

Funding School-Based Mental Health Services Using the 2014 Interpretation of the "Free Care Rule"

In 2014, CMS issued a [State Medicaid Director Letter](#), stating that schools could now bill Medicaid for health services delivered to Medicaid-enrolled children, regardless of how services for other students are paid for. This allows for more flexibility in expanding access to these services for vulnerable populations.

This is a change from previous Medicaid rules which stated that Medicaid would not reimburse for services (including mental health services) provided to students enrolled in Medicaid if those same services were available at no cost to at least some students (e.g. uninsured students). Exceptions were made in select cases, such as for services listed in an Individualized Education Plan (mostly for students with special needs).

In some states, changes to the State Plan, which describes how a state's Medicaid program is administered, may be needed before moving forward with implementation of this new rule.

For Local Education Agencies (LEAs) looking to access Medicaid funding, the following requirements are common barriers to reimbursement that should be considered and proactively addressed to ensure success.

- **Third party liability (TPL) requirements are met**

- Medicaid can only be billed for services a given student receives after all obligated third party payers (usually insurers or other programs) have been billed and have paid their obligated amounts.
- To meet this requirement, schools must identify those students who may have secondary private insurance. This may require coordination with parents to ensure that claims are filed, though parents may not be compelled to file a claim.



- **The state and provider must maintain auditable documentation for claims**

- Medicaid requires that providers maintain intensive documentation for claims, usually including information about the student, the treatment, and the billing codes. State-specific documentation rules can be found in the State Plan or in the Medicaid program's provider handbook.
- Private firms can assist with maintaining needed documentation. However, LEAs are also encouraged to work with Medicaid program officials to verify these requirements and obtain assistance with other requirements (e.g., information security).



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- For more information on state-specific efforts to implement this new policy:
 - Community Catalyst, Healthy Schools Campaign, Trust for America's Health. (2020). "State Efforts to Implement the Free Care Policy Reversal." Found [here](#).
- For more information on the policy change and guidance on how to advocate for implementation:
 - Healthy Schools Campaign. (2016). "Free Care Rule 101:What Is it and What Can Advocates Do?" Found [here](#).

Sources:

McCance-Katz E, Lynch C. (2019). Guidance to States and School Systems on Addressing Mental Health and Substance Use Issues In Schools. Substance Abuse and Mental Health Services Administration.



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