



CITY OF

NEWPORT BEACH

City Council Staff Report

July 8, 2025
Agenda Item No. 3

TO: HONORABLE MAYOR AND MEMBERS OF THE CITY COUNCIL

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TITLE: Resolution No. 2025-40: Medi-Cal Managed Care Rate Range Intergovernmental Transfer (IGT) Program for Cost Recovery of Emergency Medical Services for Calendar Year 2024

ABSTRACT:

The California Department of Health Care Services (DHCS) offers local units of government that provide health care services the opportunity to secure additional Medi-Cal revenues by participating in a voluntary Intergovernmental Transfer (IGT) program with its local Medi-Cal managed care plan. To date, the City of Newport Beach has successfully participated in nine transactions to secure a total of \$2,761,445 in increased net revenue. Continued participation in the IGT program allows the City to obtain additional federal funds to offset previously unreimbursed costs for providing Medi-Cal plan members with emergency medical services. Participation in the IGT program is on a year-by-year basis and is now available for the services provided for the period of January 1, 2024 through December 31, 2024.

RECOMMENDATIONS:

- a) Determine this action is exempt from the California Environmental Quality Act (CEQA) pursuant to Sections 15060(c)(2) and 15060(c)(3) of the CEQA Guidelines because this action will not result in a physical change to the environment, directly or indirectly;
- b) Adopt Resolution No. 2025-40, *A Resolution of the City Council of the City of Newport Beach, California, Authorizing Execution Of The Intergovernmental Agreement Regarding Transfer Of Public Funds With The Department Of Health Care Services (DHCS), And The Health Plan-Provider Agreement With CalOptima, To Participate In The Medi-Cal Rate Range Intergovernmental Transfer (IGT) Program;*
- c) Authorize the Mayor and City Clerk to execute the Intergovernmental Agreement Regarding Transfer of Public Funds with the California Department of Health Care Services;
- d) Authorize the Mayor and City Clerk to execute the Health Plan-Provider Agreement Intergovernmental Transfer Rate Range Program Agreement with CalOptima; and
- e) Approve Budget Amendment No. 26-003 appropriating \$164,746 in increased expenditures in account 01040404-821008 (IGT) from the General Fund unappropriated fund balance and increasing revenue estimates related to the Medi-Cal IGT program by \$390,507 in Account No. 01040404-431246.

DISCUSSION:

The City's costs of delivering emergency medical services (EMS) are recovered through user fees established by the City Council. Due to the nature of EMS cost recovery in the healthcare industry, the City has limited control over the actual amount of revenue collected. Adjustments made by various payer sources (i.e., insurance plans, including state and federal insurance programs such as Medi-Cal) mean that the City is not fully reimbursed for EMS services.

Authorized under the Welfare and Institutions Code Sections 14164 and 14301 .4, DHCS implements a Voluntary Rate Range Program related to Medi-Cal managed care capitation rate ranges. The funding amounts under this Medi-Cal Managed Care Rate Range IGT Program consist of the nonfederal share of the difference between the Medi-Cal managed care plan's contracted rates and the top of the plans' actuarially sound rate range, as determined by DHCS. The program offers participating agencies the opportunity to secure additional Medi-Cal revenues that would normally remain uncollected by leveraging their nonfederal local funds. CalOptima is the County Organized Health System created by the Orange County Board of Supervisors in 1993 and serves as the Medi-Cal managed care plan for Orange County. In 2016, beginning with Fiscal Year 2014-15, CalOptima allowed fire departments that provide ambulance transport services the ability to participate in the Medi-Cal Managed Care Rate Range IGT Program.

The program is voluntary and there is no contractual guarantee of the City receiving its initial investment. However, other local California governments participating in the IGT program have previously received their initial investment plus the additional IGT funds for a net revenue increase. The City's history with the program has been successful as reflected in the table below.

Program Year	Transfer Estimate	Funds Transferred	Funds Returned	Net City Revenue Increase	Approx. Rate of Return
FY 2014-15	\$308,504	\$266,191	\$356,554	\$90,363	\$1.34 per \$1
FY 2015-16	\$192,616	\$192,616	\$290,897	\$98,281	\$1.51 per \$1
FY 2016-17	\$267,005	\$267,005	\$383,471	\$116,466	\$1.44 per \$1
FY 2017-18	\$273,017	\$273,083	\$571,081	\$297,998	\$2.09 per \$1
FY 2018-19	\$285,141	\$285,141	\$588,822	\$303,681	\$2.07 per \$1
7/2019-12/2020	\$190,040	\$534,785	\$655,324	\$120,539	\$1.23 per \$1
CY 2021	\$310,177	\$310,177	\$838,207	\$528,030	\$2.70 per \$1
CY 2022	\$419,272	\$447,001	\$1,017,114	\$570,113	\$2.28 per \$1
CY 2023	\$441,584	\$467,563	\$1,103,537	\$635,974	\$2.36 per \$1
Totals:	\$2,687,356	\$3,043,562	\$5,805,007	\$2,761,445	\$1.91 per \$1

While there has been some variation in return estimates versus actuals received over time, more funds have been returned to the City than have been transferred each year.

In Fiscal Year (FY) 2017-18, the federal match rate was expanded to include the optional Medicaid Expansion population, resulting in a higher rate of return than previous years.

Due to the COVID-19 pandemic, the FY 2019-20 reporting period was extended to December 31, 2020 (thereafter moving to a calendar year program), and there was a significant drop in the number of patient transports. CalOptima amended its agreement for Calendar Year 2021 to reduce its share from 50% to 2%, increasing the City's share to 98% of net transaction revenue. For the 2022 and 2023 program years, the City was invoiced for amounts above the original estimates due to remaining amounts calculated by DHCS from the 2021 and 2022 program years, respectively.

Participation in the Medi-Cal Rate Range IGT for the service period of January 2024 through December 2024 provides the City an opportunity to recover up to \$390,507 of unreimbursed costs, as estimated by CalOptima. The reduction in capitation payments is partly based on a tentative increase in eligible agency participation, as well as what DHCS has initially allocated as shares throughout the state for those eligible entities. Final participation and allocations are still pending at this time.

Agreements with both DHCS and Cal Optima must be executed as part of the participation process. The agreement with DHCS outlines the necessary transfer of funds for the service period, including a 20% administrative fee. The agreement with CalOptima details the terms upon which the City is paid the unreimbursed costs for providing transport services to Medi-Cal plan members, plus additional federal funds made available due to participation in the IGT program. A resolution authorizes the Mayor and city manager to execute all agreements and amendments related to participation in the program.

Staff recommends adoption of the resolution and approval of the respective agreements with DHCS and CalOptima. If approved and once the required agreements are in place (the signed agreement with DHCS is due by August 1, 2025), the City will receive a fund transfer request from DHCS. DHCS currently estimates that invoicing for agency IGT amounts will take place in October 2025, with payment due in November 2025.

FISCAL IMPACT:

To participate as a funding entity, the City must transfer \$164,746 in local funds to DHCS, which includes a 20% assessment fee of \$27,458. DHCS will then use the local funds provided to draw down additional federal funds and access the highest allowable Medi-Cal reimbursement rate from the federal government. The City expects to be fully reimbursed for the initial contribution and the 20% assessment fee, as well as receiving up to \$225,761 in new revenue from the IGT-funded federal match, for a total return of \$390,507.

Prior to distribution of the IGT-funded capitation rate increase to the City, CalOptima will retain up to \$4,607 (2% of the estimated net revenue) for community health investments

in Orange County. CalOptima is the only Medi-Cal managed care plan in the state approved to retain IGT funds.

The budget amendment appropriates \$390,507 in additional revenue from DHCS, which is distributed by CalOptima, and \$164,746 in increased expenditure appropriations. The revenue will be posted to the Emergency Medical Services - Medi-Cal IGT account in the Fire Department, 01040404-431246, and the invoice from DHCS will be expensed to the Emergency Medical Services - Medi-Cal IGT account in the Fire Department, 01040404-821008.

ENVIRONMENTAL REVIEW:

Staff recommends the City Council find this action is not subject to the California Environmental Quality Act (CEQA) pursuant to Sections 15060(c)(2) (the activity will not result in a direct or reasonably foreseeable indirect physical change in the environment) and 15060(c)(3) (the activity is not a project as defined in Section 15378) of the CEQA Guidelines, California Code of Regulations, Title 14, Chapter 3, because it has no potential for resulting in physical change to the environment, directly or indirectly.

NOTICING:

The agenda item has been noticed according to the Brown Act (72 hours in advance of the meeting at which the City Council considers the item).

ATTACHMENTS:

Attachment A – Draft Fund Flow Summary
Attachment B – Resolution 2025-40
Attachment C – Agreement with California Department of Health Care Services
Attachment D – Agreement with CalOptima
Attachment E – Budget Amendment No. 26-003