

# HOUSE BILL REPORT

## HB 1242

---

---

**As Reported By House Committee On:**  
Education

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

**Brief Description:** Increasing medicaid reimbursement payments for first and second class school districts.

**Sponsors:** Representatives Linville, Carlson, Keiser, Schual-Berke and Haigh; by request of Superintendent of Public Instruction.

**Brief History:**

**Committee Activity:**

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

**Brief Summary of Substitute Bill**

- Beginning immediately, second class school districts will receive 50 rather than 20 percent of the net federal portion of Medicaid recoveries after the deduction of billing fees.
- Beginning on July 1, 1999, first class school districts will receive 50 rather than 20 percent of the federal portion of Medicaid recoveries after the deduction of billing fees.

---

### 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.

---

**Summary of Substitute Bill:**

Beginning immediately, second class school districts will receive 50 rather than 20 percent of the net federal portion of Medicaid recoveries after the deduction of billing fees. Beginning on July 1, 1999, first class school districts will receive 50 rather than 20 percent of the federal portion of Medicaid recoveries after the deduction of billing fees.

---

**Substitute Bill Compared to Original Bill:** Technical corrections are incorporated to ensure that the new ratio will begin immediately for second class districts. The law will take effect for first class districts on July 1, 1999. An additional statute that references the 20 percent share for districts is also 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 costs to the districts for requesting the reimbursement is higher than the amounts the districts receive from their current statutory share of those reimbursements. The districts recommend a statutory change to allow all districts to receive at least 50 percent of the net federal portion of the reimbursements. A recommendation was made to earmark these funds for school health services. There would be a fiscal impact associated with the change. The fiscal impact associated with the statutory change for small districts was taken care of by the 1998 Legislature. The 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 statutory change needed to effect the revised policy did not pass.

(Substitute) This legislation would make the statutory change immediately for second class districts and would allow those districts to use the money earmarked in the budget for this purpose. The statutory change for first class districts would not take place until the beginning of the next biennium.

**Testimony Against:** None.

**Testified:** (Support - original) Ann Simons, School Nurse Organization of Washington.

(Support - both) Karen Davis and Carol Nolan, Office of the Superintendent of Public Instruction.