



Legislation Details (With Text)

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Title:	Consideration of General Fund Loan Request of \$3,000,000 and Loan of \$1,000,000 from Department of Social Services Realignment Fund.				
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Attachments:	1. Summary of Revenue and Expenditure LCBHS FY 2023-24, 2. SMHS CalAIM Claiming Dashboard _2024.03.12				

Date	Ver.	Action By	Action	Result
3/19/2024	1	BOARD OF SUPERVISORS		

Memorandum

Date: March 19, 2024

To: The Honorable Lake County Board of Supervisors

From: Elise Jones, Director Lake County Behavioral Health Services

Subject: Consideration of General Fund Loan Request of \$3,000,000 and Loan of \$1,000,000 from Department of Social Services Realignment Fund.

Executive Summary:

Lake Behavioral Health Services Department is currently in a budget deficit due to issues processing Medi-Cal reimbursement. The cause of this deficit is a lack of timely reimbursement for Medi-Cal eligible services due to billing code error issues in our new Electronic Health Record (E.H.R.), SmartCare. These billing code error issues were outside of County staff control. The E.H.R. is contracted directly with the California Mental Health Services Authority (CalMHSA) who was the entity responsible for the migration of data into SmartCare. Unfortunately, migration and set-up errors have precluded effective billing.

As the Board is aware, LCBHS migrated to a new E.H.R. in March 2023 as a Pilot County. Our previous E.H.R, Anasazi, had been scheduled to sunset at the end of 2023. Thus, a transition to a new E.H.R. vendor was unavoidable. After a thorough review of available options, we joined the Semi-Statewide Electronic Health Record Enterprise called SmartCare through CalMHSA. To date, there are 23 other California counties using this system.

There have been challenges processing claims for Behavioral Health services out of the new E.H.R.

since it went live in March 2023. As stated above, these were the result of billing code error issues that were outside of County staff control. We have continued to work diligently with CalMHSA to resolve these billing error issues. We are not the only County experiencing these issues. As of March 12, 2024 CalMHSA reported \$1.5B approved claims in SmartCare, but only \$451.9M of those claims, or 30.1%, have been paid to Counties. There is also a total of \$150.5M denied claims. A request for disaggregated County-specific claims data, including data on the age of claims and claims error rates was requested of CalMHSA on March 11, 2024.

Due to the challenges with the new E.H.R. processing claims and resultant dearth of Medicaid funding LCBHS brought forth Resolution 2023-90 to remove reserve designations on June 27, 2023. This Resolution authorized removal of reserve designations to provide sufficient cash flow. At that time, we anticipated resolution of billing issues with the new E.H.R. within a couple of months. It should be noted that there has been a recent forward momentum in the resolution of the billing error issues and we were issued a payment of \$498,058.40 last week.

The Board is also aware that California Mental Health Plans went through payment reform transition as part of California Advancing and Innovating Medi-Cal (Cal-AIM). This reform changed the way Mental Health Plans are reimbursed for services away from reimbursement of Certified Public Expenditures to a Cost-Based reimbursement methodology. On the technical side, it changed all of the billing codes in the system, further complicating matters. CalMHSA was responsible for completing the transition of billing codes in SmartCare. To date, we continue to have inaccurate information in the billing code and entry side despite our continued advocacy for these issues to be resolved.

County Mental Health Plans have always been required to contribute local funding, typically through our Mental Health Services Act (MHSA) and 2011 Realignment, to match Federal Medicaid dollars in billing claims. In order to receive the Federal Financial Participation (FFP) we must contribute this local share to receive the Medicaid payments for which we are eligible.

Effective July 1st 2023 Counties must participate in an Intergovernmental Transfer (IGT) process instead of a cost reconciliation process through cost reports. The IGT is intended to support County Mental Health and Drug Medi-Cal Plans with ensuring availability of funding, instead of waiting for a cost report process to be completed. Presently, the Department of Health Care Services (DHCS) is only caught up in reconciling cost reports for all Counties through FY 2014-2015.

As you can see in the table below, LCBHS has processed several IGT transfers since the first manual transfer in January, when we were able to submit our first batch of Medicaid billing. The Department of Health Care Services had failed to get the automatic IGT withdrawal process in place and functional until February 2024. There was no notification that automatic withdrawals would commence to maintain our target IGT balance. Thus, we did a manual transfer in the beginning of February and then two weeks later DHCS took out an automatic transfer. We must maintain the target balance of \$503,376 at all times to facilitate the reimbursement process, effectively tying up half a million dollars at any one time.

Presently, LCBHS has the following in IGT:

January 2024 - Manual Transfer	\$172,536.45
February 2024 - Manual Transfer	\$224,018.00
February 2024 - Automatic Withhold	\$259,787.24
Current IGT Balance	\$502,621.37

Target IGT Balance	\$503,376
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LCBHS was not able to submit claims in the new E.H.R. system until December of 2023 due to issues on the E.H.R. vendor side over which LCBHS had no control. Again, we were not the only County in this position. Unfortunately, there continued to be challenges with submitting claims successfully in the system to DHCS since. Presently, LCBHS has:

SMHS Claims Approved	\$2,300,000.00
SMHS Claims Paid to Lake County	\$487,700.00
SMHS Claims Denied (Due to State System Issues)	\$66,700.00
Amount paid to Medi-Cal billable providers (July 1, 2023 - Feb. 29, 2024)	\$8,078,708.17
Total amount currently owed to us by DHCS for Medicaid payments	\$1,812,300

Due to the multifaceted impacts of implementing a new E.H.R. and CalAIM payment reform LCBHS has not received timely reimbursement for Mental Health or Substance Use Disorder services rendered. The biggest impact has been on our mental health program. Despite this pause in Medi-Cal revenue we continued to pay our contracted providers. There are other counties who defaulted on payments to their contracted providers due to issues with revenue this fiscal year due to issues with CalAIM payment reform.

We are requesting two loans to remedy this budgetary shortfall while we continue to process Medi-Cal payments due to us. One loan from the General Fund of \$3,000,000 and one loan from the Department of Social Services' realignment Fund of \$1,000,000 for a total of \$4,000,000. As the table above demonstrates, we are expecting \$1,812,300 in payments for services spanning back to the start of the Fiscal Year. We are also projecting revenue of \$10,295,967.67 through the remainder of the fiscal year which includes Medi-Cal reimbursements, grant funds, Realignment, and MHSA funding. We are working diligently, every day, to remedy this matter. To reiterate, unlike other counties that suspended payments to contracted providers we have continued to ensure continuity of payment and services to our community partners.

In addition to this request, LCBHS plans to complete the following tasks immediately:

- File a complaint with the California Mental Health Services Authority.
- Report this situation and resultant fiscal hardship to the California Behavioral Health Director's Association
- Explore support available from our State Legislative Delegation in resolving this matter.

If not budgeted, fill in the blanks below only:

Estimated Cost: _____ Amount Budgeted: _____ Additional Requested: _____ Future Annual Cost: _____

Purchasing Considerations (check all that apply):

☒ Not applicable

☐ Fully Article X. <https://library.municode.com/ca/lake_county/codes/code_of_ordinances?nodeId=COOR_CH2AD_ARTXPU_S2-38EXCOBI>- and/or Consultant Selection Policy <[http://lcnet.co.lake.ca.us/Assets/Intranet/Policy/Policies+\\$!26+Procedures+Manual/Ch4_2021v2.pdf](http://lcnet.co.lake.ca.us/Assets/Intranet/Policy/Policies+$!26+Procedures+Manual/Ch4_2021v2.pdf)>-Compliant (*describe process undertaken in "Executive Summary"*)

☐ Section 2-38 <https://library.municode.com/ca/lake_county/codes/code_of_ordinances?nodeId=COOR_CH2AD_ARTXPU_S2-38EXCOBI> Exemption from Competitive Bidding (*rationale in "Executive Summary," attach documentation, as needed*)

☐ For Technology Purchases: Vetted and Supported by the Technology Governance Committee <<http://lcnet.co.lake.ca.us/Assets/Intranet/Intranet+Forms/Information+Technology/AdvPlan.pdf>> ("Yes," if checked)

☐ Other (*Please describe in Executive Summary*)

Consistency with Vision 2028 <<http://www.lakecountycalifornia.gov/Government/Directory/Administration/Visioning/Vision2028.htm>>

(check all that apply):

- | | | |
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| ☐ Well-being of Residents | ☒ Not applicable | |
| ☐ Economic Development | ☐ Public Safety | ☐ Disaster Prevention, Preparedness, Recovery |
| ☐ Community Collaboration | ☐ Infrastructure | ☐ County Workforce |
| | ☐ Business Process Efficiency | ☐ Clear Lake |

Recommended Action: Approve General Fund Loan Request of \$3,000,000 and Loan of \$1,000,000 from Department of Social Services Realignment Fund.