



Facts-on-Hand

Third Party Payments

FAPE-31

What are third party payments?

School districts work with public assistance programs, such as Medicaid, to pay for some IEP service costs. In addition, IDEA outlines how schools can bill your private health insurance if you consent. Payments for IEP services received by your school system from these sources are **third party payments**. Examples of **third party payors** include Medicaid and your private insurance company.

What kind of services are billed to third parties?

Related services, such as physical therapy, occupational therapy, speech and language therapy and rehabilitation counseling, are often billed to third parties.

Usually third parties cover health-related therapies but not educational services. Your public or private insurer may pay for some of the services.

Will third party payments cost me anything?

The final regulations implementing Part B of IDEA require that the school's use of third party payments won't cost you any out of pocket expenses now or in the future. The regulations allow your school to bill third parties only if:

- it does not cost you anything (schools *can* offer to pay out-of-pocket expenses, such as copays or deductibles, in order to meet this requirement — you can still say no);
- it does not reduce your coverage;
- it does not cause your child to lose services needed elsewhere;
- it does not put you at risk of losing eligibility in other programs.

Asher has a physical disability. Medicaid covers his care, including ongoing home-based physical therapy. Medicaid will pay for a limited number of hours of physical therapy per month.

When he entered elementary school, physical therapy services to address his needs in school were written into his IEP. These goals were different from the goals of his ongoing home-based physical therapy program.

If the school billed Medicaid for the school-based therapy, it would use some of the total hours available to him for physical therapy. In this case, fewer hours would be available for his home-based therapy. Asher would have to either cut back on his home-based therapy or pay for some sessions out of pocket. This would result in a loss of services or extra cost to his family. Therefore, the school would not bill Medicaid for the physical therapy services in his IEP.

Will my child receive more services if the school can bill a third party?

Your child's IEP reflects his or her individual needs and the services to meet those needs. No matter who pays for them, the services, as written into the IEP, remain the same and must be delivered in a timely manner. Your child won't receive more services if a third party can be billed or less if it can't.

My child is covered by Medicaid. How will third party billing affect us?

Under the regulations applicable to Part B of IDEA, your family does not have to reveal that your child is eligible for Medicaid and the school can't require you to apply for it.



However, a school district may simply request that a parent avail himself of any public benefit to which the family or child may be entitled if:

- it does not lead to an increase in your premiums;
- it does not lead to the loss of your coverage.

A school district is not required under IDEA to obtain parent consent before accessing public insurance to fund a free appropriate public education (FAPE). However, a public insurer may have its own consent procedures and requirements. Students with disabilities cannot be disqualified for reimbursement by Medicaid agencies because they are provided services in a school context in accordance with an IEP.

Your written permission is necessary before the school can release any personally identifiable information from your child's education records — including information about the kinds of special education and related services your child receives.

Jillian is a child with cerebral palsy who is covered by Medicaid. Her IEP includes occupational therapy to help her develop hand strength needed for fine motor skills like handwriting, opening food containers, and buttoning buttons. The school bills Medicaid, who determined that these services are health-related therapy. Her school receives third party payments from Medicaid to cover the costs of the occupational therapy services in her IEP.

How can the school use my private health insurance?

Under the regulations applicable to Part B of IDEA, the school needs your consent to use your private health insurance.

Each time your school wants to bill your private insurance it must:

- get your written consent and;
- remind you that your child will receive all the services in his or her IEP even if you refuse to consent to the use of your private insurance.

You are not required to allow the school to bill your private insurance. You can refuse to consent to this type of third party billing for any reason.

Zoey is a child with expressive language delays. Speech and language therapy goals have been written into her IEP. The school has asked her parents if they have private insurance that covers speech and language therapy. Zoey's parents are worried that their insurance rates will go up if the school starts filing claims. They do not give the school permission to bill their private insurance. Zoey's speech and language services are provided as written in her IEP using local and state education funds.

For more information

See the IDEA Regulations Section 300.142

The IDEA regulations are available online at www.ed.gov/offices/OSERS/IDEA or in hard copy free from ED Pubs 877-433-7827, 877-576-7734 TTY/TTD.

Also see FAPE Facts-on-Hand **RELATED SERVICES, PARENTAL CONSENT, FERPA.**

Other Resources

The National Information Center for Children and Youth with Disabilities (NICHCY)
800-695-0285, www.nichcy.org

The Family and Advocates Partnership for Education (FAPE) 888-248-0822, www.fape.org

Funding for the FAPE Project comes from the U.S. Department of Education, Office of Special Education Programs (Cooperative Agreement No. H326A980004). This document was reviewed by the U. S. Office of Special Education Programs (OSEP), the OSEP Project Office, and the FAPE Project Director for consistency with the Individuals with Disabilities Education Act Amendments of 1997. The contents of this document do not necessarily reflect the views or policies of the U.S. Department of Education, nor does mention of other organizations imply endorsement by those organizations or the U.S. Government.