COUNTY OF SAN DIEGO

AGENDA ITEM

Date: **August 18, 2026** **09**

To: Board of Supervisors

SUBJECT

Approve Intergovernmental Transfer Agreements with California Department of Health Care Services (Districts: All)

Overview

Medicaid is a means-tested entitlement program that finances the delivery of primary and acute medical services as well as long-term services and supports to an estimated 74.9 million people in the United States as of the February 2026 enrollment count. Medi-Cal is the Medicaid program for California, a public health insurance program that provides needed health care services to eligible seniors, persons with disabilities, families with children, foster care youth, pregnant women, and eligible individuals with diseases such as tuberculosis, breast cancer, or HIV/AIDS. Medi-Cal is financed through State and federal funds.

To support increased State payments to Medi-Cal Managed Care Plans (MCPs), California counties participating in Medi-Cal Managed Care may enter into Intergovernmental Transfer (IGT) and Assessment Fee Agreements with the California Department of Health Care Services (DHCS). IGT agreements consist of the transfer of eligible local funding to DHCS, which the State then uses to increase the rates it pays the participating MCPs within an actuarially sound range. Historically, the San Diego County Board of Supervisors (Board) has supported the County of San Diego's (County) participation in this program, with the most recent authorization approved on June 25, 2024 (3). Participating in an IGT Agreement allows the County to utilize local funds to increase federal matching dollars for Medicaid programs, which can then come to the County to support services provided to Medi-Cal Managed Care recipients including public health services, behavioral health services, and services provided to patients of the Edgemoor Distinct Part Skilled Nursing Facility.

Today's action requests the Board authorize the Chief Administrative Officer to pursue and execute IGT and Assessment Fee Agreements with DHCS for the IGT period covering January 1, 2025, through December 31, 2025, and to amend or execute new agreements as necessary with the participating MCPs. This would enable the Health and Human Services Agency (HHSA) to draw down approximately $25.7 million in new funding to recover enhanced reimbursement for Medi-Cal services provided and/or financed by the County to MCP members.

Approve Intergovernmental Transfer Agreements with California Department of Health Care Services (Districts: All)

Today's action supports the County vision of a just, sustainable, and resilient future for all, specifically those communities and populations in San Diego County that have been historically left behind, as well as our ongoing commitment to the regional *Live Well San Diego* vision of healthy, safe, and thriving communities. This will be accomplished by using funds to support the accessibility and delivery of health-related services.

Recommendation by Chief Administrative Officer:

1) Authorize the Chief Administrative Officer, or designee, to pursue Intergovernmental Transfer agreements with the California Department of Health Care Services.
2) Authorize the Chief Administrative Officer, or designee, upon receipt, to execute Intergovernmental Agreements Regarding Transfer of Public Funds with the California Department of Health Care Services for the transfer of approximately $16.5 million in local funds from the Health and Human Services Agency for the agreement covering the period of January 1, 2025 through December 31, 2025.
3) Authorize the Chief Administrative Officer, or designee, to execute Intergovernmental Transfer Assessment Fee Agreements with the California Department of Health Care Services for the transfer of approximately $1.4 million for the period of January 1, 2025 through December 31, 2025, from the Health and Human Services Agency to the California Department of Health Care Services, and related documents.
4) Authorize the Chief Administrative Officer, or designee, to amend or execute new agreements as necessary with Molina Healthcare of California, Community Health Group, Blue Shield of California Promise Health Plan, and Kaiser Foundation Health Plan, Inc., and to implement the Intergovernmental Transfer agreements. The agreements will disburse approximately $43.6 million of increased Medi-Cal Managed Care Plan reimbursement to the Health and Human Services Agency to support health services for Medi-Cal beneficiaries and other underserved populations, net of a 2-5% administrative fee calculated on the gross Intergovernmental Transfer agreement amount retained by the Medi-Cal Managed Care Plans.
    a. Agreements for Molina Healthcare of California, Community Health Group, Blue Shield of California Promise Health Plan cover the period of January 1, 2025 through December 31, 2025.
    b. The Agreement with Kaiser Foundation Health Plan, Inc. will be updated to an agreement that automatically renews for successive one-year terms, unless either party terminates the agreements based on one of three reasons: (1) participation in the program is no longer desired, (2) DHCS modifies program requirements, or (3) DHCS discontinues the program.
5.) Authorize the Chief Administrative Officer, or designee, to execute all required agreement documents, upon receipt, including any annual extensions, amendments and/or revisions thereto that do not materially impact or alter the services or funding level.

Equity Impact Statement

Medi-Cal is the Medicaid program for California, a public health insurance program that provides needed health care services to eligible individuals. As of March 2026, 890,974 individuals were enrolled in Medi-Cal in the county, representing roughly 27% of the county population and the fifth largest Medi-Cal population in California. Local data indicates that as of February 2026, individuals between 19 to 44 years old represent the largest Medi-Cal population in San Diego

County (35%), followed by children 0 to 18 years old (33%), adults 45 to 64 years old (19%), and adults 65 years of age and older (13%). The County of San Diego (County) Health and Human Services Agency is committed to building a health and human service delivery system which supports the needs of all San Diegans, specifically those most vulnerable.

Participating in an Intergovernmental Transfer (IGT) Agreement allows the County to utilize local funds to increase federal matching dollars for Medicaid programs, which can then come to the County to support services provided to Medi-Cal Managed Care recipients including public health services, behavioral health services, and services provided to patients of the Edgemoor Distinct Part Skilled Nursing Facility. The County prioritizes equity through the delivery of services, and funds received through IGT Agreements with the Department of Health Care Services support the accessibility and delivery of health-related services.

Sustainability Impact Statement
Today's proposed actions support the County of San Diego Sustainability Goal #2 to provide just and equitable access, and Sustainability Goal #4 to protect the health and well-being of everyone in the region. This will be accomplished by maximizing resources available to provide health-related services to Medi-Cal eligible individuals.

Fiscal Impact
Funds for this request are included in the Fiscal Years (FYs) 2026-28 CAO Recommended Operational Plan in the Health and Human Services Agency. If approved, this request is expected to result in annual costs estimated at approximately $17.9 million in FY 2026-27 for the Intergovernmental Transfer (IGT) period covering January 1, 2025, through December 31, 2025. Of this amount, approximately $16.5 million would fund the IGT and $1.4 million would cover the State Assessment Fee. In return, the County of San Diego would receive approximately $43.6 million in revenue for the period from the Managed Care Plans, resulting in an estimated net increase of $25.7 million in new funds for the fiscal year. The funding sources for the IGT and State Assessment Fee are local funds, including Realignment. There will be no change in net General fund costs and no additional staff years.

Business Impact Statement
N/A

Advisory Board Statement
N/A

Background
Medicaid is a means-tested entitlement program that finances the delivery of primary and acute medical services as well as long-term services and supports an estimated 74.9 million people in the United States as of the February 2026 enrollment count. Medi-Cal is the Medicaid program for California, a public health insurance program that provides needed health care services to eligible seniors, persons with disabilities, families with children, foster care youth, pregnant women, and eligible individuals with diseases such as tuberculosis, breast cancer, or HIV/AIDS. Medi-Cal is financed through State and federal funds. To support increased State payments to Medi-Cal Managed Care Plans (MCPs), California counties participating in Medi-Cal Managed Care may

enter into Intergovernmental Transfer (IGT) and Assessment Fee Agreements with the California Department of Health Care Services (DHCS). IGT agreements consist of the transfer of eligible local funding to DHCS, which the State then uses to increase the rates it pays the participating MCPs within an actuarially sound range. The amount of federal match drawn down by the local funding that the County of San Diego (County) transfers to DHCS through the IGT process varies but can result in approximately a two-to-one match in federal dollars. The exact match depends on various factors, including the final regional volume and distribution of eligible Medi-Cal members served by participating MCPs for the service period.

Once participating MCPs receive the IGT-funded rate increases from DHCS, they pay those funds to the County to support health care-related services. See Attachment A for the estimated breakdown of costs, revenues, and net County gain for the 2025 service period. The San Diego County Board of Supervisors (Board) most recently approved County participation in this program on June 25, 2024 (3). DHCS has notified the County that the IGT agreements are scheduled to be processed in second quarter of Fiscal Year (FY) 2026-27 for the 2025 service period. The IGT process and approximate transfer amounts are outlined below.

Transfers from the County to DHCS
Upon approval by the Board and the Centers for Medicare & Medicaid Services, the County Health and Human Services Agency (HHSA) will transfer approximately $16.5 million to DHCS for the IGT agreement service period. The transfer for the IGT service period of January 1, 2025 through December 31, 2025, is anticipated to occur by the second quarter of FY 2026-27. Additionally, California Welfare and Institutions Code Section 14301.4 requires the State to assess a 20% non-refundable fee on the non-federal share of an IGT to cover the administrative costs of operating the IGT program and to support the Medi-Cal Program. Therefore, HHSA will make separate payments of approximately $1.4 million to DHCS for the IGT period. The transfer is scheduled to be completed during the same period as the IGT transfers noted above.

DHCS Payments to Participating Managed Care Plans
In recognition of the increased match in federal dollars that the County IGT draws down, DHCS will increase the per-member-per-month rates it formerly paid participating MCPs by approximately $43.6 million for the agreement period of January 1, 2025, through December 31, 2025. Participating MCPs in San Diego County include Molina Healthcare of California, Community Health Group, Blue Shield of California Promise Health Plan, and Kaiser Foundation Health Plan, Inc. The State lump sum payments to participating MCPs are scheduled to be completed by FY 2026-27.

Participating Managed Care Plan Payments to HHSA
Upon receipt of increased payments from the State, the participating MCPs will make payments of approximately $43.6 million for the period of January 1, 2025, through December 31, 2025 to HHSA. This is equal to the estimated increased per-member-per-month payment received by the MCPs of approximately $44.8 million for the period of January 1, 2025 through December 31, 2025, excluding a 2-5% administrative fee. The funds received by the County will be used to support health services for Medi-Cal beneficiaries and other underserved populations pursuant to the provisions in agreements between the MCPs and HHSA. The total payments for the period from participating MCPs are estimated at $43.6 million, minus County payments to the State for

the IGT transfer of $16.5 million and $1.4 million for the State Assessment Fee, the net new funds to the County will amount to approximately $25.7 million. For the service period of January 1, 2025, through December 31, 2025, MCP payments are scheduled to be made to the County in second quarter of FY 2026-27.

Participating in an IGT Agreement allows the County to utilize local funds to increase federal matching dollars for Medicaid programs, which can then come to the County to support services provided to Medi-Cal Managed Care recipients including public health services, behavioral health services, and services provided to patients of the Edgemoor Distinct Part Skilled Nursing Facility.

Update to the Kaiser Foundation Health Plan, Inc. Agreement Terms
Beginning in the 2025 IGT period, Kaiser Foundation Health Plan, Inc. has requested an update to the terms of the agreement to reflect the agreement commencing on the Effective Date and continuing until the one year anniversary of the Effective Date. Thereafter, the agreement shall automatically renew for successive one-year terms, unless either party terminates the agreements based on one of three reasons (1) participation in the program is no longer desired, (2) DHCS modifies program requirements, or (3) DHCS discontinues the program. In order to terminate the agreement, advanced written termination will be required. This update in approach to the agreement will allow for streamlining of the agreement authorization, while allowing for flexibility for the County to terminate based on considerations mentioned.

Today's action requests the Board authorize the Chief Administrative Officer to pursue and execute IGT and Assessment Fee Agreements with DHCS for the periods covering January 1, 2025 through December 31, 2025 and to amend or execute new agreements as necessary with the participating MCPs.

Linkage To The County Of San Diego Strategic Plan
Today's proposed action supports the County of San Diego (County) 2026-2031 Strategic Plan Initiatives of Sustainability (Economy) and Equity (Health) by providing funding to support health services for Medi-Cal beneficiaries and other underserved populations. Additionally, today's action advances the San Diego County Board of Supervisors commitment to realigning County resources towards practices that optimize State and federal draw-down.

Respectfully submitted,

Elyabeth A. Hernandez PhD

FOR

EBONY N. SHELTON
Chief Administrative Officer

Attachment(s)
Attachment A – Breakdown of Costs, Revenues and County Gain for 2025 Service Period