

September 26, 2023

Board of Supervisors
County of Ventura
800 South Victoria Avenue
Ventura, CA 93009

SUBJECT: Approval of, and Authorization for the Ventura County Behavioral Health (VCBH) Director to Sign, Two Intergovernmental Agreements with the California Department of Health Care Services, Regarding the Transfer of Public Funds for Specialty Mental Health and Drug Medi-Cal Services Delivered through VCBH's Specialty Mental Health and Drug Medi-Cal Organized Delivery Systems, in the Amount of Zero Dollars, Effective July 1, 2023 through December 31, 2026.

RECOMMENDATIONS:

1. Approval of, and authorization for the Ventura County Behavioral Health (VCBH) Director or designee to sign, an Intergovernmental Agreement regarding the transfer of public funds with the California Department of Health Care Services (DHCS), for Medi-Cal Specialty Mental Health Services (SMHS) delivered through VCBH's Specialty Mental Health Delivery System, in the amount of zero dollars, effective July 1, 2023 through December 31, 2026 (Exhibit 1).
2. Approval of, and authorization for the VCBH Director or designee to sign, an Intergovernmental Agreement regarding the transfer of public funds with the DHCS, for Drug Medi-Cal (DMC) services delivered through VCBH's Drug Medi-Cal Organized Delivery System, in the amount of zero dollars, effective July 1, 2023 through December 31, 2026 (Exhibit 2).
3. Approval of, and authorization for the VCBH Director or designee to sign, future amendments to the Intergovernmental Agreements to make corrections, clarifications, technical changes, and other modifications, provided that the changes are consistent with the original purpose of the Intergovernmental Agreements, and are approved by County Counsel.

FISCAL/MANDATES IMPACT:

MHSA Budget Division # 3260

Mandatory: No [X] Yes [] Cite Authority:

Source of Funding: Proposition 63 MHSA Funds

Funding Match Required: No

Impact on Other Department(s): None

	<u>FY 2023-24</u>	<u>FY 2024-25</u>
Summary of Revenue and Total Costs		
Revenue:	\$ 15,054,380	\$ 15,054,380
Costs:		
Direct Cost	\$ 15,054,380	\$ 15,054,380
Indirect - Dept.	\$ 0	\$ 0
Total Costs	\$ 15,054,380	\$ 15,054,380
Net County Costs	\$ 0	\$ 0
Recovered Indirect Cost:	\$ 0	\$ 0

FY 2023-24 Adopted Budget for MHSA Division #3260				
	Adopted Budget	Adjusted Budget	Projected Actual	Estimated Savings/(Deficit)
Appropriations	\$90,051,311	\$90,051,311	\$90,051,311	\$0
Revenue	\$86,774,914	\$86,774,914	\$86,774,914	\$0
Net Cost	\$3,276,397	\$3,276,397	\$3,276,397	\$0

Note: Revenue and appropriations are included in the FY 2023-24 adopted budget for MHSA Division #3260.

MHL Division #3200

Mandatory: No [x] Yes [] Cite Authority:

Source of Funding: 2011 Realignment (Trust N520-719C); 1991 Realignment (Trust N510-717C)

Funding Match Required: No

Impact on Other Department(s): None

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	<u>FY 2023-2024</u>	<u>FY 2024-2025</u>
Summary of Revenue and Total Costs		
Revenue:	\$ 16,775,239	\$ 16,775,239
Costs:		
Direct Cost	\$ 16,775,239	\$ 16,775,239
Indirect – Dept.	\$ 0	\$ 0
Total Costs	\$ 16,775,239	\$ 16,775,239
Net County Costs	\$ 0	\$ 0

FY 2023-24 Adopted Budget for MHL Division #3200				
	Adopted Budget	Adjusted Budget	Projected Actual	Estimated Savings/(Deficit)
Appropriations	\$113,055,300	\$113,055,300	\$113,055,300	\$0
Revenue	\$95,467,723	\$95,467,723	\$95,467,723	\$0
Net Cost	\$17,587,577	\$17,587,577	\$17,587,577	\$0

Note: Revenue and appropriations are included in the FY 2023-24 adopted budget for MHL Division #3200.

SUS Division #3220

Mandatory: No [x] Yes [] Cite Authority:

Source of Funding: 2011 Realignment (Trust N520-719C)

Funding Match Required: No

Impact on Other Department(s): None

	<u>FY 2023-2024</u>	<u>FY 2024-2025</u>
Summary of Revenue and Total Costs		
Revenue:	\$ 2,095,424	\$ 2,095,424
Costs:		
Direct Cost	\$ 2,095,424	\$ 2,095,424
Indirect – Dept.	\$ 0	\$ 0
Total Costs	\$ 2,095,424	\$ 2,095,424
Net County Costs	\$ 0	\$ 0

FY 2023-24 Adopted Budget for SUS Division #3220				
	Adopted Budget	Adjusted Budget	Projected Actual	Estimated Savings/(Deficit)
Appropriations	\$32,562,193	\$32,562,193	\$32,562,193	\$0
Revenue	\$31,853,989	\$31,853,989	\$31,853,989	\$0
Net Cost	\$708,204	\$708,204	\$708,204	\$0

Note: Revenue and appropriations are included in the FY 2023-24 adopted budget for SUS Division #3220

DISCUSSION:

Recommendations #1 and #2:

Background

California Advancing and Innovating Medi-Cal (CalAIM) is a DHCS initiative to reform and transform the Medi-Cal program and, in turn, improve the quality of life and health outcomes of Medi-Cal members. Over the course of several years, CalAIM seeks to implement a broad delivery system, programmatic and payment reform across the Medi-Cal program, and build upon the successful outcomes of various pilot programs to completely transform the delivery of behavioral health services for Medi-Cal beneficiaries. To advance payment reform under CalAIM, DHCS is required to design and implement an intergovernmental transfer-based reimbursement methodology to replace the certified public expenditure-based reimbursement methodology that was previously in effect for Medi-Cal Specialty Mental Health Services, Substance Use Disorder Treatment Services, Expanded Substance Use Disorder Treatment Services, and for costs incurred by counties to administer those benefits. Under the CPE methodology Behavioral Health was reimbursed based on the cost to provide services. Under CalAIM Behavioral Health will be paid a fee for service tied to an IGT.

An intergovernmental transfer (IGT) is a transfer of funds from a public agency to the Medicaid Single State Agency (SSA) that the SSA may use as the non-federal share in claiming Federal Financial Participation (FFP) for Medicaid covered services. In the context of CalAIM behavioral health payment reform, counties will undertake an IGT to transfer funds from a county to DHCS. The funds transferred must be eligible to draw

down federal funds in accordance with federal requirements at Subpart B of 42 CFR Part 433 and cannot be federal funds.

In June of 2023, DHCS released BHIN 23-026 notifying Mental Health Plans (MHP), Drug Medi-Cal Organized Delivery System Counties (DMC-ODS), and DMC Counties of DHCS' proposed policies and associated processes related to behavioral health intergovernmental transfers and the requirement that each county would be required to execute IGT Agreements with DHCS for Medi-Cal SMHS and Drug Medi-Cal delivery system services to implement the IGT transfer-based payment methodology described in the BHIN, effective July 1, 2023.

To facilitate this transfer, the State Controller's Office has established a new Special Fund for the IGT process, titled the Medi-Cal County Behavioral Health Fund, or Special Fund 3420. Under the new IGT process, counties will transfer funds covering their nonfederal share of cost into a state account or County Fund Account (CFA) which will be used to draw down the associated federal funds.

The counties were given two options to fund their share of the CFA, routine transfers or authorize the State Controller's Office to withhold a fixed percentage of the funding allocated to the county from various funds. VCBH selected to fund the CFA with routine transfers and submitted the selection to DHCS on August 10, 2023 in order to meet the required deadline.

The following three state funds, as available and allowable, can be used to draw down the associated federal funds:

- Local Revenue Fund (1991 Realignment)
- Local Revenue Fund 2011 (2011 Realignment), and
- Mental Health Services Fund (Mental Health Services Act).

In addition, DHCS recommended that each county maintain an intergovernmental transfer balance with DHCS that is greater than or equal to 300% of the average monthly County share of all approved service payments from the prior state fiscal year. VCBH has estimated the total amount that could be transferred in FY 2022-23 is \$33,925,043. This estimate is based on information from DHCS and FY 2021-22 claims. As claims are submitted to DHCS Behavioral Health will need to fund the match by transferring cash to the CFA. If DHCS does not process the claims timely the balance of the CFA account may increase in order to cover the match as needed.

In August of 2023, DHCS released BHIN 23-036 notifying MHP's, DMC-ODS and DMC Counties of one time State General Funds made available to support the transition from Certified Public Expenditure (CPE) to IGT. The funds are intended to help mitigate the

cash-flow impacts of this new process on counties that will be paying the full cost of services in addition to paying their nonfederal share of costs to the state prior to federal reimbursement. The County's allocation of these one-time funds within the new County Fund Account (CFA) is \$5,853,040 based on submitted claims from 2019 to 2022.

IGT Agreements For the Transfer of Public Funds for Medi-Cal SMHS and Drug Medi-Cal Services

In mid-July of 2023, DHCS released the SMHS and Drug Medi-Cal IGT Agreements that specified the behavioral health IGT transfer requirements and DHCS and county roles and responsibilities. The two proposed IGT Agreements before your Board have the same exact terms, as follows: (1) requirement that the county transfer the county nonfederal share of Medi-Cal payments to DHCS for the term of July 1, 2023 through December 31, 2026, (2) requirement that funds transferred to DHCS be allowable sources of nonfederal funds and not be derived from impermissible sources, (3) requirements surrounding the amount of the nonfederal share to be transferred, when the nonfederal share is to be transferred, and how to transfer the nonfederal share, (4) requirements related to the nonfederal share balance that is to be maintained to fund the county nonfederal share of approved claims, (5) requirements related to balance monitoring and the use of a monthly County Funds Accounting (CFA) Report to track transfers to DHCS, interest earned on those transferred funds, balances, and all transferred funds and interest earned that DHCS pays to the counties, (6) actions to be taken by DHCS and counties should balances fall below the amount required to remit payment for claims, (7) authorized use of the transferred funds for the County's nonfederal share of Medi-Cal payments associated with the provision of SMHS and Drug Medi-Cal services, (8) provisions that DHCS payments to the County will consist of the nonfederal share, federal financial participation share obtained by DHCS, and state funds and that 100% of these payments may be used by the county to meet the costs of furnishing Medi-Cal SMHS and Drug Medi-Cal services and activities, and (9) dispute resolution and other general provisions.

VCBH recommends approval of, and authorization for the VCBH Director or designee to sign, the Intergovernmental Agreements regarding the transfer of public funds with the DHCS, for: (1) Medi-Cal SMHS delivered through VCBH's Specialty Mental Health Delivery System, in the amount of zero dollars, effective July 1, 2023 through December 31, 2026 and (2) DMC services delivered through VCBH's Drug Medi-Cal Organized Delivery System, in the amount of zero dollars, effective July 1, 2023 through December 31, 2026.

Recommendation #3:

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VCBH recommends approval of, and authorization for the VCBH Director or designee to sign future amendments to the IGT Agreements making corrections, clarifications, technical changes, and other modifications, provided that the changes are consistent with the original purpose of the IGT Agreements, and are approved by County Counsel.

This Board letter has been reviewed by the County Executive Office, Auditor Controller's Office, and County Counsel. If you have any questions regarding this item, please contact VCBH Acting Director Loretta Denering at (805) 981-2214 or HCA Assistant Chief Financial Officer Narcisa Egan at (805) 973-5357.



DR. LORETTA L. DENERING, DR. PH, MS
Acting Behavioral Health Director



BARRY L. ZIMMERMAN
Health Care Agency Director

Attachments:

Exhibit 1 – FY 2023-26 DHCS Intergovernmental Agreement Regarding Transfer of Public Funds for Medi-Cal SMHS

Exhibit 2 – FY 2023-26 DHCS Intergovernmental Agreement Regarding Transfer of Public Funds for DMC Services