



# COUNTY OF HUMBOLDT

For the meeting of: 10/17/2023

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File #: 23-1300

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**To:** Board of Supervisors

**From:** DHHS: Behavioral Health

**Agenda Section:** Consent

**Vote Requirement:** Majority

**SUBJECT:**

Intergovernmental Agreements with the California Department of Health Care Services Regarding the Transfer of Public Funds

**RECOMMENDATION(S):**

That the Board of Supervisors:

1. Waive the requirements of the Humboldt County Nuclear-Free Ordinance with regard to the attached intergovernmental agreements with the California Department of Health Care Services as the contract provides no direct conflict with the intent of Nuclear-Free Ordinance;
2. Approve, and authorize the Department of Health and Human Services - Behavioral Health Director, or a designee thereof, to execute, the attached intergovernmental agreements with the California Department of Health Care Services regarding the transfer of certain public funds for the period of July 1, 2023 through December 31, 2026;
3. Authorize the Department of Health and Human Services - Behavioral Health Director, or a designee thereof, to execute any and all subsequent amendments to the attached intergovernmental agreements with the California Department of Health Care Services, after review and approval by County Counsel, Risk Management and the County Administrative Office; and
4. Direct the Clerk of the Board to provide the Department of Health and Human Services - Contract Unit with one (1) certified copy of the Board order related to this item.

**SOURCE OF FUNDING:**

Behavioral Health Fund (1170-424); Alcohol and Drug Fund (1180-425)

**DISCUSSION:**

On June 22, 2023, the California Department of Health Care Services (“DHCS”) issued Behavioral Health Information Notice No. 23-026 for the purpose of notifying Mental Health Plans, Drug Medi-Cal Organized Delivery System counties, and Drug Medi-Cal counties, of changes to DHCS policies and procedures related to behavioral health intergovernmental transfers. Specifically, Behavioral Health Information Notice No. 23-026 discussed DHCS’ responsibilities for implementing behavioral

health payment reform related to the California Advancing and Innovating Medi-Cal Act (“CalAIM”). In accordance with CalAIM, DHCS designed, and has implemented, a new intergovernmental transfer-based payment methodology, which became effective on July 1, 2023.

CalAIM behavioral health payment reform and the new intergovernmental transfer process require the Humboldt County Department of Health and Human Services - Behavioral Health (“DHHS - Behavioral Health”) to transfer funds to DHCS, as the Medicaid Single State Agency, in order to cover the County of Humboldt’s portion of the nonfederal share of Medicaid payments for Medi-Cal covered Behavioral Health Services, on a monthly basis. There are two (2) separate, but functionally similar, intergovernmental agreements regarding Specialty Mental Health Services and Drug Medi-Cal Organized Delivery System that DHHS - Behavioral Health must enter into with DHCS in order to meet the requirements set forth in Behavioral Health Information Notice No. 23-026.

DHCS has made available two (2) methods for transferring funds, including: via routine manual transfers made using a check or Electronic Funds Transfer; or via DHHS - Behavioral Health authorizing the California State Controller’s Office to withhold a fixed percentage of funding allocated to DHHS - Behavioral Health from one (1) or more of the following three (3) state funds: 1991 Realignment, 2011 Behavioral Health Realignment and/or Mental Health Services Act. After discussions between DHHS - Behavioral Health, the Humboldt County Administrative Office and the Humboldt County Auditor-Controller’s office, there was consensus on recommending that the County of Humboldt use the second method of transfer involving automatic withholdings each month. This method is recommended as it is more efficient when it comes to minimizing administrative burden and procedural complexity. However, as set forth in the agreements, counties may modify withholding percentages, make additional manual transfers, or change between the transfer methods during the contract year through an amendment. As such, DHHS - Behavioral Health will have the ability to adapt to unforeseen circumstances should any arise.

It is important that counties transfer an amount of money to DHCS that is sufficient to cover the county share of all approved service payments as those service claims are approved, to avoid delays. As such, DHCS recommends that each county maintain a balance within each County Fund Account set up by DHCS that is greater than or equal to three hundred percent (300%) of the average monthly county share of all service payments from the prior State Fiscal Year. To assist counties with achieving the recommended three hundred percent (300%) County Fund Account balance, the Governor’s Budget appropriates Two Hundred Fifty Million Dollars (\$250,000,000.00) from the State General Fund that will be distributed to counties as they begin to transfer funds. There are also automatic mechanisms in place to address situations in which a given county’s balance with DHCS becomes too low or too high. For example, if a given county’s balance dips to one hundred fifty percent (150%) of the county share of average monthly approved payments, the California State Controller’s Office will be authorized to increase each fund’s withholding percentage by five (5) percentage points until the balance returns to three hundred percent (300%). Similarly, if the balance reaches five hundred percent (500%) of the average monthly county share, the California State Controller’s Office will cease fund withholdings until the balance returns to three hundred percent (300%). It is worth noting that funds transferred to DHCS via the intergovernmental transfer process will accrue interest, and any earned interest will be allocated back to each delivery system on a quarterly basis using methodology outlined in Behavioral

Health Information Notice No. 23-026.

To assist counties with tracking their balance on deposit with DHCS, including any earned interest, DHCS will post a County Fund Account Report for the Specialty Mental Health Services program and the Drug Medi-Cal Organized Delivery System to the DHCS portal by the fifteenth (15<sup>th</sup>) day of each month. Counties may file an appeal with DHCS if there are any disagreements with what is outlined on the monthly County Fund Account Report. It is anticipated that any administrative functions associated with CalAIM behavioral health payment reform and the new intergovernmental transfer process can be handled by existing DHHS - Behavioral Health Financial Services staff without negatively impacting any existing responsibilities or duties.

The attached intergovernmental agreements with DHCS will allow DHHS - Behavioral Health to transfer public funds to DHCS in accordance with any and all applicable CalAIM behavioral health payment reform requirements as part of the new intergovernmental transfer process. It should be noted that the attached intergovernmental agreements with DHCS come to the Board after the start date thereof due to inadvertent delays that occurred during the contract development process.

Accordingly, DHHS - Behavioral Health recommends that the Board approve, and authorize the DHHS - Behavioral Health Director, or a designee thereof, to execute the attached intergovernmental agreements with DHCS regarding the transfer of certain public funds for the period of July 1, 2023 through December 31, 2026. It is also recommended that the Board authorize the DHHS - Behavioral Health Director, or a designee thereof, to execute any subsequent amendments to attached intergovernmental agreements with DHCS, after review and approval by County Counsel, Risk Management, and the County Administrative Office, in order to avoid any unnecessary delays in the transfer of Specialty Mental Health Service and Drug Medi-Cal Organized Delivery System funds.

**FINANCIAL IMPACT:**

<b>Withholding Percentages (1170-424)</b>	<b>FY23-24 Adopted</b>	<b>FY24-25 Projected*</b>	<b>FY25-26 Projected*</b>
1991 Realignment	72.50%	72.50%	72.50%
2011 Behavioral Health Realignment	87.50%	87.50%	87.50%
Mental Health Services Act	18.50%	18.50%	18.50%
<b>Expenditures (1170-424)</b>	<b>FY23-24 Adopted</b>	<b>FY24-25 Projected*</b>	<b>FY25-26 Projected*</b>
Budgeted Expenses	\$13,777,008.00	\$13,777,008.00	\$13,777,008.00
<b>Total Expenditures</b>	<b>\$13,777,008.00</b>	<b>\$13,777,008.00</b>	<b>\$13,777,008.00</b>
<b>Funding Sources (1170-424)</b>	<b>FY23-24 Adopted</b>	<b>FY24-25 Projected*</b>	<b>FY25-26 Projected*</b>
State/Federal Funds	\$13,777,008.00	\$13,777,008.00	\$13,777,008.00
<b>Total Funding Sources</b>	<b>\$13,777,008.00</b>	<b>\$13,777,008.00</b>	<b>\$13,777,008.00</b>

*\*Projected amounts are estimates and are subject to change.*

<b>Withholding Percentages (1180-425)</b>	<b>FY23-24 Adopted</b>	<b>FY24-25 Projected*</b>	<b>FY25-26 Projected*</b>
2011 Behavioral Health Realignment	11.60%	11.60%	11.60%
<b>Expenditures (1180-425)</b>	<b>FY23-24 Adopted</b>	<b>FY24-25 Projected*</b>	<b>FY25-26 Projected*</b>
Budgeted Expenses	\$959,981.00	\$959,981.00	\$959,981.00
<b>Total Expenditures</b>	<b>\$959,981.00</b>	<b>\$959,981.00</b>	<b>\$959,981.00</b>
<b>Funding Sources (1180-425)</b>	<b>FY23-24 Adopted</b>	<b>FY24-25 Projected*</b>	<b>FY25-26 Projected*</b>
State/Federal Funds	\$959,981.00	\$959,981.00	\$959,981.00
<b>Total Funding Sources</b>	<b>\$959,981.00</b>	<b>\$959,981.00</b>	<b>\$959,981.00</b>

*\*Projected amounts are estimates and are subject to change.*

CalAIM behavioral health payment reform and the new intergovernmental transfer process implemented by DHCS are primarily procedural changes, and therefore no new expenditures are anticipated due to the execution of the intergovernmental agreements with DHCS. Each month, the California State Controller’s Office will withhold fixed percentages of state funding, as determined by DHHS - Behavioral Health from the 1991 Realignment, 2011 Behavioral Health Realignment and Mental Health Services Act funds, and will deposit them in the County Fund Accounts established by DHCS. The funds on deposit in the County Fund Accounts are then used to make Medi-Cal payments to DHHS - Behavioral Health for approved service claims as the county share of the nonfederal portion of each adjudicated claim. As interest is accrued on funds deposited in the County Fund Accounts established by DHCS, it is anticipated that DHHS Behavioral Health will receive some amount of ongoing revenue from DHCS in the form of interest allocated to the County of Humboldt as part of the intergovernmental transfer process. During the monthly reviews of each County Fund Account Report, DHHS - Behavioral Health staff will track and report interest earned and will allocate any such interest to each restricted funding source proportionally as well as record it in the DHHS - Behavioral Health accounting system. Any earned interest will be spent in accordance with existing regulations. Approval of the attached intergovernmental agreements with DHCS will not impact the Humboldt County Fund.

**STAFFING IMPACT:**

Approval of the attached intergovernmental agreements with DHCS will not impact current staffing levels. Funds will be withheld automatically by the California State Controller’s Office using the agreed-upon percentages outlined in the attached intergovernmental agreements with DHCS, and functions associated with tracking, monitoring, appealing, and reporting on County Fund Accounts and the balance of funds transferred to DHCS can be handled by existing DHHS - Behavioral Health Financial Services staff without any expected disruptions to other work processes or staff responsibilities.

**STRATEGIC FRAMEWORK:**

The recommended actions support the Board of Supervisors’ Strategic Framework by managing community resources to ensure sustainability of services.

OTHER AGENCY INVOLVEMENT:

None

ALTERNATIVES TO STAFF RECOMMENDATIONS:

The Board may choose not to approve the attached intergovernmental agreements with DHCS regarding the transfer of certain public funds for the period of July 1, 2023 through December 31, 2026. However, this alternative is not recommended because it might negatively impact DHHS - Behavioral Health's Medi-Cal provider status, the existing network of care and the funding associated therewith.

Additionally, the Board may choose to meet DHCS's intergovernmental transfer requirements by opting to follow the routine manual transfer process outlined in Behavioral Health Information Notice No. 23-026 instead of the recommended withholding option. However, this is not recommended because the manual process would entail unnecessary administrative burden placed on additional staff across County of Humboldt departments who would be responsible for creating, reviewing, and initiating payments via electronic fund transfers or by mailing physical checks. This additional workload would tie up resources without materially increasing the efficiency of the intergovernmental transfer process.

ATTACHMENTS:

1. Intergovernmental Agreement with the California Department of Health Care Services Regarding the Transfer of Public Funds (Drug Medi-Cal Organized Delivery System)
2. Intergovernmental Agreement with the California Department of Health Care Services Regarding the Transfer of Public Funds (Specialty Mental Health Services Program)

PREVIOUS ACTION/REFERRAL:

Board Order No.: N/A

Meeting of: N/A

File No.: N/A