



COMMONWEALTH of VIRGINIA
Department of Medical Assistance Services

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Dear Medicaid Coordinator

The Department of Medical Assistance Services (DMAS) is implementing new Medicaid financing and reimbursement for special education services based on individual school division costs. Authorization for this change is included in Item 302.NN of the 2006 State Appropriation Act. This is a result of federal policy changes handed down by the Centers for Medicare and Medicaid (CMS). All states must comply with the current CMS guidelines regarding reimbursement.

If a school division bills DMAS for medical services, it will be necessary for the school division to submit a cost report at the end of the fiscal year. DMAS will continue to pay claims, but these payments are only "interim" payments. Final payment must be based on the cost report. The filing of the cost report will be essential to establishing the amount of the final payment and authorizing the final payment for services. Without the cost report, current CMS requirements would force the recovery of interim payments. The first cost report would be due at the end of the 2006-2007 school year.

The cost report requires three pieces of information and the timing of the data collection is important to be able to complete the cost report at the end of the year. The three pieces and the timing of the information collection are generally:

1. *December 2006:* The percentage of students with IEPs who receive Medicaid or FAMIS.
2. *July 2007:* Personnel costs of those employees or contractors furnishing medical services and the non-personnel costs, such as travel, materials and supplies and capital used in the delivery of medical services.
3. *July 2007:* The percentages of time health personnel spend delivering health care services.

The purpose of this notification is to assist the school divisions with calculating the first piece that should be calculated in December: The percentage of students with IEPs who receive Medicaid or FAMIS.

To facilitate the process of determining the Medicaid and FAMIS special education students, DMAS is offering school divisions an electronic eligibility list of Medicaid and FAMIS recipients in their school division, including information on parental consent. This will give school divisions the capability to match the list of special education students with an eligibility list of Medicaid and FAMIS recipients in

the geographical area of the school division to determine the December 1 “penetration rate” for the school division’s direct services cost report that will be completed at the end of the school year.

In order to protect the confidentiality of information on these lists, it is necessary to complete a Business Associate Agreement (BAA) between DMAS and the School Division. **We are pleased to report that, as of November 2006, sixty-two school divisions have completed this process and are now receiving electronic eligibility reports.**

It is not required that school divisions receive the eligibility reports if you are satisfied with the alternatives available to determine Medicaid and FAMIS eligible special education students. DMAS believes, however, that the eligibility reports will be the most effective way to determine the Medicaid and FAMIS eligibility percentages. These reports can also be used to identify other Medicaid students so that you can assist them in accessing medical services, one of the responsibilities under the administrative claiming agreement. And, perhaps most beneficial, the list contains an indicator of whether or not parental consent for school billing is already in place (FERPA requirement for school billing). This consent is typically obtained in the original Medicaid/FAMIS application for a child.

DMAS will be providing eligibility lists on a quarterly basis with eligibility information for September 1, December 1, March 1, and June 1.

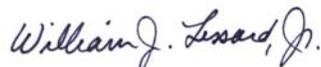
The model for determining the penetration rate is presented at the end of this letter. Those school divisions interested in obtaining an electronic copy of this penetration rate model, an electronic copy of the draft cost report and instructions, or any other information related to Medicaid reimbursement from DMAS should contact John Jurgens, DMAS Reimbursement Specialist, at (804) 371-2446 or e-mail john.jurgens@dmass.virginia.gov.

Under this reimbursement methodology, school divisions will receive full reimbursement (the federal share) for all covered services provided to Medicaid or FAMIS eligible special education students (with parental consent) furnished by qualified practitioners. When school divisions are able to identify eligible recipients with parental consent, they can draw Medicaid reimbursement they may not have been claiming but are due.

Please note that the above information is only in reference to reimbursement for medical services. There will be no change to the reimbursement methodology for administrative services. The new reimbursement methodology for medical services is very similar to the current reimbursement methodology for administrative services and both methodologies use the time study that up until now has only been used for administrative claiming. As a result, any school division that does not currently participate in administrative claiming may want to reconsider.

If you have any questions, please call John Jurgens at (804) 371-2446 or e-mail john.jurgens@dmass.virginia.gov. You can also call Amy Edwards, the DOE Medicaid Specialist, at 804-692-0150 or email amy.edwards@doe.virginia.gov.

Sincerely,



William J. Lessard, Jr., Director
Provider Reimbursement Division

December 2006
(example)

December Child Count as Reported to Department of Education by School Division

50,000

Entered by school division
(general info not used in penetration rate calculation)

Calculate Penetration Rates:

1. December Child Count as Reported to Department of Education: Students with IEPs

1,000

Entered by school division

From Department of Medical Assistance Services Eligibility Report:

2. Medicaid Students with Parental Consent
3. Medicaid Expansion Students with Parental Consent
4. FAMIS Children with Parental Consent

300
100
200

Entered by school division

Entered by school division

Entered by school division

To be Used in Cost Report (Page 1 "Eligibility %")

5. Percent of IEP Students with Medicaid
6. Percent of IEP Students with Medicaid
7. Percent of IEP Students with FAMIS

30.00%
10.00%
20.00%

Number 2. divided by 1.

Number 3. divided by 1.

Number 4. divided by 1.