Free Care and Other Health Coverage

****PLEASE REVIEW THE LEA MEDI-CAL BILLING OPTION PROGRAM PROVIDER MANUAL FOR COMPLETE PROGRAM AND POLICY INFORMATION****

Q1. What is the 'free care' requirement? Has the 'free care' requirement recently changed?

A. During the time the free care requirement was in effect in the LEA Program, Medicaid was precluded from reimbursing LEAs for the costs of covered services which were generally available to all students without charge, and for which no other sources of reimbursement was pursued. Medicaid did not pay for any services not specified in a student's Individualized Education Plan (IEP) or Individualized Family Services Plan (IFSP) if the same service was provided free of charge to non-Medicaid students. In order for Medicaid payment to be available for such services, LEAs previously had to establish a fee for each available service, ascertain whether every individual served by the LEA had any third-party benefits, and bill other responsible third party insurers.

In December 2014, the Centers for Medicare and Medicaid Services (CMS) published Letter to State Medicaid Director (SMD) 14-006, in which it withdrew its prior guidance on free care. Under the new guidance, Medicaid reimbursement became available for covered services provided to Medicaid beneficiaries, regardless of whether there is any charge for the service to the beneficiary or the community at large. Furthermore, LEAs are no longer required to establish a fee schedule for each available service, and no longer required to identify and bill all legally liable third parties prior to billing for services rendered to Medicaid eligible students.

The Department of Health Care Services (DHCS) has updated and published the 'Billing and Reimbursement Overview' section (*loc ed bil*) of the LEA Program Provider Manual to include the new program policy on free care.

Q2. Does the LEA Program have a Third Party Liability (TPL) recoupment process?

A. Yes. Federal statutes and regulations require DHCS to take all reasonable measures to ascertain and to pursue legally liable third parties for services provided to Medi-Cal beneficiaries. SMD 14-006 did not create any exception to this requirement. For services provided by LEAs to Medi-Cal eligible students who also have third-party private commercial insurance, also known as Other Health Coverage (OHC), DHCS may bill insurance carriers to recoup funds paid by DHCS to the LEAs. DHCS will not cost avoid against claims (initially deny claims due to OHC) or offset claims to LEAs in an effort to recoup funds. As a result of the recoupment process, insurance carriers may issue Explanation of Benefits (EOB) statements to the parent of the insured student.

Q3. If a student is Medi-Cal eligible and has OHC, are LEAs required to bill OHC first?

A. Covered services provided to a Medi-Cal eligible student with OHC under an IEP/IFSP may be billed directly to Medi-Cal for reimbursement without first pursuing the student's OHC carrier. Covered non-IEP/IFSP services provided to a Medi-Cal eligible student with OHC must be billed to the OHC carrier first, prior to billing Medi-Cal. If the OHC carrier denies the claim with a valid denial reason, or if the OHC carrier does not respond within 90 days of claim submission, the LEA may then bill Medi-Cal for that student's service.

Additional information and sample scenarios are located in the 'Billing and Reimbursement Overview' section of the LEA Program Provider Manual.

Q4. How can my LEA find out whether a student has OHC?

A. An OHC information indicator is available through the eligibility tape match record.

Q5. My LEA provides IDEA services to a student with OHC. Do I need individual parental consent to bill OHC prior to billing Medi-Cal?

A. Although there is language in the Medi-Cal Application that assigns third party recovery to the State, this agreement is between the beneficiary and the State of California. The LEA is not part of this agreement, and must obtain separate parental consent to bill OHC prior to billing Medi-Cal.