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**CalAIM Behavioral Health Payment Reform: Intergovernmental Transfer (IGT)
Frequently Asked Questions (FAQs)**
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Overview of the Current Cost-Based Claiming Process

Mental Health Plans (MHPs), Drug Medi-Cal (DMC) counties, and DMC Organized Delivery System (DMC-ODS) counties are all currently paid based on Certified Public Expenditures (CPE). The counties submit claims for reimbursement. The payments that the Department of Health Care Services (DHCS) makes for these claims are considered interim payments. Payments to the counties do not include the county portion of the claim, only the federal portion and/or the state portion.

On an annual basis, counties and their contract providers are required to document and submit actual costs to DHCS as part of a cost settlement process. The DHCS Audits and Investigations Cost Settlement units analyze the cost report submissions and interim payments, and then prepare an interim cost settlement to adjust payments based on the actual county costs to provide services. A final cost settlement is completed later, based on an audit examination of county records to assure the costs claimed by the county are allowable and accurate.

CalAIM Move to Prospective Fee-Schedule-Based Reimbursement

Under the California Advancing and Innovating Medi-Cal (CalAIM) initiative, and pursuant to Welfare and Institutions Code, Section 14184.403(b), DHCS will replace the current CPE reimbursement methodology with a reimbursement rate methodology using intergovernmental transfer (IGT) funds for the county share of payments. This methodology will result in a single and final payment for services provided to the county, which includes both the federal and non-federal share of the claims. This change will eliminate the requirement for Cost and Audit settlements, reducing administrative efforts for counties and their contract providers. The implementation of an IGT funded prospective reimbursement methodology will be effective for dates of services starting July 1, 2023.

1. What is an IGT?

An 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.

2. Which Behavioral Health payments will use IGT funds?

IGT Funds will be used to pay both electronic (Short-Doyle Medi-Cal 837 claim) and manual claims (County Administrative and Quality Assurance/Utilization Review) that require both Federal and County portions to complete a payment.

3. What Behavioral Health payments will not use IGT funds?

Claims paid with 100% State General Funds (SGF), claims paid with 100% Federal Funds (FF), claims paid with only FF and SGF, and claims that are approved with only county funds will not be included in the IGT process. Counties will not be required to transfer funds to DHCS to cover the non-federal share of these approved claims and these payments will not be displayed on the monthly County Fund Account (CFA) report. All other aspects of the payment process will apply and DHCS will pay counties with State General Funds and/or Federal Funds for these approved claims.

Mental Health Medi-Cal Administrative Activities (MH-MAA) and Fee for Service (FFS) Hospital claims paid through the Fiscal Intermediary (FI) will not be included in the IGT process. MH-MAA claims will continue as a CPE program with Medi-Cal FFP paid based on actual costs. FFS Hospital claims will continue to be paid directly to the hospital with a monthly offset to the county's 1991 Realignment distribution to recover the county share.

4. How can IGT funds be transferred?

Each county must elect one of two methods prior to July 1, 2023. The first method is for counties to send DHCS the IGT through a wire transfer/Automated Clearing House (ACH), Electronic Funds Transfer (EFT) or a manual check. The second method is for the State Controller's Office (SCO) to withhold and transfer to DHCS funds from one or more of the following three state funds that are continuously appropriated to the counties:

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

For both methods, routine (e.g., monthly) transfer of funds is necessary, unless a county has sufficient funds in their CFA as described in FAQ 13 below. For both methods, additional deposits can be made by check, EFT or wire transfer if the county anticipates the need for a higher County Fund Account balance to support claiming.

5. How will DHCS track each county's IGT balance?

A County Fund Account (CFA) will be established as a tracking account in the Short Doyle Medi-Cal accounting systems and used to store and track the IGT deposits and claim payments from the CFA. A CFA will be established for each MHP, DMC county, and DMC-ODS county (i.e., there will be a separate mental health CFA and a substance use disorder CFA for each county). A monthly report will be sent to each MHP, DMC county, and DMC-ODS county that outlines the beginning balance, any deposits and payments from the account, and an ending balance for the period. The report will also have a recommended IGT deposit amount for the next period. The CFA report should be used to reconcile the accounts and report discrepancies.

6. How much money will counties need to transfer to DHCS?

DHCS completed an analysis of Short Doyle Medi-Cal (SDMC) claims from August 2019 to February 2022 to determine the monthly average for the county share of approved claims. DHCS is recommending that each county maintain an IGT balance with DHCS that is equal to at least three times the average monthly county share of approved specialty mental health, DMC, and DMC-ODS claims from the prior fiscal year. This amount will be tailored to each county and based on prior year actual claims data.

7. How will DHCS inform counties of their IGT balance and transactions?

DHCS will provide counties a monthly CFA report via email that shows their monthly IGT balance as described in #5 above. The balance will be equal to the IGT balance at the beginning of the month, plus any transfers received during the month, less any payments made during the month. The report will also provide a recommendation for how much money the county should transfer to DHCS to ensure there is sufficient IGT funds to cover the county share of approved claims during the next month.

8. How long will it take to post an IGT deposit?

Using the SCO withholding process, funds generally post to the CFA within a day of receipt by DHCS accounting. Wire Transfer IGTs will be the fastest manual method to have funds added to the CFA balance (usually 2 business days after receipt), EFTs are the next quickest (generally 4-8 business days after receipt), and manual checks will normally take 6-11 business days after receipt to be posted to the CFA.

9. How will DHCS pay counties under the IGT process?

DHCS' payment to the county will be based on the prospective fee schedule reimbursement rates applied to approved Medi-Cal claims. Payments will include the federal financial participation (FFP), any applicable state share, and the county share amount. The county share amount will be drawn from the CFA. The reduction in the CFA balance will be reflected in the 835 response file.

10. How will counties need to account for restricted funds transferred to DHCS and paid to counties through the IGT payment process?

Counties will need to track the sources of funding (e.g., 2011 Realignment, 1991 Realignment, or MHSA) transferred to DHCS as an IGT. To the degree that the sources of funding used for the IGT are drawn from a restricted account or would otherwise have been required to be deposited in a restricted account, the county must replace those funds using payments received from DHCS. Counties are required to maintain three restricted accounts to finance Behavioral Health Services:

1. Mental Health Account in the Local Health and Welfare Trust Fund.

Counties must spend money deposited into the Mental Health Account in the Local Health and Welfare Trust Fund on mental health programs realigned to the counties through Chapters 89 and 91 of the Statutes of 1991.¹

2. Local Mental Health Services Fund.

Counties must spend money deposited into the Local Mental Health Services Fund on an approved three-year program and expenditure plan or annual update.²

3. Behavioral Health Subaccount in the County Local Revenue Fund 2011.

Counties must spend money deposited into the Behavioral Health Subaccount in the County Local Revenue Fund 2011 on residential perinatal drug services and treatment, drug court operations and services, non-Drug Medi-Cal substance use disorder treatment programs, the Drug Medi-Cal program, and/or the Medi-Cal Specialty Mental Health Services program.³

¹ Welfare and Institutions Code, Section 17609.

² Welfare and Institutions Code, Section 5892(g).

³ Welfare and Institutions Code, Section 30025(f)(16)(B).

The Local Mental Health Services Fund (MHSF) must be replenished first. Other funds should then be replenished on a first-out, first-in methodology. These restricted funds must be tracked by counties to verify appropriate usage of the funds for their restricted purpose.

11. Can you explain the SCO withholding process and how much will be withheld?

DHCS is proposing that the State Controller's Office (SCO) withhold, on a monthly basis, a fixed percentage from each of the three continuously appropriated funds (identified in FAQ 4) and transfer those funds to DHCS. The fixed percentage may be different for each of the continuously appropriated funds. DHCS completed an analysis of the county funding with data from August 2019 to February 2022 to determine the average monthly distribution to county mental health departments from the three state funds.

DHCS will provide the data from the analysis, combined with the claiming analysis and the target IGT balance. DHCS will provide a form that provides the data and a tool for counties to develop percentages to withhold that can be submitted to DHCS for review and acceptance.

For those counties that choose the withholding option for IGT funding, DHCS proposes that the SCO display the amount withheld from each county's monthly allocation on the monthly allocation schedule posted to the SCO website.

12. How often can withholding percentages be adjusted by the counties?

DHCS is proposing to keep the percentages established by the county fixed throughout the fiscal year. Counties may make additional deposits by check, EFT, or wire transfer if the county anticipates the need for a higher CFA balance to support claiming.

13. What happens if the CFA balance gets too low or too high?

DHCS understands that claiming is not the same each month and that adjustments to IGT transfers may occasionally be needed based upon increases or decreases in claiming averages.

If the IGT balance drops below 1.5 times the monthly average county share of approved claims, either a manual IGT transfer will be requested from the county or adjustments to the withholding percentages will be implemented to bring the IGT balance above the minimum threshold. DHCS is proposing to include language in the IGT agreement to authorize DHCS to instruct the SCO to withhold an additional 5% from each of the three funds (1991 Realignment, 2011 Realignment, and MHSF) if the IGT balance drops below 1.5 times the monthly average county share of approved claims in the prior fiscal year as reported on the monthly CFA report. The withhold percentages will be reduced to the original percentages once the CFA balance reaches 3 times the monthly average county share of approved claims in the prior fiscal year as reported on the monthly CFA report. DHCS will notify county staff when the withhold percentage is increased and when the withhold percentage is reduced.

If a county's IGT balance grows to exceed five times the monthly average county share of approved claims, counties that provide manual IGT transfers will not have a recommended IGT amount on the monthly CFA report. For entities using the SCO withholding process, withholdings will be paused until the balance is below three times the expected monthly average of the county share of approved claims.

14. What does DHCS recommend for IGT funding?

DHCS recommends using a process by which the SCO withholds and transfers to DHCS funds

from one or more of the three funds outlined above to ensure a steady transfer of IGT funding and to reduce county administrative burden.

15. How will DHCS inform counties of the balance of funds transferred to DHCS?

On a monthly basis, by the 15th of the month, DHCS will send counties via email a CFA report that will show the beginning CFA balance, the amount of any county funds received, any decrease in county funds resulting from the funds being used as the county share of claims paid to the county, and an ending IGT balance. The report will also show a target IGT balance that is three times the monthly average county share of approved claims. Counties should use the CFA report to reconcile and identify any errors. Errors and questions should be reported to BHFSEops@dhcs.ca.gov.

16. Will counties be able to dispute the balance of funds transferred to DHCS?

DHCS is recommending that counties be required to identify and communicate discrepancies via an appeal letter within 120 days of receipt of the monthly CFA report. DHCS will issue a decision within 60 days of the receipt of the appeal letter.

17. Will DHCS send an invoice for IGTs to the counties?

DHCS will provide the monthly CFA statement that the county could pay from if a withholding process is not an option. DHCS is not proposing to create and process invoices through the accounting system and create receivables. DHCS would like counties to maintain a balance that is equal to three times the monthly average county share of approved claims from the prior fiscal year.

In the event a county's CFA balance is insufficient to fund the county share of a counties claims, DHCS will not be able to reimburse a county's claims until the necessary funds have been transferred by the SCO or through an IGT and updated in the county CFA balance. An entire claim file will be looked at as a batch. For example, if the CFA balance is \$1,000 and the claim file requires \$1,000 in county funds, then the claim file will be paid. However, if the CFA balance is \$1,000 and the claim file requires \$1,001 in county funds, then the claim file would be pended until the county refilled the CFA account to meet the claim batch amount.

18. Can the 835 file name also be on the CFA report along with the warrant number?

The 835 file name will not be on the CFA report. Only the warrant number will be on the report. There is a one-to-one relationship between the warrant number and the 835 file name; currently, the 835 file name is not in the system that will be producing the CFA report. A system change to add this is not possible before implementation.

19. Will DHCS need to execute an agreement with Counties to implement the IGT methodology?

DHCS will need to execute an agreement with each county to implement the IGT methodology. The IGT agreement will include much of the detail addressed in this FAQ.

Additional questions have been submitted and will be responded to in the coming weeks. The questions include the use of MHSA funds, interest, annual reporting, Administration and Quality Assurance/Utilization Review, as well as other questions.

Appendix

Sample CFA Report:

County Fund Account (CFA) Balance Report				
			Report Date:	7/31/2023
			County:	10-EXAMPLE
			CFA Balance as of 7/1/2023:	\$ 1,000,000.00
Transaction ID / Warrant Number	Transaction Date	Transaction Description	Amount	CFA Balance After Transaction
345678912	7/7/2023	Deposit	\$ 10,000.00	\$ 1,010,000.00
456789123	7/14/2023	Deposit	\$ 150,000.00	\$ 1,160,000.00
63-123456	7/15/2023	E-Claim	\$ (250,000.00)	\$ 910,000.00
Adj-07162023	7/16/2023	Adjustment	\$ (10,000.00)	\$ 900,000.00
63-456789	7/19/2023	M-Claim	\$ (24,500.00)	\$ 875,500.00
63-789123	7/20/2023	E-Claim	\$ (250,000.00)	\$ 625,500.00
PENDING	7/27/2023	E-Claim	\$ (250,000.00)	\$ 375,500.00
MONTHLY TRANSACTION TOTAL			\$ (624,500.00)	
COUNTY BALANCE AS OF REPORT DATE			\$ 375,500.00	
TARGET IGT BALANCE:			\$ 1,000,000.00	
COUNTY BALANCE LOWER THAN TARGET:			YES	
CURRENT IGT DEPOSIT RECOMMENDED			\$ 624,500.00	

Process Steps:

1. Behavioral health claims are adjudicated in the Short Doyle Medi-Cal (SDMC) claiming system, and approved claims data is transferred to SDMC’s accounting systems.
2. In the accounting systems, a County Fund Account (CFA) will be established for each county to track the receipt and disbursement of all IGTs and manage each county’s IGT balance.
3. DHCS will establish an account threshold for each county that will be equal to approximately three months of County Fund payments based on historical claims data.
4. When payments arrive from county sources that are for a specific county, the DHCS accounting team will add the funds to the CFA for that county to the SDMC accounting system.
5. When SDMC approves claims and processes payments, the accounting systems will adjust the CFA balance by the county fund amount of the claims. The transaction that will impact the CFA balance will be at the payment/warrant level (the amount of county fund paid on a warrant).

6. If claims are received that exceed a CFA balance, claims will not be paid until the CFA balance is sufficient to pay the county share.
7. On a monthly basis, by the 15th of the month by email, DHCS will provide the county entity a report that identifies the starting balance of the CFA, the month's transactions (inbound IGTs and outbound payments), an ending balance, and a recommended IGT amount that is needed to maintain needed CFA balance.
8. The 835 claim response file that SDMC currently produces will continue to provide the claim file summary and breakdown by claim line that is provided today. There is a one-to-one relationship between the 835 and the warrant number.

Process Flow Chart:

IGT Process Flow

