

Department of Legislative Services  
Maryland General Assembly  
2025 Session

FISCAL AND POLICY NOTE  
First Reader

Senate Bill 506 (Senator Henson)

Education, Energy, and the Environment and  
Finance

---

Maryland Medical Assistance Program - Use of Reimbursement Funds by  
Schools

---

This bill requires an elementary or secondary school, or a local school system, to use “reimbursement funds” (funds received for services provided in a school setting to an individual enrolled in Medicaid or the Maryland Children’s Health Insurance Program (MCHP)) to provide (1) additional positions for “providers” (school audiologists, psychologists, speech pathologists, and any other health care practitioner who provides services to a student in a school setting); (2) paid internships for students seeking to become providers; and (3) stipends for providers, including providers working in low-performing schools, that are designed to address problems in provider recruitment and retention. The Maryland State Department of Education (MSDE) must adopt regulations to implement the bill.

---

Fiscal Summary

**State Effect:** MSDE can adopt regulations using existing budgeted resources. Revenues are not affected.

**Local Effect:** The bill does not affect overall school system revenues but directs the allowable uses of reimbursement funds beginning in FY 2026. To the extent local school systems must replace or supplement those funds to continue providing other services, local school system expenditures increase beginning in FY 2026, as discussed below. To the extent reimbursement funds are used to attract and retain staff, the bill may assist with current staff shortages and recruitment and retention efforts. **This bill imposes a mandate on a unit of local government.**

**Small Business Effect:** None.

---

## Analysis

**Current Law:** With the assistance of the local health department (LHD), each local board of education must provide adequate school health services, instruction in health education, and a healthful school environment. MSDE and the Maryland Department of Health (MDH) must jointly develop public standards and guidelines for school health programs and assist local boards of education and LHDs in their implementation.

Under Maryland regulations (COMAR 13A.05.05), each local school board must provide a coordinated program of pupil services for all students, which must include school counseling, pupil personnel services, school psychology, and health services. The pupil services program must focus on the health, personal, interpersonal, academic, and career development of students.

### *Medicaid and Maryland Children's Health Insurance Program Reimbursement*

School districts, nonpublic schools, and local lead agencies bill and receive payments (with federal matching funds) for Medicaid and MCHP reimbursable services. Medicaid/MCHP pays for health care services, case management, and coordination on a fee-for-service basis for services rendered to eligible participants as part of an Individualized Educational Program (IEP) or Individualized Family Service Plan (IFSP), pursuant to the federal Individuals with Disabilities Education Act.

The following school-based health services are covered: audiology; nursing; nutrition; occupational therapy; physical therapy; psychological; speech-language pathology; and therapeutic behavior. Covered behavioral health services include (1) psychological services delivered in accordance with an IEP or an IFSP, which include the evaluation, diagnosis, and treatment of emotional or behavioral problems in order for a participant to benefit from an educational or early intervention program, including the counseling of parents and parent training when the participant is present and (2) one-to-one services by a trained therapeutic behavior aide delivered in accordance with the IEP or IFSP that is supervised by a licensed physician or authorized practitioner.

### *School-based Health Centers*

School-based health centers (SBHCs) are health centers located in a school or on a school campus that provide on-site comprehensive preventive and primary health services. Services may also include behavioral health, oral health, ancillary, and supportive services. Chapters 605 and 606 of 2021 require the Governor to transfer administration of SBHC grants and any related functions from MSDE to the Bureau of Maternal and Child Health within MDH by July 1, 2022. According to MDH's fiscal 2023 [School-based Health](#)

[Centers Report](#), for the 2022-2023 school year, there were 96 SBHCs operating across 17 local jurisdictions.

### *School Psychologists*

Under Maryland regulations (COMAR 13A.12.04.09), “school psychologist” means an individual who is licensed to provide psychological services to children in a public or State-approved nonpublic school setting. The school psychologist supervises interns and psychometrists (individuals who work directly under the professional supervision of a school psychologist and who assist in administering psychological tests and other related psychometric tasks).

Each school system must provide school psychological services. The School Psychology Program is a comprehensive continuum of services and activities based on psychological principles; the continuum of services and activities includes, but is not limited to, consultations, psychological counseling, psychological assessments, professional development, and program development. The goal of the program is to prevent or remediate educational, emotional, or behavioral problems by identifying, analyzing, and reporting psychoeducational needs through consultation, observation, or psychological and educational assessment.

### *Audiologists and Speech Pathologists*

With specified exceptions, an individual must be licensed by the State Board of Examiners for Audiologists, Hearing Aid Dispensers, Speech-Language Pathologists, and Music Therapists to practice audiology or speech-language pathology. This includes an individual hired by a Maryland local public school system, State-approved nonpublic school for handicapped children, or charter educational institution of the State to practice speech-language pathology or assist in the practice of speech-language pathology.

**Local Expenditures:** To the extent local school systems must redirect current Medicaid/MCHP reimbursement funds to new purposes under the bill, local school system expenditures likely increase beginning in fiscal 2026 to replace funding for programs that previously used Medicaid/MCHP funds. Alternatively, to the extent local governments choose not to replace Medicaid/MCHP funds with additional local expenditures, such services may no longer be provided as school systems instead direct funding to the bill’s specified purposes.

Anne Arundel County Public Schools (AACPS), Montgomery County Public Schools (MCPS), and St. Mary’s County Public Schools (SMCPS) advise that the bill would restrict the school systems’ flexibility to allocate revenues to projects of the highest priority, as detailed below.

MCPS advises that the county generates approximately \$5.2 million annually in Medicaid/MCHP revenues, only about \$2.2 million of which goes to authorized purposes under the bill. Most notably, MCPS uses some of the remaining \$3.0 million to hire additional positions in its Office of Special Education and, if funding were to be redirected away from those positions, the county would need to supplant those funds with additional spending as such positions are a high priority for the school system.

AACPS advises that the system currently uses Medicaid/MCHIP revenues to pay for additional temporary support assistants, staff development, substitutes or stipends for special education teachers, equipment and assistive technology for students with disabilities, and materials of instruction, only some of which would be allowable uses under the bill.

SMCPS advises that it uses Medicaid/MCHP revenues to fund behavioral specialists and paraeducators that support students with disabilities. These positions do not meet the definition of provider and thus would require another unidentified funding source.

---

### **Additional Information**

**Recent Prior Introductions:** Similar legislation has been introduced within the last three years. See HB1317 of 2024.

**Designated Cross File:** HB 689 (Delegate Atterbeary) - Ways and Means.

**Information Source(s):** Maryland Association of County Health Officers; Maryland State Department of Education; Maryland Department of Health; Anne Arundel County Public Schools; Frederick County Public Schools; Montgomery County Public Schools; Prince George's County Public Schools; St. Mary's County Public Schools; Department of Legislative Services

**Fiscal Note History:** First Reader - February 21, 2025  
km/jc

---

Analysis by: Michael E. Sousane

Direct Inquiries to:

(410) 946-5510

(301) 970-5510