Testimony of Heather Bushey, Past President, VASBO and Director of Finance, Essex Westford School District and Nicole Lee, Director of Finance, Champlain Valley School District
Before the House Committee on Ways and Means
Re: H.558 – An Act Relating to the Medicaid School-Based Services Program

Chair and Members of the Committee,

Thank you for the opportunity to testify today on H.558. We appreciate the Legislature's intent to maximize federal Medicaid reimbursement and ensure compliance with federal requirements. We share that goal. Medicaid school-based services are a critical funding source that support medically necessary services for students, including those with disabilities. However, while well-intentioned, it is essential to fully understand the potential impacts of this proposal on service delivery, operational capacity, and fiscal sustainability for school districts across Vermont before moving forward.

At a time when federal actions are creating significant uncertainty in funding, and previously enacted legislation is already affecting schools and communities, we urge you to exercise due diligence in understanding the full scope and implications of this proposal. We must be careful not to unintentionally restrict schools' ability to provide critical services to students—particularly in regions already facing shortages of skilled professionals.

Fiscal Impact and Cost-Based Reimbursement

H.558 transfers sole authority over the Medicaid school-based services program to the Agency of Human Services (AHS) and establishes a new reimbursement structure in which 55 percent of federal reimbursement is paid to school districts. While the increase from 50 percent under current statute to 55 percent appears favorable on its face, the broader fiscal picture and the individual district impact is unclear. Key questions remain:

- How will cost-based reimbursement be calculated under the new model?
- What assumptions were used in modeling district-level impacts?
- What does the modeling show for impacts by school district on Medicaid funding?
- Will funding be reduced based on the percentage of Medicaid-eligible students in a district?
- Will all providers be eligible for cost-based reimbursement under the plan?

For some districts, Medicaid revenue is a substantial and recurring source of support for clinician, special education and intervention services. A reduction in funding—even a modest one—will be extremely difficult to absorb and will inevitably increase pressure on the Education Fund and local taxpayers.

Additionally, FAQ documentation put out by AHS references a cost settlement formula that may require Local Education Agencies (LEAs) to return funds on a regular basis due to overpayment relative to federal financial participation (FFP) rates. If overpayment is anticipated, why would interim payments not be calibrated more precisely to projected costs? Regular “claw backs” would create budget instability and complicate local financial planning.

Eligible Providers and Services

The bill authorizes AHS to adopt rules identifying eligible services and participation requirements. However, it does not specify:

- Who will be considered an eligible provider under the new plan
- Whether staff who are currently eligible to bill under the existing program may lose eligibility
- What services will remain eligible
- What documentation will be required for services to be eligible

Currently, special educators providing developmental and assistive therapy account for a significant portion of Medicaid revenue in many districts. Will these services continue to qualify? If not, the fiscal implications could be substantial.

In addition, we must consider contracted providers. Many districts rely on contracted speech-language pathologists, occupational therapists, psychologists, and other professionals. In certain regions of the state, providers choose to both serve students in schools and maintain a private practice. Under current rules, once a provider reassigns billing rights to a school district, they cannot independently bill Medicaid. In cases where providers maintain external practices, districts often do not reassign billing rights. Instead, the district pays the provider at a reduced rate, and the provider bills Medicaid directly to be made whole.

How will the proposed carve-out ensure that health care provider shortages for school based services decrease rather than grow? If billing structures or reassignment requirements become more restrictive, providers may simply choose not to work in schools—further limiting student access to care.

We also have practical concerns:

- How will contracted providers participate in Random Moment Time Studies (RMTS) if they are not employees?

- Where claim submission is still required (e.g., SCHIP), how will these claims be paid—on a typical health care timeline with explanations of benefits, or held for quarterly interim payments?

Administrative Support and Expertise

Currently, AOE staff provide critical training, technical assistance, and audit oversight related to school Medicaid. The FAQ documentation put out by AHS indicates that school districts will now be responsible for adhering to and training staff on program integrity policies, including FERPA and IDEA data-sharing requirements, and may need to conduct self-audits or desk audits. While AHS and DVHA will provide instructional guides, this represents a significant shift in responsibility to districts.

This suggests that support is diminishing while compliance obligations remain complex. It would be our hope that the level of support currently available to Districts under the school-based Medicaid program would remain intact as the program shifts to AHS.

Conclusion

Medicaid school-based services are not a peripheral funding stream. They are integral to how districts deliver medically necessary services to students—particularly those with disabilities. Any structural change of this magnitude must be accompanied by:

- Transparent fiscal modeling by district
- Clear definitions of eligible providers and services
- A stable and predictable reimbursement framework
- Preservation of support and expertise in training and oversight
- Clear communication to LEAs on the changes that will be expected throughout the transition of the program
- Safeguards against unintended service reductions in rural and underserved regions

We truly hope that the Committee will gain a full understanding of the downstream impacts of this bill before advancing it. Our shared goal is to maximize federal reimbursement while ensuring that Vermont's students continue to receive the services they need—without shifting additional financial burdens onto local districts and taxpayers.

Thank you for your time and consideration. We are happy to answer any questions.