

## STAFF REPORT

**BOARD MEETING DATE:** October 17, 2023

**CATEGORY:** Consent Calendar 6

**SUBJECT:** Approve a retroactive agreement with the California Department of Health Care Services (DHCS) for intergovernmental transfer of County's non-federal share of its anticipated spending on Drug Medi-Cal, Substance Use Disorder claims to DHCS.

**DEPARTMENT:** Health and Human Services Agency-Administration

**SUPERVISORIAL DISTRICT #:** All

**DEPARTMENT CONTACT:** Terri Honer, Interim HHSA Branch Director-Administration (530) 245-6003

**STAFF REPORT APPROVED BY:** Laura Burch, HHSA Director

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

### **RECOMMENDATION**

Approve a retroactive agreement, effective July 1, 2023, through December 31, 2026, with California Department of Health Care Services (DHCS) for intergovernmental transfer of County's non-federal share of its anticipated spending on Drug Medi-Cal claims to DHCS. An estimated average monthly draw down of federal funds in the amount of \$651,122.17 during the term of this agreement is expected.

### **DISCUSSION**

Under CalAIM's Payment Reform, DHCS has implemented the intergovernmental transfer (IGT)-based payment methodology. The IGT will replace the existing certified public expenditure-based reimbursement methodology for Medi-Cal Substance Use Disorder services (SUD) and for costs incurred by counties to administer those benefits. An IGT is a transfer of funds from a public agency to Medicaid Single State Agency (SSA). The SSA may expend as the non-federal share in claiming Federal Financial Participation (FFP) for Medicaid payments. The funds transferred to the state as a source of non-federal share must be eligible to draw down federal funds in accordance with federal requirements as Subpart B of Title 42 CFR Part 433.

The proposed agreement permits DHCS to instruct the State Controller's Office (SCO) to withhold a fixed percentage monthly. An estimated \$77,103.96 monthly average from Shasta County's Local Revenue 2011 Realignment funds will be transferred into a County Fund Account (CFA). The funds being withheld will be used as the local non-federal share in claiming FFP to draw down an estimated monthly average of \$651,122.17 in Medicaid payments. To address concerns of cash flow, the state has allocated \$122,598 one-time in State General Funds to pre-fund the IGT account for Shasta County. These funds will be used as the non-federal share for direct service payments until the funds have been fully liquidated. Once the funds have been liquidated for the delivery system, county funds will be used as the non-federal match.

This agreement is being processed retroactively because the agreement was not received from the State until July 31, 2023.

### **ALTERNATIVES**

The Board could choose not to approve the agreement, which will prevent the County from receiving FFP for Medicaid revenue for Drug Medical Services.

### **OTHER AGENCY INVOLVEMENT**

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

**FISCAL IMPACT**

Non-Federal funds must be used in an IGT financial transaction in accordance with 42 CFR 433.51. HHSA will use County Local Revenue Fund 2011 Realignment. Upon receiving the net proceeds from DHCS, the original amounts transferred out of Alcohol and Drug Program will be returned to the originating cost center and/or fund. Shasta County will receive an allocation of \$122,598 from DHCS to pre-fund the county IGT account. The allocation is not a loan and is intended to support the county during the financial transition from Certified Public Expenditures to IGTs due to CalAIM's Payment Reform. After the funds from the allocation have been liquidated, County funds will be used as the non-federal match.

**ATTACHMENTS:**

1: Intergovernmental Agreement - SUD