



Agenda Item

City Council

Item #: 3.5.

6/24/2025

File #: 25-0340

TO: Honorable Mayor and Members of the City Council

THRU: Tom Kisela, City Manager

FROM: Sean deMetropolis, Fire Chief

1. SUBJECT

Agreements with the California Department of Health Care Services, CalOptima, and Kaiser Foundation Health Plan Inc. for a one-time Intergovernmental Transfer for Fiscal Year 2025-2026.

2. SUMMARY

Request for City Council approval to participate in a one-time Intergovernmental Transfer for the twelve-month period ending December 31, 2024, to access additional Federal Medicaid dollars to support unreimbursed care.

3. RECOMMENDED ACTION

1. Approve the agreements with California Department of Health Care Services, CalOptima, and Kaiser Foundation Health Plan, Inc. in an amount not to exceed \$850,000 representing approximately \$627,111 in unreimbursed Medicare revenue plus a 20% administration fee, for a one-time Intergovernmental Transfer; and authorize the Mayor and City Clerk to execute on behalf of the City.
2. Authorize an advancement in an amount not to exceed \$850,000 from the General Fund (100) to the California Department of Health Care Services.

4. FISCAL IMPACT

The General Fund (100) will advance the Department of Health Care Services an approximate amount not to exceed \$850,000; however, the City will receive a total approximate return of \$1,379,644 which includes the initial advance and the City's share of unreimbursed Medicaid funds from the Intergovernmental Transfer revenue.

5. STRATEGIC PLAN GOALS

Goal 2: Enhance Economic Development and Achieve Fiscal Sustainability.

6. DISCUSSION AND BACKGROUND

An Intergovernmental Transfer (IGT) allows California's Medi-Cal managed care plans to partner with local government units to access additional federal Medicaid dollars to support unreimbursed care and provide health care services. Since the City provides ambulance transport services and has unreimbursed Medicaid expenses, it became eligible to participate in the IGT program in Fiscal Year 2014-2015. Currently, the University of California, Irvine (UCI), the City of Newport Beach, Huntington Beach, and the City of Orange are participants. In Fiscal Year 2024-2025 (FY25), the net revenue

received from the program was \$1,002,745.

Provisions of the IGT require the City to transfer an amount representing 50% of unreimbursed CalOptima and Kaiser Foundation Health Plan, Inc. (Kaiser) patient charges (the IGT amount) to the California State Department of Health Services (DHCS). The City also remits an administrative fee equal to 20% of the IGT amount. DHCS uses the original IGT amount to access the Federal government's highest allowable Medi-Cal reimbursement rate, enabling them to draw down additional Federal funds on behalf of the City. Upon reimbursement from the Federal government, CalOptima, and Kaiser reimburses the City the original IGT amount, the 20% administration fee, and 50% of the additional reimbursement revenue (the maximum allowed recovery amount under the program). The amount received is based on the rate range and the number of Cal Optima and Kaiser providers.

DHCS reached out to the City to participate in the program for Calendar Year 2024 (CY24). The details of the City's participation are as follows:

IGT Contribution from City	\$	627,111
20% Admin Fee	\$	125,422

Total IGT Transfer to DHCS for CY23	\$	
Program	752,533	

Estimated unreimbursed IGT Revenue	\$	
available for CY24		1,254,222

Where of,

50% of that additional revenue goes to City, and	\$	627,111
50% of remaining revenue available goes to CalOptima and Kaiser	\$	627,111

Upon reimbursement,

CalOptima and Kaiser will return to the City the original IGT contribution, 20% administrative fee, and 50% of IGT revenue available	\$	1,379,644
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Estimated net revenue that will be received by the City in Fiscal Year 2024-2025 (FY25)	\$	627,111
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In March 2025, the City submitted a non-binding letter to DHCS confirming our interest in participating in the program. If the City intends to move forward, three agreements need to be executed:

- 1) Intergovernmental Agreement regarding transfer of public funds between the City and DHCS; and
- 2) Health Plan-Provider Agreement between the City and CalOptima.
- 3) Health Plan-Provider Agreement between the City and Kaiser.

Approximate Timeframe for IGT participation:

March 2025: CalOptima and Kaiser advised DHCS the City will be participating in the IGT program.

July 2025: Agreements will be signed and submitted to DHCS for their review and approval.

October 2025: City will receive an invoice from DHCS representing estimated unreimbursed Medicaid expenses for the twelve months ending December 31, 2024.

After payment is received DHCS will send the additional revenue to CalOptima and Kaiser for disbursement. CalOptima and Kaiser will distribute an estimated amount of \$1,379,644 back to the City within the 30 days specified in the Provider Agreement, of which \$627,111 is the estimated net revenue to the City.

Specifics of this IGT participation require additional monies received to be used for transport services. Allowable expenditures include salaries for transport personnel, related materials and supplies, and capital expenses. While there are no specific guidelines or obligations, the additional revenue received should be used within a year after receipt. There are no guarantees that future monies for reimbursement will be available; as such, this revenue should be viewed as one-time funding only.

DHCS requires program participants to obtain City Council approval before routing final agreements for execution. While funding is not guaranteed, successful participation in previous program years has generated supplementary revenue for the City and staff recommends that the City pursue this additional reimbursement.

7. ATTACHMENTS

- Intergovernmental Agreement with California Department of Health Care Services
- Health Plan-Provider Agreement with CalOptima
- Health Plan-Provider Agreement with Kaiser Foundation Health Plan Inc.