



## MEDICAID HANDBOOK CHAPTER 15: MAINTENANCE OF EFFORT

Understanding the relationship between Medicaid reimbursements and Maintenance of Effort (MOE) under IDEA can be difficult. The purpose of this Chapter is to clarify Medicaid reimbursements as Federal funds, state and local match, Fund 260, and Schedule of Expenditures of Federal Awards (SEFA) and the Single Audit threshold.

### Medicaid Reimbursements as Federal Funds

According to the Idaho Medicaid State Plan, local education agencies (LEAs) billing for Medicaid School-Based Services have a matching funds requirement. Of the 100% of Medicaid reimbursement an LEA receives, 71% of it comes from the Federal reimbursement and 29% comes from the State/local match.

Two pieces of Federal legislation address how Medicaid reimbursements should be viewed as Federal Funds:

- [34 CFR §300.154\(g\)\(2\)](#). Reimbursements from federal funds, e.g. Medicaid, will not be considered “State/local” for purposes of maintenance of effort.
- [2 CFR §200.502](#). Medicaid expenditures for providing patient care services to Medicaid-eligible individuals are not considered federal awards expended unless a State requires the funds to be treated as federal awards expended because reimbursement is on a cost-reimbursement basis.

The Idaho Medicaid State Plan reimburses LEAs’ Federal Medicaid dollars on a cost-reimbursement basis; therefore, these reimbursed Medicaid School-Based Services expenditures are treated as a Federal award expended in accordance with the uniform grant guidance.

### Medicaid State/Local Match and Maintenance of Effort

The Office of Special Education Programs (OSEP) issued [Memo 15-10 Issuance of Guidance on the Final Local Educational Agency \(LEA\) Maintenance of Effort \(MOE\) Regulations under Part B](#)

of the Individuals with Disabilities Education Act (IDEA) to provide regulation guidance regarding Medicaid State/local match and MOE.

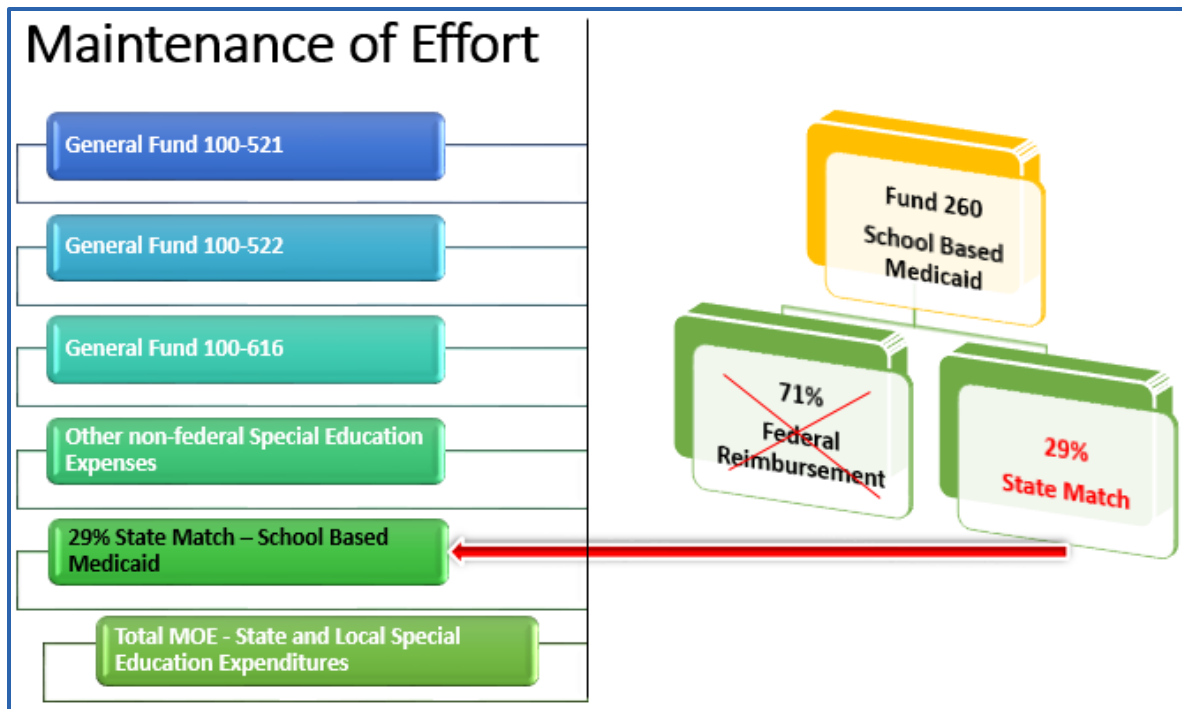
Per OSEP MEMO 15-10, LEAs must include the amount of local only, or State/local, funds spent for the education of children with disabilities when calculating the level of effort required to meet the eligibility and compliance standards, even if those local only, or State/local, funds are also used to meet a matching requirement in another Federal program. The IDEA does not impose a matching requirement. In other words, an LEA that expends local, or State/local, funds for the education of children with disabilities must include those funds in its LEA MOE calculations, regardless of whether it uses those same funds to comply with a matching or other MOE requirement.

For example: An LEA expended \$4,000 in local funds for the education of children with disabilities in FY 2013–2014. It properly used these funds to meet a matching or MOE requirement for Medicaid. The LEA must include the \$4,000 in local funds in its LEA MOE calculation for FY 2013–2014, even though it uses those same funds to meet a matching requirement for Medicaid.

## Maintenance of Effort and Accounting for Fund 260

The Idaho State Department of Education (SDE) requires that LEAs track Medicaid School-Based Services revenue and expenditures in Fund 260 under the Idaho Financial Accounting Reporting Management System (IFARMS). This process is compliant with the uniform grant guidance requirement of tracking Federal funds separately. In addition, this procedure helps the SDE collect more accurate data related to Medicaid School-Based Services financial activities for reporting purposes.

As mentioned above, the expenditures in the Medicaid fund will have 29% paid for by the State/local match and 71% reimbursed by Federal Medicaid funds through the Department of Health and Welfare, Division of Medicaid. Only an LEA's 29% State/local match is included in the total MOE and 71% Federal reimbursement must be excluded, as illustrated in Figure 1.



**Figure 1:** Illustration of how Fund 260 is documented in an LEA’s MOE calculations.

### Schedule of Expenditures of Federal Awards (SEFA) and Single Audit Threshold for Medicaid

The Schedule of Expenditures of Federal Awards (SEFA) is a supplemental schedule to the financial statements that an organization is required to produce when it is subject to the Single Audit requirement. A Single Audit is required when an LEA receives \$750,000 or more in Federal funds across all Federal programs (IDEA, Title Programs, etc.). Medicaid expenditures do not have to be included in the SEFA because they are not used in the threshold amount to determine whether an LEA must submit a Single Audit. The [52 Federal Register 43713](#) clarified this issue by stating that Medicaid arrangements between the States and providers are not covered by the Single Audit Act. In addition, this program already has separate and extensive monitoring requirements.