students in poverty will fare if ESPDT services are no longer reimbursable. Districts that are reimbursed for EPSDT services are better equipped to address the basic healthcare needs of students in poverty and ensure they receive appropriate physical, mental and developmental health services.
- Survey respondents were also distressed by reductions to general education personnel and programs that would be required to make-up for the shortfall in reimbursement for special-education programs.
- Respondents also expressed concern with the economic impact of Medicaid cuts. As one of the largest employers in the community, districts would have to furlough or lay-off school personnel who are paid for, in part or entirely, through Medicaid reimbursement.
- School leaders also indicated that the loss of Medicaid funding could result in new local tax levies or requests for higher taxes.
- In addition, respondents expressed deep concern about how a Medicaid cut would impact their ability to deliver critical mental health services for students.

The second question asked how districts utilize their Medicaid reimbursement.

- Two-thirds of respondents indicated they use the Medicaid funds to pay the salaries of health professionals who provide services for students.
- Close to 40 percent said they use the dollars to facilitate outreach and coordination services to refer kids to services.
- Almost half of respondents said they use Medicaid funds to expand health-related services for students.
- A quarter of responses listed other ways they use Medicaid reimbursement with the most common response being equipment and technology for students with disabilities.

The third question in the survey asked about district efforts to expand Medicaid enrollment and ensure students receive the health benefits to which they are entitled under federal law.

- Over 50 percent of survey respondents indicated they have taken steps to increase Medicaid enrollment in their district.

These survey findings illustrate the importance of preserving Medicaid's current financing structure. School leaders are deeply concerned by the impact a block grant would have on districts' ability to deliver critical special education supports and health services to students. While details on a proposed block-grant remain vague, a promised reduction of 30 percent in federal funding poses significant harm to America's most vulnerable students. We urge members of Congress to weigh how children will be impacted by a Medicaid block grant and to reach out to school leaders for specific insights about the importance of their school-based Medicaid programs for students. Finally, we hope elected officials keep in mind that adults employed by the community, taxpayers, and students of all socio-economic classes and abilities could be hurt if this critical reimbursement stream is reduced or eliminated to schools.