



Board Agenda Item 46

DATE: June 10, 2025

TO: Board of Supervisors

SUBMITTED BY: Susan Holt, Director, Department of Behavioral Health

SUBJECT: Retroactive Intergovernmental Transfer Agreements for Drug Medi-Cal-Organized Delivery System (DMC-ODS) Services

RECOMMENDED ACTION:

Approve and authorize the Chairman to execute a retroactive Intergovernmental Transfer (IGT) Agreement with the California Department of Health Care Services (DHCS) to align with updated Agreement No. 25-008 (State Agreement No. 24-40134), which withholds the same fixed percentage of funding allocated to the County from the Local Revenue Fund 2011 as the prior IGT it replaces and which funds the County's nonfederal share of Medi-Cal payments associated with the provision of Expanded Substance Use Disorder (SUD) treatment services effective January 1, 2025, through December 31, 2026.

There is no Net County Cost associated with the recommended action nor will there be any changes to the current monthly withholding rate or IGT process. The recommended action will retroactively authorize the California Department of Health Care Services (DHCS) to continue to instruct the State Controller's Office (SCO) to withhold a portion of the Department's funding each month. The withholdings are to fund the nonfederal share of Medi-Cal payments costs associated with the provision of Expanded SUD treatment Services. The County's nonfederal share, together with the applicable Federal Financial Participation (FFP) and State funds, will be paid by DHCS to the Department based on approved claims. This item is countywide.

ALTERNATIVE ACTION:

There are no viable alternative actions. Effective July 1, 2023, the California Advancing and Innovating Medi-Cal (CalAIM) Act required the DHCS to implement an Intergovernmental Transfer (IGT)-based payment methodology to replace the existing certified public expenditure-based reimbursement methodology. The County has already entered into an agreement to transfer funds to the appropriate State accounts for the nonfederal share of claims. Should your Board not approve the recommended action, the Department would not be eligible to continue to draw down FFP for services provided.

RETROACTIVE AGREEMENT:

The recommended agreement is retroactive to January 1, 2025. The updated IGT agreement was received from DHCS on April 8, 2025, and is being brought to your Board in accordance with the agenda item processing timelines.

FISCAL IMPACT:

There is no increase in Net County Cost associated with the recommended action. The agreement will

authorize DHCS to instruct the SCO to withhold 10.5% per month from the Local Revenue Fund 2011 (Realignment) for the Drug Medi-Cal-Organized Delivery System (DMC-ODS) to be deposited into Fresno's County Fund Account (CFA).

The IGT agreement includes provisions to address instances where the county's IGT balance is too high or too low. If the balance exceeds a predetermined threshold, DHCS will instruct SCO to temporarily suspend withholding until the balance returns to an acceptable level, at which point normal withholding procedures will resume. If the balance falls below a specified limit, DHCS will instruct SCO to incrementally increase the withholding rate to restore it to the target level. If the balance is insufficient to pay the County Share for an approved claim, DHCS will not pay the claim until the county provides enough funds, either by increasing withholds or making a manual transfer.

DHCS tracks the CFA balances and provides each county with a monthly report that includes the IGT balance and the recommended transfer or withhold amounts.

DHCS manages reconciliation monthly by monitoring the CFA balances and adjusting the SCO withhold percentages as needed. Counties are notified of any changes and are responsible for ensuring sufficient balances to avoid payment delays. If a county finds a discrepancy in its CFA report, it can file an appeal with DHCS.

DISCUSSION:

Since Fiscal Year 1989-1990, DHCS has contracted with the County to provide SUD treatment services. The DMC agreement with the DHCS provides both Federal and State funding to support SUD services for Fresno County residents. These funds allow the Department to continue contracting with DMC-certified providers to deliver treatment services to eligible residents.

On June 22, 2021, your Board approved State Agreement No. 21-10028, a new intergovernmental agreement with DHCS that continues the provision of SUD treatment services under the DMC-ODS.

On December 13, 2022, your Board approved Amendment A01 to State Agreement No. 21-10028. This amendment revised several agreement exhibits to add, remove, and/or update State requirements related to DHCS' Medi-Cal transformation efforts, known as California Advancing and Innovating Medi-Cal (CalAIM), with no changes in funding.

On April 27, 2023, an attestation form was submitted to DHCS affirming that the Department will develop and submit IGT policies and procedures to support the implementation of CalAIM Behavioral Health Quality Improvement Program (BHQIP) IGT Policy and Procedure requirements.

On June 22, 2023, DHCS released Behavioral Health Information Notice (BHIN) No. 23-026 to notify counties of the policies and associated processes related to Behavioral Health IGT. The notice describes how DHCS will implement the IGT-based payment methodology for covered Medi-Cal Specialty Mental Health Services (SMHS), SUD Treatment Services, and Expanded SUD Treatment Services delivered through counties.

On July 19, 2023, DHCS released the final approved versions of the IGT agreements. Counties were instructed to complete the Intergovernmental Transfer Options Forms to designate withholding percentages for SMHS and Expanded SUD Treatment Services.

On October 10, 2023, your Board approved retroactive IGT Agreement No. 23-352 (for Expanded SUD treatment services) with DHCS to withhold a fixed percentage of funding allocated to the County from the Local Revenue Fund 2011 to fund the County's nonfederal share of Medi-Cal payments associated with the provision of SMHS and Expanded SUD Treatment services effective July 1, 2023, through December 31, 2026.

On January 7, 2025, your Board approved retroactive Agreement No. 25-008 (State Agreement No.

24-40134) with DHCS for Fresno County Mental Health Plan (MHP) and DMC-ODS as an Integrated Prepaid Inpatient Plan with no Net County Cost. This agreement replaced previously executed State Agreement No. 21-10028, which modifies the maximum compensation from a fixed dollar maximum compensation amount to a zero-dollar compensation amount. DMC-ODS contracts are following the same model of the current MHPs, which already operate under a zero-dollar contract, eliminating the requirement to attach specific funding amounts to contracts and aligning the structure of DMC-ODS and MHP contracts under the integration effort.

Approval of the recommended agreement will fulfill the County requirement to execute an updated IGT Agreement specific to the new zero-dollar Agreement 25-008 (State Agreement No. 24-40134) with DHCS allowing the County to continue participating in the IGT-based payment methodology and draw down FFP for Expanded SUD Treatment Services.

The agreement deviates from the County's standard agreement language as it was developed by the State. It also contains language stating that the County must follow the dispute resolution process outlined in the agreement, rather than being able to immediately seek relief in a court of law.

REFERENCE MATERIAL:

BAI #18, January 7, 2025
BAI #44, October 10, 2023

ATTACHMENTS INCLUDED AND/OR ON FILE:

On file with Clerk - Agreement with DHCS

CAO ANALYST:

Ron Alexander