

MEMORANDUM

TO: All Social Care Network Lead Entities

FROM: New York State Department of Health's Office of Health Insurance Programs (OHIP)

DATE: August 2025

RE: Capacity-building funds

Purpose of community-based organization (CBO) capacity-building funds

To best address the needs of underserved and hard-to-reach populations and ensure choice for members, OHIP expects that Social Care Networks (SCNs) will include a wide variety of organizations within each region that serve Medicaid members. OHIP expects SCN Lead Entities (LEs) to support capacity building for CBOs within the network through the distribution of CBO capacity-building funds. Distribution of capacity-building funds is a critical enabler of overall SCN program success and member access to health-related social need (HRSN) services. These funds build the capacity of CBOs to provide high-quality and member-centric HRSN services and establish financially and operationally sustainable, self-innovating ecosystems that will continue to deliver services after the end of the NYHER 1115 Waiver amendment period. Direct funds to CBOs are 30% of the infrastructure budget. SCN LEs are encouraged to think expansively about how capacity-building funds can be used to equip other organizations to serve the needs of members, taking into account factors such as population needs and individual CBO desire and capacity to expand services.

Eligibility

CBO capacity-building funds may only be distributed by SCN LEs to not-for-profit 501(c)(3) or 501(c)(4) charitable organizations that work at the local level to meet community needs and provide HRSN services to members.

Health systems or other health care providers as defined in the [SCN Operations Manual](#), clinics, behavioral health clinics, federally qualified health centers (FQHCs), MCOs, local departments of health, and for-profit entities are NOT eligible for CBO capacity-building

funds. However, Health Homes run through FQHCs, behavioral health clinics, and health systems are eligible for CBO capacity-building funds as long as the Health Home meets the eligibility criteria outlined below:

The Health Home, Care Management agency, or Care Coordination Agency, has 501(c)(3) or 501(c)(4) status; and either:

- a. They have a separate line of business that will provide HRSN Services which is operated in a separate division or unit from the portion of the business that is billing for Health Home Services; the line of business providing HRSN services must have separate books and records, staff, and management from the Health Homes business or are contracted with a SCN to receive referrals outside of the Health Home Members from the SCN; **or**
- b. Health Homes and CCOs may receive capacity-building funds to hire, onboard, provide equipment to, and train full or part-time staff (Social Care Navigators) if they provide screening, navigation and enhanced care management to Health Home/CCO members and non-Health Home members referred from the SCN that meet the enhanced (level 2) member criteria.

Allowable uses

Use of capacity building funds are direct investments in CBOs to support the delivery of HRSN waiver services. Allowable uses include:

- **Workforce:** Hire staff members to screen, assess, navigate, deliver HRSN services, and/or perform SCN related administrative functions. Some SCN LEs have partnered with other CBOs or subcontractors to use this funding to bring in temporary staff that support navigation and service delivery while a more permanent workforce is being recruited and trained
- **Process improvement and network development:** SCN LEs are encouraged to consider how capacity building dollars can be deployed to fund staff time in support of process improvement, network development, member outreach, and partnership building activities
- **Infrastructure:** Enhance program functionality through the purchase of equipment, renting office space, or innovating in select services (e.g., providing food items outside the normal scope of a nutrition provider such as meats for food prescription boxes)
- **Training:** Provide upfront and ongoing training and technical assistance. Pay for staff time attending SCN trainings
- **Performance payments:** Provide performance payments for CBOs that hit specific SCN set milestones

If the CBO does not use provided capacity-building dollars for intended use as specified by the SCN LE, funds can be recouped. Unused funds may also be recouped. These terms and conditions should be outlined in agreements between SCN LEs and CBOs / HRSN service providers.

CBOs are allowed to receive both payments for services and capacity dollars. Capacity dollars should not cease immediately when a CBO begins to receive reimbursements as they need both funds to build sustainable capacity. Capacity funds are typically awarded for an 8–12-month time period.

Expectations for CBOs seeking to braid funding

New York State encourages HRSN service providers to use multiple funding sources to holistically address member needs. Braided funding consists of multiple funding sources that are initially separate but brought together by an organization to build capacity and fund initiatives, then pulled back apart to report to funders on how the money was spent. In the context of capacity-building funds, CBOs must ensure that the funds administered are for the purpose of supplementing existing activities and never used to supplant funds for activities that were previously covered by other federal, state, or local funding. The scenario below shows an example of supplanting (replacing), which is not allowed.

Supplanting Example: Organization X was awarded capacity funds to purchase four iPads needed to support SCN screenings in an area with a high concentration of enhanced population Medicaid members. Organization X adjusted its budget (originally allocated to pay for four iPads using local funds) and shifted the funding to support purchase of other infrastructure unrelated to its administration of SCN screenings, assessments, and/or services. This scenario is supplanting because Organization X had already budgeted local funds to purchase the four iPads and decided to replace local funds with federal funds.

To avoid replacing existing funding (also called “supplanting”), CBOs receiving capacity funds must understand the difference between adding to existing resources and replacing them. SCN LEs should instruct CBOs to:

- **Keep capacity-building funds separate and track their use.** Track SCN capacity-building funds separately from other funding received (e.g., state, local, and federal funds). Do not mix them together in one budget line and be ready to show proof that funding streams are being kept separately. This may include budget sheets, meeting minutes, or any other official documents.

- **Do not use the funds to cover existing staff.** Never use capacity-building funds to pay for current employees, unless hiring someone new to take over a current employee’s old duties
- **Do not “double dip”.** If state, local, or federal funds are already meant to pay for something, you cannot switch and use capacity-building funds to cover that same cost
- **When unsure, ask.** Bring questions regarding appropriate use of funds to SCN LEs

OHIP is committed to removing unnecessary barriers to the efficient use of capacity funds and will work with SCN LEs and CBOs as needed to ensure a smooth process.

Required Documentation

CBOs receiving capacity building funds from SCN LEs must keep receipts, records and other financial documents related to the funding for the balance of each calendar year in which they were made and for six additional years thereafter. SCN LEs are expected to report components of their CBO capacity building in the Infrastructure Cost Report¹.

Best practices for SCN LEs to increase uptake and efficient use of capacity-building funds

To maximize the impact of this funding, SCN LEs are encouraged to:

Best practice	Example activities to support
<p>Proactively outreach to target populations to increase uptake</p>	<ul style="list-style-type: none"> • Assess geographic and service area needs (e.g., via readiness assessments) to identify and fill gaps in capacity across the HRSN network for screening and navigation, nutrition, housing, and transportation (e.g., map hot spots where the majority of members reside or where there are high concentrations of unmet HRSNs) • Invest in personalized outreach to CBOs that can fill identified gaps in priority geographic or service areas (e.g., enhanced care management, asthma remediation, home modifications) and invite them to apply for funding to strategically build capacity

¹Infrastructure Cost Report components include: CBO Name, full address, FEIN, NPI (if available), available budget as greater than or less than \$5M, primary points of contact, name, title, email, phone #, status of capacity building contract, HRSN services provided (E.g., Care Management, Housing, Nutrition, and/or Transportation), Uses of Capacity Building Funds (e.g., Hiring Staff, Providing Training, Purchasing Equipment, Renting Office Space), annual awarded amount, and by quarter amounts allocated to the CBO

<p>Simplify the CBO capacity-building funds application process</p>	<ul style="list-style-type: none"> ● Use streamlined, simplified language for the application – harnessing the CBO capacity funding application template shared by OHIP <ul style="list-style-type: none"> ○ If not using the standardized template, consider limiting narrative sections (e.g., “Describe your capacity-building goals in 300 words or less”) ● Additional example best practices include: <ul style="list-style-type: none"> ○ Providing optional office hours or technical assistance webinars ○ If an application is not approved, clarifying why (e.g., communicate steps the CBO applicant would need to take to be eligible for funding) and encouraging resubmission
<p>Minimize budgeting burden on CBOs</p>	<ul style="list-style-type: none"> ● Offer a budget template that auto-calculates totals or has examples built in ● Allow budget adjustments post-award with minimal paperwork (e.g., reallocation of up to 10% of awarded funds without formal approval)
<p>Provide technical assistance and coaching to CBOs</p>	<ul style="list-style-type: none"> ● Pair each CBO with a capacity-building coach ● Offer optional learning collaboratives on topics like compliance and financial management ● Assist CBOs with calculating how the referral volume and rate will sustain staffing and overhead
<p>Offer advance payments or payment flexibility to CBOs wherever possible</p>	<ul style="list-style-type: none"> ● Provide upfront funds to cover time related to training, equipment, and start-up expenses ● Allow up to 12 months of salary and fringe for FTEs dedicated to the SCN HRSN services as the volume of service payments ramps up ● Provide funding for a longer duration or disburse funds frequently to mitigate cash flow challenges and ensure that cash flow is sufficient to meet capacity-building goals ● Avoid requiring detailed receipts unless there are red flags ● Reduce administrative burden by using electronic fund transfer or direct deposit in lieu of paper checks