



Local Educational Agency Medi-Cal Billing Option Program

FREE CARE OVERVIEW

In previous years, the Centers for Medicare and Medicaid Services (CMS) prohibited use of Medicaid funds for services that were available without charge to everyone in the community, known as the “Free Care” rule. Under this policy, Medi-Cal (California’s Medicaid program) did not reimburse Local Educational Agencies (LEA), participating in the LEA Medi-Cal Billing Option Program (LEA BOP), for any services that were not specified in a student’s Individualized Education Plan (IEP) or Individualized Family Services Plan (IFSP), if the same service was provided free of charge to non-Medi-Cal students in the school. During the time period that the Free Care rule was in effect, certain program restrictions precluded LEAs from being able to submit claims for reimbursement rendered to students who did not qualify for an IEP or IFSP.

In December 2014, CMS published the State Medicaid Director Letter 14-006, in which it withdrew its prior guidance on the Free Care rule. Under the new guidance, Medi-Cal reimbursement became available for covered services provided to children without an IEP/IFSP, regardless of whether there is any charge for the service to the beneficiary or the community at large. This change in policy allows LEAs to submit direct medical service claims for reimbursement for services provided to non-IEP students. Removing barriers to claiming, expands treatment to Medi-Cal eligible students who are not identified as requiring special education services.

OTHER HEALTH COVERAGE (OHC) POLICY

OHC is any non-Medi-Cal private health coverage plan or insurance policy that provides or pays for health care services. This includes commercial health insurance companies. For students who are both Medi-Cal eligible and have OHC, covered services under an IEP/IFSP may be billed directly to Medi-Cal for reimbursement without first pursuing the student’s OHC. Reimbursable services provided to Medi-Cal eligible students who are not eligible for an IEP/IFSP that have OHC must first be billed to the OHC carrier, prior to billing Medi-Cal. Under such cases, Medi-Cal is the payer of last resort (W&I Code, sections [14124.795](#) and [14124.90](#)). However, if the OHC carrier denies the claim with a valid denial reason, or if the OHC carrier does not respond within 45 days of claim submission, the LEA may then bill Medi-Cal for that student’s service.

For more information and examples of billing scenarios, please reference the *Billing and Reimbursement Overview* section of the LEA BOP Provider Manual:

<http://www.dhcs.ca.gov/provgovpart/Pages/LEAProviderManual.aspx>

For more information on the LEA BOP, please visit our web site at:

<http://www.dhcs.ca.gov/provgovpart/Pages/LEA.aspx>