



Board Agenda Item 43

DATE: June 30, 2026

TO: Board of Supervisors

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

SUBJECT: Retroactive Intergovernmental Transfer Agreements for Behavioral Health Services

RECOMMENDED ACTION(S):

- 1. Approve and Authorize the Chairman to execute a retroactive Intergovernmental Transfer (IGT) Agreement with the California Department of Health Care Services (DHCS) to manually transfer the county share in an amount necessary to fund the Specialty Mental Health Services (SMHS) County Fund Account (CFA) effective May 1, 2026, through December 31, 2026; and**
- 2. Approve and Authorize the Chairman to execute a retroactive IGT Agreement with the California DHCS to manually transfer the county share in an amount necessary to fund the Drug Medi-Cal-Organized Delivery System (DMC-ODS) CFA effective May 1, 2026, through December 31, 2026.**

There is no Net County Cost associated with the recommended actions, which will retroactively authorize the County to fund the county share of Medi-Cal payments costs associated with the provision of Specialty Mental Health Services (SMHS) and Substance Use Disorder (SUD) Treatment Services. The County's 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(S):

Should your Board not approve the recommended actions, the Department would not be eligible to continue to draw down FFP for services provided. There are no viable alternative actions. Effective May 30, 2026, the DHCS discontinued the withhold option applied to the Mental Health Services Fund, Local Revenue Fund, and Local Revenue Fund 2011. Counties are required to establish new IGT Agreements to implement a manual transfer process for SMHS and DMC-ODS programs.

RETROACTIVE AGREEMENT:

The recommended agreement is retroactive to May 1, 2026. The Notice of Discontinuation of IGT Withhold Option was received from DHCS on April 30, 2026, and this 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 actions. The agreements will allow the County to transfer funds to the CFAs to fund the county's share of approved claims. For FY 2025-26, the estimated monthly transfer amounts are \$9,400,000 for SMHS and \$1,300,000 for SUD.

Sufficient appropriations and estimated revenues are included in Behavioral Health Department Org 5630 FY 2025-26 Adopted Budget and will be included in future budget requests.

DISCUSSION:

On October 10, 2023, your Board approved retroactive IGT Agreement No. 23-352 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 with DHCS for Fresno County Mental Health Plan (MHP) and DMC-ODS as an Integrated Prepaid Inpatient Plan, revising the compensation structure from a fixed dollar maximum to a zero-dollar amount.

On June 10, 2025, your Board retroactively updated IGT Agreement No. 25-233 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 DMC-ODS treatment services effective January 1, 2025, through December 31, 2026.

On April 30, 2026, the Department received the cancelation of withhold option notice from DHCS. The change is occurring as DHCS has ended its Interagency Agreement with the State Controller's Office (SCO), which authorized SCO to process county withholds. As a result, withholds will no longer be available as a funding mechanism.

The DHCS has revised the IGT process following its discontinuation of the previous withhold mechanism. Previously, counties could choose between a manual transfer or a withhold option. With the withhold option no longer available, counties must now use the manual process and directly transfer the county share of Medi-Cal costs to fund the SMHS and DMC-ODS CFAs.

To remain eligible for Federal Financial Participation (FFP) and ensure continued reimbursement for Medi-Cal behavioral health services, the County must execute updated IGT agreements. These retroactive agreements authorize the transfer of the county's share to DHCS, which will combine these funds with federal and state contributions to reimburse the Department based on approved claims for the period of May 1, 2026, through December 31, 2026.

REFERENCE MATERIAL:

BAI #46, June 10, 2025
BAI #18, January 7, 2025
BAI #44, October 10, 2023

ATTACHMENTS INCLUDED AND/OR ON FILE:

On file with Clerk - Agreement with DHCS (SMHS)
On file with Clerk - Agreement with DHCS (DMC-ODS)

CAO ANALYST:

Ron Alexander