Guide to Tracking State Medicaid Activity

As an occupational therapy practitioner, staying informed about Medicaid activity in your state is essential to understanding how policy changes may affect your clients, your practice, and the broader health care landscape.

Medicaid is a critical payer for many individuals who benefit from occupational therapy services, including children with developmental delays, adults with disabilities, and older adults needing support to remain independent in their communities. Because each state administers its own Medicaid program within federal guidelines, **coverage policies, reimbursement rates, and service delivery models can vary significantly—and change frequently.**

By actively monitoring Medicaid developments, occupational therapy practitioners can better

anticipate shifts in service eligibility, advocate for the inclusion and expansion of OT services, and ensure compliance with evolving regulations. This guide provides an overview of how to track Medicaid activity in your state, **including where to find policy updates, how to follow waiver proposals, and ways to engage in public comment opportunities.** Whether you work in a clinical, educational, or community-based setting, staying informed empowers you to support your clients more effectively and contribute to shaping policies that reflect the value of occupational therapy.

MANDATORY AND OPTIONAL BENEFITS

- State Medicaid programs are required by federal law to cover certain services and if they do so, they may then cover certain optional services. Occupational therapy is one of these optional services.

- However, under the Early and Periodic Screening, Diagnostic, and Treatment (EPSDT) Benefit, coverage of OT services for children up to age 21 is mandatory to "correct or ameliorate" a condition.

- Occupational therapy is considered an essential health benefit (under the rehabilitative and habilitative category) in states that expanded Medicaid coverage under the Affordable Care Act to previously ineligible individuals.

WHAT IS MEDICAID?

Medicaid is a healthcare program funded jointly by the federal government and state governments that provides healthcare services to certain populations. As of 2025, more than 70 million people are enrolled in the program. The largest categories of enrollees are children, pregnant people, working-age adults, individuals with disabilities, and adults over age 65.

States have the freedom to design their own Medicaid programs but must follow certain requirements. Thus, benefits and policies will vary from state to state. The document describing a state's Medicaid program is called the State Plan and must be filed with and approved by the federal Centers for Medicare and Medicaid Services.

Funding from the federal government is open-ended and not capped or limited. It is determined by a formula called the Federal Medical Assistance Percentage (FMAP) which varies from state to state because it is generally based on a state's per capita income. States are expected to pay the portion of the costs of their Medicaid program not covered by the federal government.

BARRIERS TO COVERAGE OF OT SERVICES

- **States vary in how they define what is a "medically necessary" service that is covered and reimbursed under Medicaid.** In states that use a Managed Care Organization (MCO) to administer their Medicaid program, the MCO may determine what constitutes medical necessity or if a state contracts with multiple MCOs, each MCO may have their own definition.

- **Prior authorization may be required to initiate therapy or keep providing services after a patient receives a set number of visits, hours, or units of therapy.** The documentation required under prior authorization policies can be a barrier to providers requesting additional visits and can delay care for patients as MCOs often contract with third-party vendors to process prior authorization requests.

- **Medicaid fee schedules may not include a full list of codes utilized to bill for common OT interventions and reimbursement is often lower than other payers.** Failure to code OT services using approved codes from the Medicaid fee schedule can result in OT services not being reimbursed. Additionally, Medicaid rates vary state to state and may be lower than other payers, impacting the sustainability of providing OT services to Medicaid clients. Lack of appropriate codes to report OT services can impact client access to care, especially in innovative settings.

ADVOCATING FOR MEDICAID

Lots of information related to the Medicaid program in your state is public and can be found on the website of your state's Medicaid agency. To keep track of changes to Medicaid policy in your state, you can take these steps:

- Connect with your state occupational therapy association, many of which have lobbyists who know who in Medicaid to talk to about an issue or a volunteer leader who follows Medicaid or reimbursement issues.

- Attend meetings of your state's Medical Care Advisory Committee or other public body which advises the Medicaid agency on the operation of the Medicaid program.

- Sign up to receive email notifications from your state when a regulation or rule, policy, or State Plan is proposed to be changed.

- Download and review your state's Medicaid policy manual pertaining to occupational therapy services.

- Review Medicaid state bulletins or guidance documents for changes that could impact the provision and coverage of occupational therapy services.

Medicaid policy can be complicated and advocating for changes to such policies can be daunting, but AOTA is here to help. **Reach out to the AOTA State Affairs Team for answers to questions** and advice, and visit AOTA's website for resources:

- **Medicaid Advocacy:** https://www.aota.org/advocacy/issues/medicaid-advocacy

- **Medicaid and Occupational Therapy – Payment Policy:** https://www.aota.org/practice/practice-essentials/payment-policy/pay-medicaid

ADDITIONAL RESOURCES

- **Medicaid State Profiles:** https://www.medicaid.gov/state-overviews/state-profiles

- **Library of Congress Medicaid Overview:** https://www.congress.gov/crs-product/R43357

- **Medicaid Benefits Overview:** https://www.medicaid.gov/medicaid/benefits/mandatory-optional-medicaid-benefits

- **Medicaid State Manual:** https://www.cms.gov/regulations-and-guidance/guidance/manuals/paper-based-manuals-items/cms021927

- **Medicaid State Plan Amendments:** https://www.medicaid.gov/medicaid/medicaid-state-plan-amendments

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