



New York City Comptroller
Scott M. Stringer

NEWS

PRESS RELEASE

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COMPTROLLER SCOTT M. STRINGER FINDS DEPARTMENT OF EDUCATION FAILED TO SECURE HUNDREDS OF MILLIONS OF FEDERAL MEDICAID FUNDS FOR SPECIAL EDUCATION

NEW YORK, NY – The New York City Department of Education (DOE) failed to recoup \$356 million in federal Medicaid funds for special education services between FY12 and FY14 and is projected to lose out on \$310 million more in reimbursement through FY18, Comptroller Scott M. Stringer revealed in a new analysis released today.

“The Department of Education’s ineffectiveness in claiming Medicaid reimbursements for special education has resulted in millions of dollars being ‘left on the table’, forcing City taxpayers to pick up the tab,” Comptroller Stringer said. “To put this in perspective, the funds we’ve missed out on in the past two years are more than the entire UPK budget for FY15. It’s time for DOE to come up with a real plan to secure our federal reimbursement for mandated services that support our most vulnerable students.”

The Comptroller’s analysis shows a steep decline in DOE Medicaid reimbursements beginning in FY06, when it realized \$17 million in reimbursements compared to an average of \$110 million in the previous ten years. The drop in reimbursement can be attributed to new processes put in place after a series of federal audits determined the City and State had received over \$1 billion in Medicaid funds from claims that should have been “disallowed.”

In July 2009, the Department of Justice, Office of the Inspector General, Centers for Medicare and Medicaid Services and New York State reached a settlement in which the State agreed to return \$539.75 million to the federal government, \$100 million of which would be paid back by New York City. Since the settlement, New York State has made its own claiming rules for school districts more restrictive as a way to avoid potential future clawbacks, since the State is responsible for fifty percent of the districts’ Medicaid costs.

According to DOE’s own estimates, the City’s success in securing these dollars is not projected to improve in the near future. The current budget adjusted Medicaid reimbursements downward from FY15 through FY18 by a cumulative \$310 million. If that stands, the City would lose out \$666 million in total federal funding over a seven-year span.

Comptroller Stringer made several recommendations to improve DOE’s claims process and ensure City dollars are not replacing federal funding:

- DOE must clarify its claims process so that it can recoup its spending on Medicaid eligible special education services;
- A joint City, State and federal taskforce should be established in order for DOE to maximize the return on its Medicaid eligible spending; and
- The state and federal governments must come through on their financial responsibilities to New York City children by cutting the red tape and bureaucracy that stands in the way of DOE being reimbursed for mandated services.

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