

Frequently Asked Questions (FAQs)

Question: Medicaid Money: How can it be used? Is it Federal Funds?

Answer:

Districts receive from Medicaid a partial reimbursement for medical service expenditures. Although these funds come from the federal government, they are not “federal” funds subject to federal restrictions on spending and reporting. One way of understanding this distinction is to consider your federal income tax return. When the IRS sends you a refund check, you can deposit those funds into your account and spend them as you see fit. Similarly, when Medicaid sends you a reimbursement check, those funds are district money that can be used according to district policy.

There are no *specific* state-level or federal restrictions on the districts' use of Medicaid reimbursement funds. How the funds should be expended is a matter for your district to decide. In the past, districts have been encouraged to reinvest these funds in the district's health care programs. The FY 11-12 Appropriations Act does contain a proviso that reads as follows:

1.2 (SDE: DHEC - Comprehensive Health Assessment) All school districts shall participate, to the fullest extent possible, in the Medicaid program by seeking appropriate reimbursement for services and administration of health and social services.

Reimbursements to the school districts shall not be used to supplant funds currently being spent on health and social services. H. 3700 as ratified by the General Assembly 6/22/11. Therefore, how the funds should be expended is a matter for your district to decide so long as the use does not “supplant” funds currently being spent on these services.

For purposes of School District Administrative Claiming (SDAC), those employees who are paid from Medicaid reimbursements should not be considered “100% federally funded.” Those employees can be included on the SDAC roster if they routinely perform billable SDAC activities. The district cost reports including those employees do not need to be offset by the Medicaid reimbursements used for their salaries. As to how the district should account for these funds, it depends upon the expenditures that are being reimbursed. According to Len Richardson, director of the SCDE Office of Finance, because Medicaid School District Administrative Claiming reimbursements are reimbursement for salaries, this money should technically reimburse the funds where the salaries were expended. In the case of most districts, this will mean the funds are deposited in their general fund.

In discussions with your district about uses of these funds, it is appropriate to remember that most Medicaid reimbursements are an attempt by Congress to fulfill its promise to provide 40% funding under the I.D.E.A. Current I.D.E.A. federal funding is at about 18% of expenditures, and the statute's requirements have substantially increased since the 40% promise was made. To partially bridge this gap, the Medicaid laws were amended to allow school districts to bill Medicaid for services listed in an I.E.P. despite the fact that these medical services are provided free of charge. (Normally Medicaid does not allow providers to bill for “free care.”) It would therefore be appropriate for a district to reinvest these funds into the I.D.E.A. programs that Congress intended to benefit.