



County of Santa Cruz Board of Supervisors

Agenda Item Submittal

From: Health Services Agency

Subject: Calendar Year 2024 Intergovernmental Transfer Agreement for Medi-Cal Managed Care Services

Meeting Date: June 24, 2025

Formal Title: Approve agreement with the California Department of Health Care Services in the amount of \$7,705,166 to fund an Intergovernmental Transfer for the non-federal share of Medi-Cal managed care capitation rate increases, and take related actions

Recommended Actions

1. Approve an expenditure agreement with the California Department of Health Care Services, State Contract No. 24-0043, in the amount of \$7,705,166 to fund an Intergovernmental Transfer for the non-federal share of Medi-Cal managed care capitation rate increases, including a 20% assessment fee, for Calendar Year 2024; and
2. Authorize the Interim Director of Health Services or designee to sign the agreement or substantially similar agreement upon review and approval of County Counsel and Risk Management.

Executive Summary

The Health Services Agency (HSA) requests Board approval of an Intergovernmental Transfer (IGT) agreement with the California Department of Health Care Services (DHCS) supporting Medi-Cal managed care services for Calendar Year (CY) 2024. The \$7,705,166 agreement includes an assessment fee of 20% as the DHCS cost to administer the IGT program, which covers Rating Period 2024 (January 1, 2024 through December 31, 2024). HSA receives full reimbursement for this expenditure, and added federal match funding, through a corollary revenue agreement with the Central California Alliance for Health (Alliance).

Discussion

The IGT process allows HSA to draw down supplemental federal funds to augment the capitation rates paid to HSA for providing medical services to Medi-Cal managed care plan beneficiaries. Under the IGT process, HSA transfers funds to DHCS as delineated in the expenditure agreement, and DHCS returns the full expenditure as a reimbursement to HSA, together with matching federal funds, through a revenue agreement with the Alliance. The expenditure agreement includes an assessment fee of 20% for DHCS to administer the IGT program. The Board has authorized HSA to participate in the IGT process annually since Fiscal Year (FY) 2009-10. The last fully executed agreement was approved by the Board for CY 2023 on August 27, 2024.

In CY 2023, HSA transferred \$6,277,442 to DHCS for the service period of January 1, 2023 through December 31, 2023. When federal match was added and returned through the Alliance, HSA received one payment in the amount of \$16,630,287 which includes both local and federal dollars.

The IGT process provides an essential mechanism for HSA to receive needed federal

funding that supplements the Alliance's Medi-Cal managed care plan rates paid to HSA for servicing the Medi-Cal population receiving services in HSA's healthcare clinics. HSA requests Board approval of the proposed expenditure agreement for CY 2024, which will cover the service period of January 1, 2024 through December 31, 2024. The associated revenue agreement with the Alliance is included on HSA's Continuing Agreements List (CAL) approved annually by the Board.

Financial Impact

The cost for the IGT expenditure contract with DHCS, State Contract No. 24-0043, is estimated to be \$7,705,166 under trust account 369301. This total includes \$6,420,972 as HSA's local county share of program costs, and \$1,284,194 as 20% of that payment for administrative overhead. Funding for this expenditure agreement is included in HSA's FY 2023-24 and FY 2024-25 Budgets. The expenditure is fully reimbursed by its corollary revenue agreement, Contract No. R0598, which also adds federal matching dollars. HSA continues to monitor potential federal funding and policy changes that may impact State revenues and services, and will continue to adapt and reallocate resources as needed to maintain essential services amid ongoing uncertainty in funding. These expenditures and revenues involve no County General Funds.

Strategic Initiatives

Operational Plan - Comprehensive Health & Safety

Submitted By:

Jennifer Herrera, Interim Director of Health Services

Recommended By:

Carlos J. Palacios, County Executive Officer

Artificial Intelligence Acknowledgment:

Artificial Intelligence (AI) did not significantly contribute to the development of this agenda item.