

# HOUSE BILL ANALYSIS

## SSB 5626

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**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).

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### HOUSE COMMITTEE ON EDUCATION

*Meeting Date:* March 29, 1999.

*Analysis Prepared by:* Susan Morrissey (786-7111).

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**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.

**Summary of Bill:** A new medicaid reimbursement formula is adopted for school districts. The districts will receive one-half of the net federal share of 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. The corresponding rate change is made for any reimbursements received from private insurers.

**Differences between SHB 1240 and SSB 5626:**

- } **SHB 1240** increased the reimbursement formula for second class districts from 20 percent to 50 percent of the net federal portion of the actual reimbursed amounts. **SSB 5626** changes the formula for all districts and bases the formula on potential reimbursement amounts rather than actual amounts received.
  
- } **SHB 1240** included an emergency clause so second class districts could take advantage of the funding provided in the 1998 supplemental budget.

**Appropriation:** None.

**Fiscal Note:** Requested on March 24, 1999.

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