

## STAFF REPORT

<b>BOARD MEETING DATE:</b>	December 5, 2023
<b>CATEGORY:</b>	Consent Calendar {{item.number}}
<b>SUBJECT:</b>	Approve a retroactive revenue agreement with California Department of Health Care Services for intergovernmental transfer of funds and designate signing authority.
<b>DEPARTMENT:</b>	Health and Human Services Agency-Administration
<b>SUPERVISORIAL DISTRICT #:</b>	All
<b>DEPARTMENT CONTACT:</b>	Laura Burch, HHSA Agency Director, Administration (530)225-5899
<b>STAFF REPORT APPROVED BY:</b>	Laura Burch, HHSA Agency Director, Administration (530)225-5899

<b><u>Vote Required?</u></b>	<b><u>General Fund Impact?</u></b>
Simple Majority Vote	No General Fund Impact

### **RECOMMENDATION**

Take the following actions: (1) Approve a retroactive agreement, for the service period January 1, 2022 through December 31, 2022 (CY 2022) Intergovernmental Transfer (IGT) revenue, with the California Department of Health Care Services (DHCS) pursuant to sections 14164 and 14301.4 of the Welfare and Institutions Code (WIC) for the transfer in an amount not to exceed \$7,850,459 for the CY 2022 service period, to be used as local matching funds to enable Partnership HealthPlan of California (PHC) to obtain Medi-Cal managed care rate increases for the CY 2022 service period, and the transfer in an estimated amount not to exceed \$1,570,092 for a 20 percent assessment fee to reimburse DHCS for administrative costs associated with the operation of the IGT program for the period January 1, 2022 through June 30, 2025; and (2) approve and authorize the Health and Human Services Agreement (HHSA) Director, or his/her designated Branch Director, to sign amendments and other documents, including retroactive, with DHCS and PHC to facilitate the transfer of the CY 2022 IGT revenue so long as they do not result in substantial or functional change to the original intent of the agreement(s) and otherwise comply with Administrative Policy 6-101, *Shasta County Contracts Manual*.

### **DISCUSSION**

The proposed agreement permits the transfer of \$7,850,459 from Shasta County to DHCS to be used as local matching funds to obtain federal Medicaid funding and an estimated \$1,570,092 for a 20 percent assessment fee to reimburse DHCS for administrative costs, and to permit PHC to pass through additional federal Medicaid funding to Shasta County to enable HHSA to provide health care services to Shasta County residents. On September 12, 2023, the Board approved a Letter of Interest for the CY 2022 IGT revenue.

The IGT process is a funding strategy under Section 1903(w) (a) of the Social Security Act whereby states and/or local governments can utilize state or local funds to increase federal matching dollars for Medicaid programs. California currently receives a 50 percent match for services provided through Medi-Cal, the California Medicaid program. Currently, the State claims federal funds for use in the Medi-Cal system at a level that is less than the maximum allowable federal funding level. The difference between the maximum allowable federal funding level and the actual amount drawn down by the State is referred to as "headroom." This "headroom" of unused federal reimbursement is available to be drawn down through an IGT by counties and other public entities covered by a Medi-Cal managed care plan.

PHC, a County Organized Health System, began providing managed health care services for low-income individuals and families eligible for Medi-Cal in Shasta County on September 1, 2013. Shasta County is, therefore, eligible to participate in an IGT for CY 2022. The additional Medicaid funds must be used for the provision of health care services to Shasta County residents and cannot be transferred into the County's General Fund. Per PHC policy, HHSA must use the additional federal Medicaid funds to improve behavioral health services, care coordination, oral health services, and/or access to specialty care for Medi-Cal beneficiaries.

For many years, California Counties covered by Medi-Cal managed care plans have had the opportunity to secure federal matching funds for their local health care expenditures on behalf of the Medi-Cal population. The mechanism for securing these funds involved an IGT, whereby the County transfer's funds to DHCS, and DHCS then uses the funds to draw down additional federal funding from the federal Center for Medicare and Medicaid Services (CMS), which is then transferred to the Medi-Cal Managed Care health plan for that county. The Medi-Cal Managed Care health plan then makes payments to its contracted Medi-Cal providers which results in the County getting back the transferred funds, along with the matching federal funds that are contained in the Medi-Cal expenditures, less managed care organization (MCO) taxes, and a ten percent managed care plan administrative fee.

Shasta County first became a Medi-Cal managed care county in September 2013, and CY 2022 is the ninth year for which Shasta County can obtain IGT funds, which YTD has totaled \$42,427,689 in revenue. The eight counties that joined PHC at that time share a regional amount of headroom, which is available to counties, district public hospitals, and fire districts that render medical care. The amount of headroom that each entity can use is determined by how much benefitted medical care was rendered to the Medi-Cal population but was uncompensated by PHC. Based on HHSA's uncompensated expenditures on behalf of Medi-Cal beneficiaries for PHC benefits during CY 2022, HHSA will transfer \$7,850,459 in non-federal funds to DHCS in order to receive back from PHC the original amount transferred plus an additional estimated amount of \$5,071,712 to support health services and programs for Medi-Cal enrollees in CY 2022. It is estimated that the transfer of funds from Shasta County to DHCS will occur in the first quarter of calendar year 2024, and the funds returning to Shasta County will be transferred from PHC to Shasta County approximately eight weeks later.

DHCS will reconcile "Estimated Member Months" to actual enrollment for the service period of CY 2022, using actual enrollment figures taken from DHCS records. Enrollment reconciliation will occur on an ongoing basis as enrollment figures become available. Actual enrollment figures will be considered final two years after December 31, 2022. If this reconciliation results in an increase to the total amount necessary to fund the non-federal share of the payments, Shasta County agrees to transfer any additional funds necessary cover the difference. If this reconciliation results in a decrease to the total amount necessary to fund the non-federal share of the payments DHCS agrees to return the unexpended funds to Shasta County. If Shasta County and DHCS mutually agree, amounts due to or owed by may be offset against future transfers. DHCS has determined that for the CY 2022 service period there will be a 20 percent assessment fee in the amount of \$1,570,092 to reimburse DHCS for administrative costs. However, if upon the reconciliation there is a change in the amount transferred that is not subject to the 20 percent assessment fee, then a proportional adjustment to the assessment fee will be made.

The revenues derived from the IGT must be spent on health care services. The main foci are behavioral health programs, care coordination, case management and specialty care services. These services may include reducing placements of mentally ill individuals in locked facilities, preventing mental health crises and unnecessary utilization of the local hospital emergency departments, integration of substance use disorder treatment into primary care, increasing treatment options for seriously emotionally disturbed children, improving services for parents with children in the foster care system, preventing adverse childhood experiences, piloting substance use treatment services within a federally qualified health center, promoting bonding of mothers with their infants by reducing postpartum depression and perinatal substance use, providing care coordination services for homeless childless adults, enhancing psychiatric services, specialty mental health services for children and youth in foster care who are placed outside of the county in which they came into care, and refreshing mental health facilities to convey hope and professionalism to patients.

### **ALTERNATIVES**

The Board could choose not to approve the agreement. The Board could also choose to not authorize the HHSA Director to sign any further amendments or other documents. Should the Board choose to not approve this agreement it would result in the loss of revenue of at least \$5 million dollars and decrease health care services for Medi-Cal beneficiaries. If the Board chooses to not authorize the HHSA director to sign any further amendment or documents, we will need to bring any changes or document requests to the Board for approval and signatures which could delay HHSA's participation in the CY 2022 Intergovernmental Transfer.

### **OTHER AGENCY INVOLVEMENT**

County Counsel has approved the agreement as to form. Risk Management has reviewed and approved the agreement. The recommendations have been reviewed by the County Administrative Office

**FISCAL IMPACT**

Non-federal funds must be used in an IGT financial transaction. HHSA will use Mental Health, Public Health, and/or Social Services county realignment funds. Upon receiving the net proceeds from PHC, the original amounts transferred out of Mental Health, Public Health, and Social Services will be returned to the originating cost center and/or fund, and the remainder CY 2022 IGT funds will be used for approved health care services.

**ATTACHMENTS:**

1: Agreement - IGT