

December 20, 2023

The Honorable James Frank,
Texas House of Representatives
P.O. Box 2910
Austin, Texas 78768-2910

Chairman Frank and Members of the House Committee on Human Services:

We share your concerns regarding the School Health and Related Services (SHARS) program and thank you for bringing attention to this critical issue. Over 900 Texas school districts and charters participate in federal Medicaid reimbursement through the SHARS program, which provides partial, yet critical funding for special education students who need medical assistance to be successful in school.

This funding is vital to our schools, who are also working to absorb a \$2.1 billion annual funding shortfall for special education studentsⁱ. Unfortunately, the recent delays and cuts to SHARS reimbursements follow years of administrative changes to the program made with only minimal stakeholder input and usually after the fact. Ultimately, this only worsens the special education funding deficit impacting the state's most vulnerable students and families.

The undersigned raised the alarm about potential impacts to SHARS following the release of the U.S. Department of Health and Human Services (HHS) Office of Inspector General (OIG) audit report in August 2017. Since then, we have awaited the conclusion of the Texas Health and Human Services Commission (HHSC) federal appeals process while endeavoring to guide districts forward.

With little to no transparency in the process, it has fallen to school districts and those organizations that support them to find a path forward. We will continue to communicate, brainstorm, and troubleshoot with school districts if any information or clarity is communicated by HHSC, but we need your help.

The fundamental issues that we, the Legislature, and HHSC need to consider include:

- **Address the drastic reduction in SHARS funding.** On November 30, 2023, just days before settlement notices are typically distributed, districts learned that federal fiscal year (FY) 2022 settlement offers would be delayed. At the same time, rumors surfaced that those reimbursements would be recalculated and drastically cut. Our organizations began corresponding with participating districts immediately. On December 15, 2023, districts received their settlement notices, which included a rate recalculation, and Texas Administrative Code (TAC) provides a short deadline to decide next steps. Now, districts face difficult financial decisions as \$304 million will no longer flow through SHARS to cover expenses incurred in FY 2022. It is unclear where the directive from the federal government to recalculate FY 2022 originated. Regardless, without action from the legislature or HHSC, there will be no relief for districts requiring financial assistance with the 2022 reimbursement rate recalculation.

- **Create transparency in the methodology used to calculate reimbursement rates.** Under the SHARS program, schools have little to no visibility into the changes being made to their overall cost report. Multiple audits occur after a school district submits its cost report, but no documentation or any audit files are shared with districts to address specific concerns when a problem or correction occurs. HHSC should improve transparency by documenting the specific changes that result in the substantial reductions our schools now face.
- **Allow for stakeholder input.** SHARS is Medicaid reimbursement process covering medical services provided in an education environment. The unique needs of students and schools are drastically different than those of the general healthcare industry. Despite that, thousands of staff, teachers, and administrators across our state strive to provide the care necessary for students to access a free and appropriate public education. Since 2017, the reworking of the SHARS manual and the reaction to the OIG audit have occurred in isolation from these stakeholders. Inviting parents, school staff, subject matter experts, and communities to participate in the creation of the rules and regulations around this program will result in better services for students and a more efficient SHARS system.
- **Develop a pathway for school districts to find success.** Two of the easiest ways to correct issues identified in the 2017 audit report are improved HHSC training for district staff and ensuring reporting forms feature a menu selection process rather than open-ended responses, which introduce inaccuracy. HHSC's current training on reporting SHARS services has not been updated and does not adequately prepare district staff to complete SHARS reports. This has created an industry of third-party billers that school districts rely on to decipher requirements and complete reporting.

For the last decade, the educational community, including the undersigned, have highlighted and attempted to resolve the underfunding of the special education system. The reduction in reimbursements within the SHARS program further compounds already drastic shortfalls in special education funding. As we work to ensure our most vulnerable students receive the critical medical-based care and support they need while at school, we hope the Legislature and HHSC will alleviate any unnecessary bureaucracy and burden on our parents, teachers, staff, and administrators, so that they can focus on the educational success and wellbeing of students across Texas.

We look forward to working in partnership with the Legislature and HHSC to address this matter and ask that you make it an interim charge. If you have any questions, please do not hesitate to reach out to any of our organizations.

Sincerely,



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¹ The difference between FY 2022 PEIMS actual reported general fund spending on Students with Disabilities and the funding provided through the special education allotment on the statewide SOF report.