



**Agenda Item 7
December 2, 2015**

DATE: November 18, 2015
TO: Children and Families Commission of Orange County
FROM: Christina Altmayer, Executive Director 
SUBJECT: Potential Feasibility of Intergovernmental Transfer (IGT)
ACTION: Receive update on potential Intergovernmental Transfer (IGT) transaction with CalOptima

SUMMARY:

At the October meeting, the Children and Families Commission of Orange County authorized the Executive Director to pursue an Intergovernmental Transfer (IGT) transaction with CalOptima, as a strategy of leveraging federal funding to support investments in children’s health. This agenda item provides an update on the proposed framework for developing an IGT and the progress made in collaboration with the Commission’s community partners and CalOptima. It is anticipated that the State Department of Health Care Services will contact CalOptima by early spring of 2016 with more information regarding the next IGT, including the maximum amount of federal funds available. A final plan will be presented at the February Commission meeting for consideration.

DISCUSSION:

Targeted Outcomes

Commission staff has identified two priority outcomes to provide financing for a potential IGT transaction:

1. Improve rates of prenatal care and healthy birth outcomes through expansion/sustaining Bridges Maternal Child Health Network prenatal care services
2. Improve early identification and intervention for young children with behavioral/developmental concerns and connect children to appropriate services

The most recent report on children, *21st Annual Report on the Conditions of Children in Orange County*, released this October found that the number and percent of mothers who initiated prenatal care during their first trimester of pregnancy has been declining over the past 10 years across all ethnic groups. The overall decrease was almost four percentage points in 10 years and with significant geographic disparities. For example, the rate of prenatal care in south county cities such as Aliso Viejo exceeds 95 percent, whereas the rate in central urban areas is lower, such as Anaheim at 85 percent. Access to early and regular prenatal care is recognized as a critical component of ensuring healthy birth outcomes.

In terms of behavioral health, the Conditions of Children report noted that the overall hospitalization rate for serious mental illness and substance abuse for children increased by over 25 percent since 2004. While most of these incidents occur in children 12 to 17 years of age, some

children may display early indicators of later concerns and/or actual behavioral health concerns prior to school entry.

The Commission has an opportunity to leverage its planned investments to address these two outcomes and draw down additional federal funding. The proposed plan for investments and terms have been designed to protect and ensure that Commission funding is utilized consistent with the Commission's intent and IGT eligibility requirements.

1. Improve rates of early prenatal care and birth outcomes

Since 20001, the Commission has contracted with MOMS Orange County to provide early outreach, home visitation and supportive services to pregnant mothers for early prenatal care and promote healthy birth outcomes. Through an IGT transaction, the Commission has the opportunity to sustain and potentially expand MOMS services to high need communities in Orange County. Annually, the Commission invests \$720,000 in MOMS to provide home visitation and care management services to approximately 840 pregnant women. Commission staff is currently working with MOMS Orange County to quantify the uncompensated cost of care as the basis for determining a potential IGT transaction.

2. Improve early identification and intervention for young children with behavioral/developmental concerns and connect children to appropriate services

The June Planning meeting prioritized the need for early behavioral and mental health services for young children. The Commission has an existing platform to support early identification with Help Me Grow and Children's Hospital of Orange County (CHOC). This second element of the IGT transaction would focus on:

- Sustaining and expanding Help Me Grow to support increased behavioral/developmental screening for young children
- Providing one-time funding to support increased availability and access to developmental and mental health services for young children.

An IGT transaction provides federal Medicaid funding for reimbursement of uncompensated care for Medi-Cal beneficiaries in a given fiscal year. CHOC is the largest provider of Medi-Cal services for children in Orange County and in fiscal year 2014/15 approximately \$17 million was provided in uncompensated care to CalOptima members. The Commission currently funds Help Me Grow at approximately \$700,000 annually and an IGT transaction could support this program's sustainability. Additionally, an IGT transaction could also potentially leverage a future catalytic investments in children's developmental/behavioral health services. CHOC, in partnership with multiple community-based organizations including, County of Orange Health Care Agency, CalOptima, Commission, and other nonprofits has been leading a task force to develop community-wide solutions to expand the County's capacity for early identification and intervention, diagnosis, and treatment for children's behavioral and mental health needs. Given this recognized leadership role, as well as CHOC's commitment to create a system of mental health services for children, an IGT transaction in partnership with CHOC could expand the resources to support his objective.

Other Potential Priority Outcomes

Staff is continuing to refine potential partners and strategies for addressing these two outcomes. Additional partners may be considered depending on the availability of funding and eligibility requirements. The Commission has, for example, funded public health nurses to provide home

visitation and related services to high risk mothers since 2001 at an annual cost of approximately \$1.6 million in partnership with the County of Orange. . The Commission has expressed support for the inclusion of Health Care's Agency public health nursing programs in a proposed IGT transaction. Should the County determine that an IGT transaction is not feasible, the Commission would pursue this as an element within its proposed transaction.

Intergovernmental Transfers (IGT) Framework

The proposed IGT is a drawdown of federal funds to reimburse local providers for uncompensated care rendered to Medi-Cal beneficiaries in a community. The federal government provides a rate range for Medi-Cal services, but the actual reimbursement rates within this range that providers will receive are set at the state level. This difference between the federal and state rates represents the amount of available federal reimbursement that counties can claim for uncompensated care provided to Medi-Cal beneficiaries. This process, which is referred to as a rate range IGT, can only occur via a managed care organization, such as CalOptima. With rate range IGTs, a government entity provides non-federal matching funds that the state uses to obtain the highest reimbursement rate that is federally allowable. As a general guide, for every dollar provided as a match, about \$1.80 is returned to the originating county. The State of California charges a 20 percent administrative fee and a managed care organization tax on each transaction.

Commission staff has been working closely with CalOptima to understand the eligibility requirements and process for an IGT transaction and CalOptima has requested that the Commission submit a letter of interest no later than November 25, 2016. Staff is currently in the process of preparing that letter and will have copies available at the December Commission meeting. The letter will stipulate the Commission's interest in pursuing an IGT transaction to achieve the following objectives:

- Support sustainability for current Commission funded programs - The Commission's priority is to help extend grants by an amount commensurate with the current level of Commission funding. Commission investment and returned match would be used to continue services for an extended period of time, offsetting the demand on Commission budget.
- Expand systems of care beyond existing Commission funding capacity - Leveraging federal funding provides an opportunity for the Commission to increase its planned catalytic investments. As the Commission plans for potential investments in children's mental and behavioral health, for example, an IGT transaction allows the Commission to increase the total available funding and the impact in the community.

Since the Commission is not a contracted CalOptima provider, neither the principal of the Commission's funding to support the IGT transaction nor the returned federal funding would be returned to the Commission. To ensure that principal and federal funds are used consistent with the Commission's intent, the use of funds would be clearly delineated in the agreement with the California Department of Health Care Services and signed by all the parties, including CalOptima, the Commission and the provider who will be the recipient of the funding. The Commission would require that any plan fully delineate the intended uses of the principal and proceeds from an IGT transaction.

STRATEGIC PLAN & FISCAL SUMMARY:

The recommended actions presented in this staff report have been reviewed in relation to the Commission's Strategic Plan and are consistent with applicable goals. There is no funding requested for this item.

PRIOR COMMISSION ACTION:

- June 2014 – Annual Planning Meeting, Sustainability Strategies

RECOMMENDED ACTION:

Receive update on proposed Intergovernmental Transfer (IGT) transaction with CalOptima and provide direction to staff.

Contact: Christina Altmayer