



# COUNTY OF SAN DIEGO

## AGENDA ITEM

### BOARD OF SUPERVISORS

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**DATE:** March 24, 2026

**03**

**TO:** Board of Supervisors

### **SUBJECT**

**SHERIFF - REQUEST APPROVAL TO AUTHORIZE AN AMENDMENT WITH UNITED HEALTHCARE (AMERICHOICE) AND AUTHORIZE A COMPETITIVE SOLICITATION FOR AN ADMINISTRATIVE SERVICES ORGANIZATION (DISTRICTS: ALL)**

### **OVERVIEW**

The San Diego Sheriff's Office (Sheriff's Office) has a need for an Administrative Services Organization (ASO) to support the Medical Services Division and seeks approval to negotiate with United HealthCare Services, Inc. (AmeriChoice) for the management of health care services provided to individuals in custody. The Sheriff's Office contracted medical services provider, NaphCare, currently performs limited administrative functions related to off-site medical care; however, the operational needs of the Sheriff's Office have significantly evolved due to increasing need for hospital care for incarcerated individuals, higher-acuity cases, and the expanded requirements of California Advancing and Innovating Medi-Cal (CalAIM).

The Sheriff's Office is currently facing three significant challenges under the existing contract: (1) administrative and operational capacity is no longer sufficient to manage the increased volume and acuity of off-site hospital care; (2) lack of implementation of CalAIM prerelease Medi-Cal claiming, resulting in potentially missing reimbursement opportunities and compliance risk that will take effect in the future; and (3) off-site medical expenditures are trending toward exceeding NaphCare's annual \$20,600,000 cap, creating substantial unbudgeted fiscal burden for the Sheriff's Office. Therefore, the Sheriff's Office requires an ASO with the expertise and infrastructure to manage off-site medical services, process timely CalAIM billing and claims, and support the Medical Services Division moving forward. Contracting with an ASO, such as AmeriChoice, will also provide the Sheriff's Office with enhanced authority and flexibility to negotiate agreements with hospitals and health care organizations. AmeriChoice's established provider network and contracting expertise will enable the Sheriff's Office to negotiate more favorable rates with hospitals and specialty providers, improving cost control and access to care. This approach aligns with the County's strategic goals of improving health equity and fiscal sustainability by leveraging AmeriChoice's experience to streamline care coordination and reduce off-site medical costs. In addition to reducing expenditures, this approach will enhance fiscal oversight, improve operational control, and ensure continuity of high-quality care for individuals in custody.

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To ensure immediate CalAIM compliance and alignment with countywide Medi-Cal claiming requirements, today's action requests to establish appropriations of \$13,800,000 in the Sheriff's Office, for medical and mental health services for the incarcerated population, to bridge the costs that have exceeded NaphCare's off-site medical cap of \$20,600,000. Today's action also requests to authorize the Director of Purchasing and Contracting to amend the competitively procured administrative service organization contract (#574374) with AmeriChoice, managed by the Health and Human Services Agency (HHS), to include the San Diego Sheriff's Office participation and align with the existing HHS contract term, which ends June 30, 2030, and to amend the contract as required to reflect changes in services and funding allocations subject to the approval of the Sheriff's Office.

In anticipation of future billing opportunities through CalAIM, HHS included an option in this procurement to add a future scope of work for CalAIM billing. Approval of this agreement will ensure continuity of care for individuals in custody, maintain compliance with legal and regulatory mandates, safeguard the County's financial and operational interests, and partially mitigate the excess costs identified in the Fiscal Year 2025-26 Second Quarter Operational Plan Status Report. With the addition of the Sheriff's Office scope of work, HHS's ASO contract is projected to increase by approximately \$25,000,000 annually. It is with the understanding that the Sheriff's Office will assume as the lead Contracting Officer Representative (COR) role moving forward to avoid any operational challenges for HHS. The Sheriff's Office will discontinue the administrative services portion of the NaphCare contract upon transition of ASO services to the HHS contract, eliminating exposure to over-cap charges under NaphCare's \$20,600,000 annual hospital cost cap and annual fixed rate charge of \$19,349,255. When comparing avoided over-cap liabilities and the costs embedded within the current comprehensive medical contract, transitioning these functions to AmeriChoice is expected to result in a net fiscal benefit.

In addition, recognizing the countywide need to maximize efficiencies through a unified ASO model, today's action requests authority for the Director, Department of Purchasing and Contracting to conduct a future countywide competitive solicitation for ASO services on behalf of the County, in coordination with the Sheriff's Office, HHS, and/or the Probation Department and any other department requiring ASO services. This two-phase approach ensures immediate CalAIM readiness through the amendment to the existing HHS contract, while enabling a future competitive process that provides consistent opportunities across County justice-involved and health programs, ensuring long-term alignment, and operational efficiency in how off-site medical services and Medi-Cal claims are administered.

**RECOMMENDATIONS  
SHERIFF**

1. Establish appropriations of \$13,800,000 in the San Diego Sheriff's Office (Sheriff's Office), Other Charges, for medical and mental health services for the incarcerated population, based on Local Revenue Fund 2011, Community Corrections Subaccount. **(4 VOTES)**

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2. Waive Board Policy A-87, Competitive Procurement, and approve and authorize the Director, Department of Purchasing and Contracting, subject to successful negotiations and a determination of a fair and reasonable price, to amend the administrative service organization contract (#574374) with United HealthCare Services, Inc. (AmeriChoice), managed by the Health and Human Services Agency (HHS), to include the Sheriff's Office's participation and align with the existing contract term; and amend the contract as required in order to reflect changes to services and funding allocations, subject to the approval of Sheriff's Office.
3. In accordance with Section 401, Article XXIII of the County Administrative Code, authorize the Director, Department of Purchasing and Contracting, to conduct a future Countywide competitive solicitation at the conclusion of the existing administrative service organization contract (#574374) for administrative services organization services on behalf of the County and upon successful negotiations and determination of a fair and reasonable price, award contracts for a term of one initial year, with four option years, and up to an additional six months if needed, and to amend the contract to reflect changes in program, funding, or service requirements, subject to the availability of funds and the approval of the Sheriff's Office.

**EQUITY IMPACT STATEMENT**

This request for AmeriChoice to act as an administrative services organization (ASO) for the San Diego County Sheriff's Office (Sheriff's Office). Medical Services builds greater health equity for our incarcerated population. The Sheriff's Office prioritizes the health and safety of those in custody and an ASO would streamline and enhance delivery of services, which will improve outcomes and reduce health disparities. Above and beyond the constitutional minimum requirements, jail facilities should reflect the community standard of integrated health care and support incarcerated persons with a holistic approach.

**SUSTAINABILITY IMPACT STATEMENT**

The San Diego County Sheriff's Office is continually creating efficiencies in County of San Diego (County) detention facilities to enhance the level of care, ensure timeliness of delivery, and increase access. This request supports the County's sustainability goal of providing just and equitable access by improving service delivery to those in its custodial care. An administrative services organization (ASO) such as AmeriChoice would be providing essential administration and management of the medical and mental health contracted services which are necessary to the health and well-being of all incarcerated persons. With this amendment, the Sheriff's Office will discontinue payment for the administrative services component currently embedded in the NaphCare contract. These services will transition to AmeriChoice, and the Sheriff's Office will no longer incur over-cap costs above the \$20,600,000 annual threshold under NaphCare's off-site medical structure. This approach maximizes the service delivery to incarcerated persons and better supports reentry to the community upon release. The Sheriff's Office is dedicated to advancing health equity outcomes for incarcerated persons and having an ASO allows timely and effective management and accountability of contracted services.

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**FISCAL IMPACT**

Funds for this request are partially included in the Fiscal Year 2025–26 Operational Plan for the San Diego County Sheriff’s Office (Sheriff’s Office). If approved, this request will result in costs and revenue of \$13,800,000 in Fiscal Year 2025-26. The funding source will be Local Revenue Fund 2011, Community Corrections Subaccount. The requested amendment will increase the overall value of the existing administrative service organization contract (#574374) with United HealthCare Services, Inc. (AmeriChoice), managed by the Health and Human Services Agency, by approximately \$25,000,000 annually from July 1, 2026, thru June 30, 2030, to incorporate the Sheriff’s Office scope of work. The current comprehensive medical services contract with NaphCare includes a fixed annual allocation of \$19,349,255 for off-site hospital and specialty care; under the proposed action, this fixed payment will be discontinued and replaced with an estimated \$25,000,000 annual cost for AmeriChoice to administer and manage off-site medical services and claims. In addition, there is also a cap of \$20,600,000, which once met, any additional off-site medical expenditures become the direct responsibility of the Sheriff’s Office, contributing to the significant liabilities. Those overages will be avoided in the future contract. Future year costs associated with ongoing operational needs and off-site hospital costs and related medical claims, through the remaining contract term with AmeriChoice, will be included in future Operational Plans for the Sheriff’s Office. There will be no additional staff years associated with this action.

**BUSINESS IMPACT STATEMENT**

N/A

**ADVISORY BOARD STATEMENT**

N/A

**BACKGROUND**

The San Diego County Sheriff’s Office (Sheriff’s Office) Medical Services Division provides a full range of on-site and off-site health care services for incarcerated persons. Services are provided through contracted and non-contracted vendors and County of San Diego (County) providers and facilities. In 2022, the Sheriff’s Office moved into one comprehensive medical contract that was competitively awarded to Naphcare. This contract was designed to serve as the Sheriff’s Office single, integrated system for delivering all on-site and off-site medical, mental health, dental, and specialty care for people in custody.

The current contract vendor, NaphCare, is responsible for comprehensive medical services, such as coordinating off-site medical care, facilitating utilization management and coordinating claims submissions. However, significant growth in hospital transports, inpatient stays, and specialty referrals exceeded the administrative capacity built into the NaphCare contract. Additionally, NaphCare has been unable to develop the California Advancing and Innovating Medi-Cal (CalAIM)-compliant claims model required for prerelease Medi-Cal billing.

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As a result to these limitations, off-site hospital expenditures under the NaphCare contract have exceeded the contracted structure. Off-site hospital costs are budgeted at a fixed level in the current agreement with NaphCare. Once the threshold of \$20,600,000 is reached, any costs incurred over that cap are additional costs to the Sheriff's Office. As of the February 2026 invoice, approximately \$17,657,365 in off-site medical costs had been incurred. The Sheriff's Office will owe NaphCare for any costs exceeding the cap for the remaining contract term, from February through May 2026 and for amounts that exceeded the cap in Fiscal Year 2024-25. Based on current utilization patterns, the Sheriff's Office averages approximately between \$3,500,000 to \$4,000,000 per month in off-site hospital expenditures. The combined additional current and prior year costs, estimated at \$17,610,000, were not included in the Sheriff's budget, which will partially be offset by today's recommendation to establish appropriations of \$13,800,000 in the Sheriff's Office Other Charges for medical and mental health services for incarcerated persons, based on Local Revenue Fund 2011, Community Corrections Subaccount.

The over-cap expenditures and other limitations have created a need for a dedicated administrative services organization (ASO) model. An ASO would contribute to this effort by acting as the Sheriff's Office fiscal intermediary, reviewing and adjudicating medical claims and reimbursing contract/non-contract and other outside providers for various health care services rendered to incarcerated persons. The ASO would also perform an array of case management and utilization review services. United HealthCare Services, Inc. (AmeriChoice) has successfully partnered with the County for over 30 years as an ASO, providing operational stability and expertise in managing complex health care needs for vulnerable populations, including those in custody. The County of San Diego Health and Human Services Agency (HHSA) has a current contract with AmeriChoice awarded through a competitive procurement process. The Sheriff's Office previously contracted with AmeriChoice from 2002 to 2022 but transitioned to NaphCare as its ASO starting in June of 2022 to consolidate as many services as possible into a comprehensive health care delivery contract. However, with the rollout of California Advancing and Innovating Medi-Cal (CalAIM) and increased hospital activity, the need for specialized administrative infrastructure has intensified.

CalAIM requires counties to submit claims for pre-release services up to 90 days before an individual's release. Linking incarcerated individuals to CalAIM during the 90 days prior-to-release provides access to comprehensive reentry support, including physical and behavioral health services, housing navigation, medically tailored meals, personal care, and other community-based supports. These services improve continuity of care, reduce recidivism risk, and support a safer transition back into the community. The current comprehensive vendor does not perform these functions and has been unable to build a CalAIM-compliant billing model. This has resulted in lost reimbursement opportunities and increased operational and compliance risk. With the option to add a statement of work for CalAIM billing, AmeriChoice would be able to perform CalAIM and Medi-Cal County Inmate Program (MCIP) billing without extensive onboarding.

By leveraging AmeriChoice's established network and expertise, the Sheriff's Office can achieve greater cost efficiency for off-site medical services compared to the current contract, including:

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- Provider network development and oversight, ensuring access to quality care through the procurement of health care service contracts within the community to ensure access to off-site, outpatient specialty care services, and inpatient services at hospitals, which is critical to maintaining continuity of care for individuals in custody.
- Claims processing and provider reimbursement for inpatient and outpatient medical care, such as claims adjudication, payment processing, and financial analysis and management.
- Eligibility verification and enrollment coordination to ensure services are medically necessary and cost-effective.
- Grievance and appeals administration, utilization management, care coordination, and compliance with HIPAA and other regulatory standards.
- Management Information System (MIS) operations, including secure data management, reporting, and integration with County systems.
- CalAIM billing and coordination, ensuring proper alignment with CalAIM requirements for reimbursement and reporting.

On September 23, 2003 (8), the Board approved to conduct a competitive solicitation for contracted services to continue administrative services for County Medical Services (CMS) and other County health programs, and to authorize negotiations to extend the AmeriChoice contract for up to 12 months if needed. This was because at the time the County didn't own or operate any acute care hospitals or clinics and didn't have the medical personnel necessary to provide or manage physical health services for approximately 20,000 medically indigent and low-income adults. It was determined that the cost to the County of obtaining health care facilities and staffing these facilities as well as managing the operation of CMS would exceed the cost of contracting for such services, which were already available in the health care community.

On May 24, 2011 (12), the Board authorized the Director, Purchasing and Contracting to enter into negotiations with AmeriChoice to extend Contract 507645 through December 31, 2016, and up to six additional months if needed, coinciding with the passage of the Affordable Care Act in 2010. The California Department of Health Care Services was able to implement a provision of federal law to allow for the claiming of Medicaid funds for inpatient services provided to Medicaid-eligible incarcerated persons when those services are provided at a medical facility located off the grounds of the correctional facility for a stay of more than 24-hours.

On March 17, 2017 (2), the Board approved the request to authorize the Director of the Department of Purchasing and Contracting to extend Contract 507645 with AmeriChoice for five additional years, with a six-month option, if necessary, to provide administrative services to support the Sheriff's Office and HHSa health care programs.

On August 4, 2020 (1), the Board of Supervisors approved and authorized the Sheriff's Office's request to issue a competitive solicitation for health care services. On April 26, 2022, the County awarded the consolidated health care delivery contract to Naphcare, Inc. (Contract #566117).

On November 15, 2022 (8), the Board approved an extension of the AmeriChoice contract for one year with one option year and up to six months if needed to allow HHSa to evaluate its current

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and future needs to better inform a new scope(s) of work for ASO services, and authorized issuance of a competitive solicitation for those services and to award a new contract, subject to successful negotiations and determination of fair and reasonable pricing. HHSa competitively procured the current Countywide ASO contract (#574374) through RFP 1493, awarded September 3, 2025, with an initial term through June 30, 2026, and four option years extending through June 30, 2030.

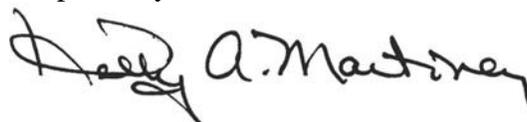
Today's action requests to establish appropriations of \$13,800,000 in the Sheriff's Office, for medical and mental health services for the incarcerated population, to bridge the costs that have exceeded NaphCare's off-site medical cap of \$20,600,000. Today's action also requests authorization for the Director of Purchasing and Contracting to amend administrative service organization contract (#574374) with AmeriChoice, managed by the HHSa, to include the Sheriff's Office participation and align with the existing contract; and amend the contracts as required in order to reflect changes to services and funding allocations, subject to the approval of the Sheriff's Office. To ensure consistency across County programs and avoid duplicative claiming structures, the Sheriff's Office will join the existing Countywide AmeriChoice contract through amendment with the understanding that the Sheriff's Office will assume as the lead Contracting Officer Representative (COR) role moving forward to avoid any operational challenges that HHSa may incur. Following this immediate amendment, the Director, Department of Purchasing and Contracting, will conduct a Countywide competitive solicitation for long-term ASO services.

In general, the Sheriff's Office is undertaking a phased disentanglement of service lines from NaphCare through May 31, 2027, making it essential that a capable ASO be in place during this transition to ensure uninterrupted claims processing, utilization management, and reimbursement capture. Given the already established procedures and protocols already in place with the HHSa-managed ASO contract, amending the Sheriff's Office into the contract ensures unified Medi-Cal claiming structures and consistent administrative support across County programs.

**LINKAGE TO THE COUNTY OF SAN DIEGO STRATEGIC PLAN**

Today's board actions advance the Equity and Justice Strategic Initiatives in the County of San Diego's 2026-2031 Strategic Plan by taking steps to increase the overall well-being of individuals who are currently in custody in San Diego County detention facilities and ensuring we have modern facilities to deliver quality care, reduce recidivism, and improve public safety. In addition, this action also supports the Sustainability Strategic Initiative by aligning the County's available resources with services to maintain fiscal stability and ensure long-term solvency.

Respectfully submitted,



KELLY A. MARTINEZ  
Sheriff

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**ATTACHMENT(S)**

N/A