



Texas Association of School Boards
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Subject: School Health and Related Services (SHARS) – IEP Ratio in Cost Report
Concern Follow Up Information

The issue at a very high level involves the SHARS cost report. SHARS includes two components. Interim billing occurs within the fiscal period of October 1 to September 30th of a given year. Following that the district has 95 days to finalize claims and close out billing. This is typically January 3rd of the following year.

School districts then have until April 1st to file their cost report. The cost report is a mechanism that the district uses to report all expenses in their district associated with a direct medical service under SHARS. Districts collect all costs and report them to the state. As part of the cost report there is a series of ratios that are used to reduce expenditures down to only those reimbursable by the SHARS program. One such ratio is the IEP ratio.

The IEP Ratio looks at the number of students with IEPs with a direct medical service and divides that into the number of those students with IEPs with a direct medical service who have Medicaid eligibility during the year. Historically while difficult to calculate, it boils down to all students with a medical service in their IEP versus of those how many are Medicaid eligible.

The state then audits the cost report in three periods before issuing a settlement to the district which is the difference between the final approved cost report and the interim billing. Over the last few years, several things in SHARS have been unilaterally changed with little insight or notice to districts and the interpretation and application of the IEP ratio change is another with the largest implications thus far.

The new interpretation from the latest change indicates that the school district should be further reduced by narrowing the numerator to only those students with Medicaid that the school has parental consent for. The reasoning expressed is that the SHARS program must be in alignment with expectations from TEA. TEA expects districts to have parental consent before billing for SHARS. However, the cost report is not billing students without parental consent. It is a settle up process and the state applies for these funds without allocating them to any specific student. No direct billing to a child's Medicaid occurs.

Thus far we have been approached by two districts who are immediately impacted by this issue (██████ ISD and ██████ ISD). The implications for this change are far reaching and will impact every school in Texas. Attaining parental consent is complex and most districts have somewhere between 20-40% of parents who respond with consent due to its complexity on top

of an already complex program. The real number associated with parental consent is unknown as there has been no call to report it in the past.

We believe that this reduction of the IEP ratio to only those students with IEPs, a direct medical service and parental consent, will drastically reduce reimbursement revenue to districts. This means our current program which is about eight hundred million dollars would be exponentially decreased as all IEP ratios would be drastically reduced as has Abilene's. **If this occurs, not only will [REDACTED] ISD stand to lose [REDACTED] dollars, but across our state all districts stand to lose as much as five hundred million.**

In reviewing this information, we did a deep dive into the various support documents associated with the SHARS program. We have provided input on areas that address the cost report in this analysis. Attached is the documentation review and input, as follows:

- Attachment A - State Plan and Amendments as of November 20, 2020
 - Pg. 4 or SPA 33(a) Direct medical service time is allocable without regard to parental consent.
 - Pg. 5 or SPA 33(b) The IEP ratio is determined based on Medicaid eligibility without regard to parental consent.
 - Pg. 7 or SPA 25L.4 The cost report is to determine the Medicaid allowable scope of costs for delivering services without any specific mention to only those allocatable to students with parental consent.
- Attachment B - Texas Medicaid Providers Procedure Manual, Children's Services Handbook (Volume 2) – Section 3 School Health and Related Services
 - Pg. 29 or TMPPM 97 3.5.3 Reimbursement - The reimbursement information clearly indicates that the Cost Report and interim payments are reimbursement for medical and transportation services provided with no mention of parental consent as part of that determination.
 - Pg. 30 or TMPPM 98 3.6 Cost Reporting, Cost Reconciliation and Cost Settlement - All medical SHARS services are part of the cost reporting process. There is no limitation placed on this methodology.
 - Pg. 31 or TMPPM 98 3.6.1 Cost Reporting - No mention is made to parental consent as the cost report as the cost reporting process is to make districts whole for the costs of actual Medicaid costs.
- Attachment C - Texas Administrative Code §354.1341-§54.1342 and §355.8443
 - Pg. 34 or §354.1341 - There is no mention of parental consent in the TAC as this is not a requirement of the SHARS program.
 - Pg. 36 or §54.1342 - There is an indirect requirement for parental consent as TEA has established it as a standards for the delivery of SHARS. However, the cost report is not billing directly for any student. It is a settle up established to make districts whole for costs associated with Medicaid services.

- Pg. 38 or §355.8443.b.1.A - This clearly indicates that the cost report is to document the districts Medicaid allowable costs and has no mention of this being aligned to only students with parental consent.
- Pg. 38 or §355.8443.b.3 - No mention of parental consent is included in this TAC.
- Pg. 39 or §355.8443.c.3 - The cost report is aligned to total cost for direct medical and transportation services.
- Pg. 39 or §355.8443.c.3.A.iii - Costs include net Medicaid allowable costs for direct medical services.
- Attachment D - SHARS FAQ updated July 24, 2017
 - Pg. 55 or FAQ 13 G - The cost report uses the time study percentage as part of the cost report. If the intent of the cost report was to focus in on only students with parental consent, this would have also been part of the time study percentage. It is not because the cost report is to make districts whole for costs associated with all allocated costs in the Medicaid program.
 - Pg. 64 or FAQ 22 I18.2 - The ratio of Medicaid covered students with medical IEPs have no mention of parental consent. Nor has there ever been a historical reduction related to this. The ratio is to gather what percentages of IEPs with a medical service are Medicaid eligible regardless of parental consent.
 - Pg. 65 or FAQ 23 I19 - No mention of parental consent has ever historically nor currently been indicated as part of the cost reporting process.
 - Pg. 65 or FAQ 23 I20 - It is clear here that inclusion in the IEP ratio has nothing to do with parental consent.
 - Pg. 69 or FAQ 27 I39 - Exclusion from the cost report for parental consent is not aligned to the ratios but instead to any area that no billing occurred even if the reason was parental consent. It is clear here than even in those cases an auditor may extrapolate those costs too.
- Attachment E – Cost Report Training for FY 2019
 - Pg. 103 or training slide 11 and 12 – Parental consent is only mentioned as it relates to billing for a student’s service.
 - Pg. 105 or training slide 19 – No mention of parental consent was included related to the cost report.
 - Pg. 108 or training slide 25 – No mention of parental consent was included related to the cost report.
 - Pg. 110 or training slide 31 – No mention of parental consent was included related to the cost report.
- Attachment F – Cost Report Instructions
 - Pg. 137 or Instructions page 3 - The cost settlement process includes the cost report so that all Medicaid SHARS costs can be reconciled, and actual total Medicaid costs can be accounted for. No mention of parental consent is included in this process as the cost report does not bill students without consent, it makes districts whole for all costs associated with the federal portion of the costs for

- services delivered.
- Pg. 142 or Instructions page 8 - The IEP ratio seeks to determine what percent of IEPs with a medical service in a district have Medicaid. There is no alignment to those with parental consent as that is not part of the cost report process.
 - Pg. 145 or Instructions page 11 - No mention of parental consent aligned to unallowable costs.
 - Pg. 156 or Instructions page 22 - The ratio does not take into consideration of parental consent.
 - Attachment G - Non-Regulatory Guidance on the IDEA Part B Regulations Regarding Parental Consent for the Use of Public Benefits or Insurance to Pay for Services under the IDEA, Issued February 14, 2013, and Effective March 18, 2013
 - This guidance was used to determine limitations of parental consent in our state in the last few years. However, no mention of parental consent as it relates to the cost report settle up. The cost report process does not bill any child who does not have parental consent. Instead, the state applies for funding from the federal Medicaid program to help make the district whole for costs associated with delivering medical services to students with Medicaid. No child without parental consent is billed.

The new interpretation of the IEP ratio is not in alignment with any rules, regulations, guidance, or practice in place. Nor has it been discussed with anyone but a limited number of districts. The concern is that with this reinterpretation we will see a large loss of reimbursement revenue to our state from the SHARS program. According to the documentation, this interpretation is inaccurate and will harm schools.

We are happy to talk further on the school Medicaid/School Health and Related Services (SHARS) program. Please contact Dr. Karlyn Keller at karlyn.keller@tasb.org or 512-505-2896.