

# Medicaid SBS Federal Documentation Requirements for Claims, Cost Reporting, and Time Studies for LEAs



The Centers for Medicare & Medicaid Services (CMS) Medicaid School-Based Services (SBS) Technical Assistance Center is available to support State Medicaid agencies (SMAs), State educational agencies (SEAs), and local education agencies (LEAs) in operationalizing Medicaid SBS. Contact us at [SchoolBasedServices@cms.hhs.gov](mailto:SchoolBasedServices@cms.hhs.gov).



**This resource outlines CMS and U.S. Department of Education (ED) documentation requirements to help LEAs streamline Federal documentation for Medicaid direct medical service claims, cost reporting, and time studies, and to help LEAs understand Federal documentation requirements that must be maintained to comply with Federal CMS regulations during an audit.**



**Note that States may have their own requirements for documentation, and this document should be used as a supplemental resource in addition to State-level requirements.**

The Individuals with Disabilities Education Act (IDEA) applies to children from birth through age 21 with some exceptions for children aged 4, 5, or over the age of 17 depending on State laws regarding educational services, and also provides Federal funds to assist States with meeting the goals listed above.



**Why?** In general, any claim for Federal Financial Participation (FFP) to the Federal government must be adequately supported by underlying documentation that allows CMS and relevant oversight bodies to verify the expenditures associated with the claim. States must comply with CMS regulations and Medicaid State Plans to receive Federal matching funds. If States are found to be out of compliance with the noted regulations, CMS may withhold or recover Federal funds. If claims for Federal matching funds cannot be supported by appropriate SBS provider records, CMS will require States to repay FFP claimed for the undocumented or unallowable SBS expenditures through the Form CMS-64.

## Relevant CMS regulations

[42 C.F.R. § 431.107\(b\)](#) requires that a Medicaid State plan must provide for an agreement between the State Medicaid agency and each provider or organization furnishing services under the plan in which the provider or organization agrees to keep any records necessary to disclose the extent of services the provider furnishes to beneficiaries.

[42 C.F.R. § 433.32](#) requires that a State Medicaid agency must maintain an accounting system and supporting fiscal records to ensure that claims for Federal funds meet applicable Federal requirements and retain the records for three years from the date of submission of the final expenditure report or longer if the audit is not resolved.

[45 C.F.R. § 75.302](#) Financial management and standards for financial management systems, sets forth broad record-keeping and reporting responsibilities for entities that receive Federal awards.

[42 C.F.R. § 447.202](#) requires that the State Medicaid agency must assure appropriate audit of records if payment is based on costs of services.

## Documentation to Support the Billing of a Medicaid Direct Medical Service Claim

To claim FFP for services provided to Medicaid-enrolled students, the following minimum documentation for each claim is required by CMS per the Medicaid Program and/or by ED per IDEA. School-based providers should include these pieces of information in their care plans, Individualized Education Programs (IEPs), or other State-required templates or software used for clinical service documentation. The following table crosswalks CMS documentation requirements with information that is collected by an LEA through the IEP process.

**Documentation expectations and requirements for covered Medicaid services can be found on [page 88](#) of the 2023 Comprehensive Guide to Medicaid Services and Administrative Claiming.**

**Direct medical service claims are claims submitted for any healthcare-related service.**

**Examples of direct medical service claims may include receiving Medicaid funds for providing occupational therapy, physical therapy, and speech therapy as required by a child's individualized education program (IEP) under the Individuals With Disabilities Education Act (IDEA).**

**Examples of direct medical service claims for non-IEP services can include mental health services.**

There are no Federal Medicaid requirements for procedure or diagnosis codes (e.g., Healthcare Common Procedure Coding System; Current Procedural Terminology; Current Dental Terminology; International Classification of Diseases, 10th Revision); however, States may have their own requirements.

Additionally, IDEA and the Family Educational Rights and Privacy Act (FERPA) require school districts to provide notice and obtain informed consent of the parent/guardian before disclosing a student's personally identifiable information (PII) to the SMA or Children's Health Insurance Program (CHIP) agency for billing and cost reimbursement purposes. Consent obtained must be kept by the LEA. ED has created a model template for obtaining information, which is available on their [website](#).

Please refer to your SMA's guidance to ensure that the requirements for documentation in your State are met.

Required documentation <sup>1</sup>	Required for Medicaid <sup>2</sup>	Required Content in an IEP
Date of service	✓	
Name of recipient	✓	✓ <sup>3</sup>
Medicaid identification number (of student)	✓	
Provider agency and person providing the service	✓	✓ <sup>4</sup>
Nature, extent, or units of service	✓	✓ <sup>5</sup>
Place of service	✓	✓ <sup>5</sup>
Eligibility for IDEA services		✓ <sup>6</sup>

<sup>1</sup> SMAs may require additional documentation based on State policy/professional licensure.

<sup>2</sup> Pursuant to the State Medicaid Manual, Section 2500.2.

<sup>3</sup> An IEP is defined as a written statement for a child with a disability that is developed, reviewed, and revised in accordance with IDEA's IEP requirements. See [34 C.F.R. § 300.22](#).

<sup>4</sup> IDEA requires that each provider is informed of (i) his or her specific responsibilities related to implementing the child's IEP and (ii) the specific accommodations, modifications, and supports that must be provided for the child in accordance with the IEP. See [34 C.F.R. § 300.323\(d\)\(2\)](#).

<sup>5</sup> IDEA requires IEPs to include anticipated frequency, location, and duration of services and modifications. See [34 C.F.R. § 300.320\(a\)\(7\)](#).

<sup>6</sup> LEAs must convene a meeting to develop an IEP for a child within 30 days of a determination that the child needs special education and related services, and as soon as possible following development of the IEP—special education and related services must be made available to the child in accordance with the child's IEP. See [34 C.F.R. § 300.323\(c\)](#).

## Documentation to Support Time Study (e.g., RMTS)

**A time study reflects how LEA employees' time is distributed across a range of activities and reflects how the time is allocated. For cost allocation methodologies, a time study is used to identify what proportion of direct services and/or administrative costs are reimbursable under Medicaid.**

During an RMTS, documentation that an LEA must maintain is outlined by the SMA within the time study methodology and instructions. The documentation of direct medical services and administrative activities during a time study must clearly demonstrate that the activities or services directly benefit the Medicaid program. In accordance with the statute, regulations, and Medicaid State Plan, the SMA is required to maintain/retain adequate source documentation to support Medicaid claims of FFP.

There are advantages to LEAs utilizing an RMTS. For example, RMTS requires that only 443 moments of work are memorialized versus a full day of work required for a worker day log to determine the proper amount for claiming.

Based on the nature of reimbursement for direct medical claiming, there are more documentation requirements for direct services than administrative claiming. Billing of a child or a parent's Medicaid or CHIP, LEAs also need to obtain consent documentation under IDEA or FERPA. Additionally, direct service claiming require year-round direct service records for every student as a means to access Medicaid reimbursement for services.

LEAs should produce, maintain, and furnish these documents, as applicable, to aid in any Financial Management Review or audit in order to be able to provide evidence that supports a direct medical service or an administrative activity as identified by a moment in a time study.

## Additional Supplemental Documentation for Audit Support

The following source documents and materials, supplemented with the minimum required documentation for direct medical service claims and administrative activities, help LEAs create and maintain a proper audit trail and may be used to assess compliance during an audit of SBS services.

	Additional Documentation to Support the Billing of a Medicaid Direct Medical Service Claim	Additional Documentation to Support a Time Study (For a Direct Medical Service or Administrative Activity)
School attendance records for the date(s) of service on the claim	✓	✓
Prior authorizations	✓	
Medical Plans of care	✓	
Provider agreements	✓	
Medical provider qualifications associated with licensing/certification and evidence of provider licensure/certification	✓	✓
Enrollee's medical records	✓	✓
Documentation of the service performed on the date of service (e.g., service and diagnostic codes, start and finish time of the service), including clinical notes signed and dated by provider (including service claims)	✓	✓
Transportation logs	✓	
Payroll records associated with school personnel providing services	✓	✓
Copies of contracts with medical providers	✓	✓
Copy of the service claims submitted to the SMA or Managed Care Organization	✓	✓
IEP or Individualized Family Service Plan	✓	✓
Prescriptions/referrals for IEP services	✓	✓
Documentation regarding where the service was provided and who provided the service	✓	✓
Cost reports		✓
Time study source documents		✓
Sign-in sheets from training sessions		✓
Copies of any manuals related to the time study, Cost Allocation Plan (CAP), and procedures associated with Medicaid SBS reimbursement		✓
National Provider Identification of the LEA or provider		✓

➤➤➤ Note that LEAs are not required to collect all documentation outlined in the table above; rather, they serve as examples of documents that can serve as supplemental documentation to support the minimum documentation requirements for the billing of direct medical services and time study documentation requirements outlined by the SMA.

## Documentation Associated with Cost Reporting

SMA's work with LEAs to develop a comprehensive cost-reporting process, detailed in the Medicaid State Plan, that is used to claim for FFP associated with SBS. The cost report ensures that costs allocated to Medicaid are calculated appropriately, adhere with general accepted accounting principles, and adhere with all applicable Federal cost principles.

Providers that are reimbursed using a reconciled cost methodology must maintain sufficient financial records to enable proper determination of costs payable under the program. This includes financial records to support cost allocation using statistically sound methods (as applicable).

See the chart below for the types of documentation (and who would retain them) may be needed to meet requirements for States and LEAs that use a reconciled cost methodology.

If an LEA uses de-identified data, an LEA does not need to obtain consent when sharing information regarding its Medicaid Enrollment Ratio (MER), consistent with FERPA and IDEA requirements. This is because deidentified data does not include PII. Parental consent is not required under FERPA and IDEA when LEAs are providing aggregated, deidentified data under the MER.

### Examples of aggregated, deidentified data under the MER include the following:

- ▶ Total number of students enrolled in the LEA.
- ▶ Total number of students enrolled in Medicaid.
- ▶ Total number of students with IEPs.
- ▶ Total number of students with IEPs enrolled in Medicaid.<sup>7</sup>

<sup>7</sup> As stated in the 2023 Comprehensive Guide to Medicaid Services and Administrative Claiming, the total number of students with IEPs enrolled in Medicaid is used as the numerator for the MER and requires parental consent to release information to Medicaid per FERPA when it does not apply to aggregated, deidentified data.

## SMA's Responsibility

- ▶ A finalized copy of the cost report.
- ▶ A copy of the Certified Public Expenditure (CPE) form (for CPE-supported expenditures) if a CPE is used as the funding mechanism.
- ▶ Cost report instructions.
- ▶ Documentation of the time study methodology (e.g., description of administrative and direct services payable by Medicaid, description of cost pools, identification of the non-Federal share, description of sampling plan methodology, description of periods of observations).
- ▶ Documentation to support time study training attendance.
- ▶ Copies of any manuals related to the time study, CAP, and procedures associated with Medicaid SBS payment.

## LEA's Responsibility

- ▶ Documentation to support a MER (e.g., showing the number of Medicaid-enrolled students with an IEP that have parental consent to bill Medicaid, number of students with an IEP, and deidentified or masked data that is used to support the MER (usually from the IDEA Part B Child Count and Educational Environments for School Year Reports provided to ED)).
- ▶ Supporting documentation that shows the costs claimed were incurred by the LEA (e.g., payroll records, equipment purchase orders).
- ▶ Time study source documents, including time study logs.

SEAs and LEAs may wish to work with their SMA's to clarify whether and when additional information may be needed to support the MER. To the extent that an LEA is billing Medicaid for school-based IDEA services and needs to provide child-specific PII, it should have obtained parental/guardian consent under IDEA in [34 C.F.R. § 300.154\(d\)\(2\)\(iv\)](#) and [300.622\(a\)](#) to provide additional information. If LEAs have questions about sharing PII under IDEA and FERPA as part of the Medicaid billing process, please visit the Student Privacy Policy Office's website at <https://studentprivacy.ed.gov>.



## Additional Resources

Delivering Services in School-Based Setting: A Comprehensive Guide to Medicaid Services and Administrative Claiming (2023)	»	<a href="https://www.medicaid.gov/sites/default/files/2023-07/sbs-guide-medicaid-services-administrative-claiming-ud.pdf">https://www.medicaid.gov/sites/default/files/2023-07/sbs-guide-medicaid-services-administrative-claiming-ud.pdf</a>
42 C.F.R. § 431.107(b)	»	<a href="https://www.ecfr.gov/current/title-42/part-431/subpart-C#p-431.107(b)">https://www.ecfr.gov/current/title-42/part-431/subpart-C#p-431.107(b)</a>
42 C.F.R. § 433.32	»	<a href="https://www.ecfr.gov/current/title-42/section-433.32">https://www.ecfr.gov/current/title-42/section-433.32</a>
45 C.F.R. § 75.302	»	<a href="https://www.ecfr.gov/current/title-45/section-75.302">https://www.ecfr.gov/current/title-45/section-75.302</a>
42 C.F.R. § 447.202	»	<a href="https://www.ecfr.gov/current/title-42/section-447.202">https://www.ecfr.gov/current/title-42/section-447.202</a>
34 C.F.R. § 300.34 Related Services	»	<a href="https://sites.ed.gov/idea/regs/b/a/300.34">https://sites.ed.gov/idea/regs/b/a/300.34</a>
The State Medicaid Manual	»	<a href="https://www.cms.gov/regulations-and-guidance/guidance/manuals/paper-based-manuals-items/cms021927">https://www.cms.gov/regulations-and-guidance/guidance/manuals/paper-based-manuals-items/cms021927</a>
34 C.F.R. § 300.22 Individualized Education Program	»	<a href="https://sites.ed.gov/idea/regs/b/a/300.22">https://sites.ed.gov/idea/regs/b/a/300.22</a>
34 C.F.R. § 300.323(d)(2)	»	<a href="https://sites.ed.gov/idea/regs/b/d/300.323/d/2">https://sites.ed.gov/idea/regs/b/d/300.323/d/2</a>
34 C.F.R. § 300.320(a)(7)	»	<a href="https://sites.ed.gov/idea/regs/b/d/300.320/a/7">https://sites.ed.gov/idea/regs/b/d/300.320/a/7</a>
34 C.F.R. § 300.323(c)	»	<a href="https://sites.ed.gov/idea/regs/b/d/300.323/c">https://sites.ed.gov/idea/regs/b/d/300.323/c</a>
ED Suggested Model for Written Notification of Parental Rights Regarding Use of Public Benefits or Insurance	»	<a href="https://sites.ed.gov/idea/files/idea/policy/speced/guid/idea/memosdcltrs/accmodelwrittennotification-6-11-13.pdf">https://sites.ed.gov/idea/files/idea/policy/speced/guid/idea/memosdcltrs/accmodelwrittennotification-6-11-13.pdf</a>
34 C.F.R. § 300.154(d)(2)(iv)	»	<a href="https://www.ecfr.gov/current/title-34/part-300/section-300.154#p-300.154(d)(2)(iv)">https://www.ecfr.gov/current/title-34/part-300/section-300.154#p-300.154(d)(2)(iv)</a>
34 C.F.R. § 300.622(a)	»	<a href="https://www.ecfr.gov/current/title-34/part-300/section-300.622#p-300.622(a)">https://www.ecfr.gov/current/title-34/part-300/section-300.622#p-300.622(a)</a>
Student Privacy Policy Office	»	<a href="https://studentprivacy.ed.gov">https://studentprivacy.ed.gov</a>