

16 V.S.A. § 2959a

Fiscal Integrity & Intentional Reinvestment

Structured Medicaid Revenue Spending at the Local Level

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Federal Requirements in 2026: A Critical Transition Point

CMS issued guidance in 2023 urging states to come into compliance with federal requirements for School Based Medicaid programs.

AHS and AOE have partnered for two years to plan this system change and elevate the program.

All states must align School-Based Medicaid programs by July 1, 2026.

- Medicaid Administrative Claiming (MAC) and School-Based Health Services (SBHS) must become one single program: **School-Based Services**

How States Are Responding: States are reworking how funds flow through education systems

- Creating structure for Medicaid revenue:
 - formalize reinvestment expectations
 - strengthen accountability
 - align funding with student health outcomes

Vermont's Position: Strengthening a framework that already supports students

Updating AOE, AHS, and VDH systems to meet federal requirements

- Strengthening partnerships with SU/SD stakeholders
- Expanding covered services and reducing administrative burden
- Aligning systems to maximize reimbursement and student impact

National Best Practices: Reinvestment in Action

Leading examples of structured, accountable reinvestment:

- **Colorado** — *Needs assessment* drives local reinvestment planning with state review and approval
- **California** — *Collaborative committees* guide reinvestment decisions with stakeholder input
- **Florida** — *Mandatory reporting* to the state on Medicaid expenditures
- **Vermont** — State statute directs funds toward prevention and early intervention *reinvestment*; mandatory *annual reporting* tied to student performance; Annual Reinvestment Planning *Committees* (for MAC funds).

Vermont helped write the playbook... These are the same core components Vermont already has in place.

Emerging State Regulatory Models

States moving toward more structured, intentional reinvestment structures:

- **Massachusetts** - Legislation pending to direct funds toward school-based services; prohibits supplanting existing health funding
- **Indiana** - Legislation pending to require intentional spending on school-based health programs (currently suggested, not required)



Vermont has spent decades building a reinvestment framework that other states are now moving toward.

This is an opportunity to protect that progress and continue leading.

Health and Learning Are Inseparable

Health Barriers Drive Absenteeism
— and Impact Learning.

Chronic absenteeism is often driven by health needs, not student choice.

When students' health needs are met, they show up, engage, and succeed.

1. Health Barriers (Root Cause)

- Physical, mental, and behavioral health needs
- Identified through screenings and early intervention
- Disproportionately impacts students with disabilities and high needs

2. Chronic Absenteeism (What happens)

- Students miss school due to unmet health needs
- Disengagement increases over time
- Lost instructional time begins early (Pre-K and up)

3. Academic Impact (Why it matters)

- Lower likelihood of meeting grade-level expectations
- Impacts literacy, math, and overall achievement
- Affects long-term student outcomes and sense of belonging

What We're Hearing from Steering Committees & the Field

Consistent themes are emerging across steering committees and direct feedback from SU/SD leaders.

Superintendents are asking for clearer guidance on how to interpret statute and use reinvestment funds.

Variability across districts leads to inconsistent implementation.

Rulemaking provides the structure to clarify expectations while preserving local flexibility.

- **Prevention and early intervention are critical** — systems must shift from reactive approaches to proactive, Tier I and whole-child supports
- **Fragmentation across systems is a major barrier** — stronger alignment is needed across general education, special education, and school health supports
- **Consistency and clarity in expectations are needed** — variability in implementation leads to uneven student outcomes across districts
- **Data and meaningful outcomes must drive decisions** — interest in better measures of growth, engagement, and impact beyond compliance
- **Student needs are complex and interconnected** — mental health, attendance, engagement, and instructional quality all influence outcomes

Update to 16 V.S.A. § 2959a.

- **AOE's Request:** We respectfully ask the Committee to restore and retain the full statutory language in 16 V.S.A. § 2959a, as introduced in H.558
- Supervisory Unions and Supervisory Districts (SU/SDs) using the School-Based Medicaid Reimbursement Fund for:
 1. Administering and delivering School-Based Medicaid services
 2. Using funds for prevention and intervention programs in Pre-K through grade 12
 3. **AOE adopting rules** for SU/SD intentional reinvestment of funds and coordination of reimbursement related to state-placed students (16 V.S.A. § 2950)
 - Rules to align fund reconciliation tied to Medicaid and State Placed Students, linked to Special Education Expenditure Report and payments.
 4. **Effective Date:** July 1, 2026
 - \$50-60 Million in Medicaid Claims; \$31.7 Million in Federal Revenue in FY2025
 - \$15 Million in unspent funds across all SU/SDs in FY2025

Medicaid Reimbursement Special Fund

16 V.S.A. § 2959a.

- **Linked to other AOE payments:** The Secretary may withhold payment due a Supervisory Union pursuant to section **2950** ... for a Medicaid-eligible State-placed student if the Supervisory Union has not submitted a Medicaid claim for reimbursable services ...
- **Student equity focus:** Supervisory Unions shall use funds received under this section to pay for reasonable costs of administering the Medicaid claims process, and School Districts or Supervisory Unions shall use funds received under this section for prevention and intervention programs in prekindergarten through grade 12.
- **Defined reinvestment purpose:** The programs shall be designed to facilitate early identification of and intervention with children with disabilities and to ensure all students achieve rigorous and challenging standards approved and adopted by the State Board or locally adopted standards.
- **Mandatory Reporting and Outcomes Link:** A supervisory union shall provide annual written justification to the Secretary of Education on how it or its member districts used the funds. Such annual submission shall show how the funds' use is expressly linked to those provisions of the supervisory union's action plan [*Continuous Improvement Plan 16 V.S.A. § 165*] that directly relate to improving student performance.

What Happens If This Language Is Removed

This statute connects funding, accountability, and student outcomes.

Removing it breaks that connection.

We want to protect and improve a system that already works through the rulemaking process.

1. Funding & System Alignment Break

- Severs link between Medicaid reimbursement and Special Education payments for State Placed Student reimbursement (§2950)
- Creates risk to funding integrity and reconciliation

2. Proven Reinvestment System Disappears

- Disrupts 30 years of established SU/SD reinvestment processes
- Removes the structure that directs funds to prevention and intervention wrap around supports for all students

3. Local Planning & Partnerships Collapse

- Eliminates SU/SD planning framework
- Breaks coordination between state and local systems

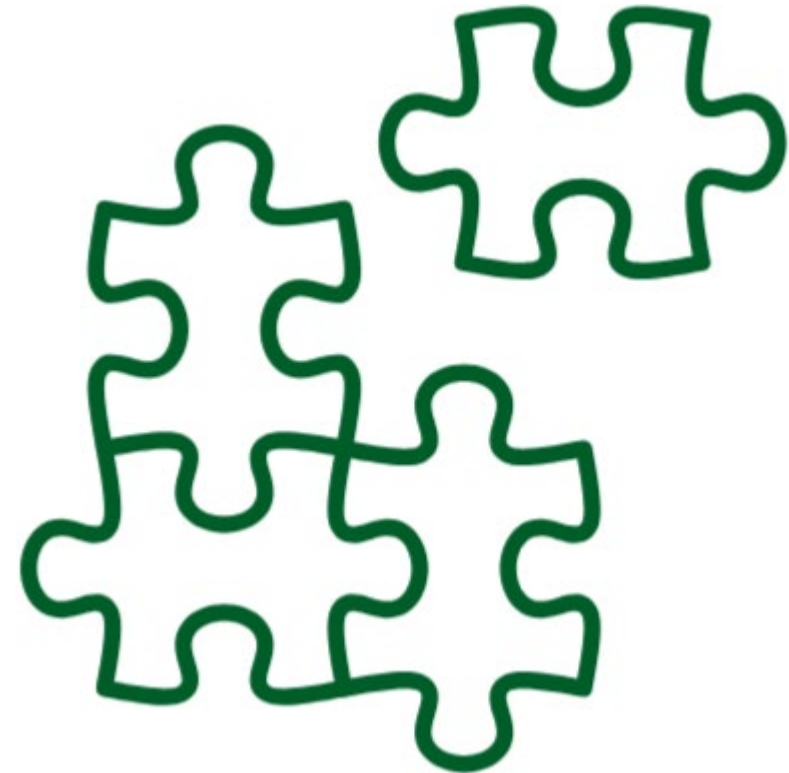
4. Accountability & Outcomes Are Lost

- Removes required reporting tied to Continuous Improvement Plans (§165)
- Limits State's ability to track outcomes and share successful strategies with SU/SDs

Vermont's Reinvestment Framework

Partnering with SU/SDs and our partner State Agencies to meet the needs of all students

- **Statutory reinvestment requirement** ensures funds support prevention and intervention
- **Committee-based collaboration** gives SU/SDs a structured, collaborative process for decision-making
- **Mandatory reporting** provides transparency and connects funding to student outcomes
- **Needs-based planning** (new) allows SU/SDs to direct funds to local priorities within a consistent statewide framework
- **Rulemaking creates a flexible, structured framework** that allows AOE to use data to refine expectations and support continuous improvement across SU/SDs



Reinvestment for Student Success

1. **Elevating Academic Excellence** - Early intervention and health supports improve readiness, attendance, and proficiency
2. **Expanding College and Career Readiness** -Addressing health and engagement barriers supports long-term student success and readiness
3. **Promoting Safe and Healthy Schools** - Reinvestment funds mental health, wellness, and prevention programs that reduce absenteeism and improve school climate
4. **Improving Operational Effectiveness** - Strengthens partnerships between AOE and SU/SDs through clear guidance, shared data, and collaborative planning
5. **Enhancing Special Education and Differentiated Supports** - Supports early identification and intervention within a coordinated, inclusive system of supports for all learners



Small Investment, Far Reach

Reinvestment creates a ripple that starts with one decision and grows into healthier students, stronger learning, and better outcomes in every classroom.