California Opioid Settlements 101

CALIFORNIA DEPARTMENT OF HEALTH CARE SERVICES

August 2026

Housekeeping

- If you have a technical question, please send a direct message to Audrey Richardson-Salinas from Aurrera Health Group.
- Questions can be submitted at any time via the Q&A feature on your Zoom control panel.
- Today’s materials will be available following the meeting.

Agenda

- Background on California's Opioid Settlement & Bankruptcy Agreements
- Governing Documents
- Allowable Uses of Funds
- DHCS Reporting Requirements
- Resources
- Q&A

Disclaimer

- This presentation includes a summary of the National Opioid Settlement Agreements, California State-Subdivision Agreements, National Opioid Bankruptcy Agreements, and the California Statewide Abatement Agreement. In the event of any discrepancies, the settlement and bankruptcy agreements, the California State-Subdivision Agreements, the California Statewide Abatement Agreement, and related court orders supersede this presentation.

Background on California's Opioid Settlement & Bankruptcy Agreements

DHCS

California Opioid Settlements Overview

- During the course of the opioid epidemic, state, local, and tribal governments brought lawsuits against pharmaceutical and drug distribution companies to remediate effects of the opioid crisis.
- In 2021, initial payments from a series of global settlements and bankruptcies were distributed across the nation.

Opioid Settlements Oversight Entity

- The Department of Health Care Services (DHCS) oversight responsibilities include:
  - Monitoring cities and counties for compliance
  - Designating additional high-impact abatement activities
  - Conducting related stakeholder engagement
  - Preparing annual reports
- DHCS does not make payments to cities and counties. All payments come from BrownGreer PLC (settlements) or NOAT II (Mallinckrodt Bankruptcy).

Frequently Asked Question

Which settlements and bankruptcies have been finalized in California?

How much money has California received to date from opioid settlements and bankruptcies?

Agreements and DHCS Oversight

Full Oversight

- Allergan
- CVS
- Distributors
- Janssen
- Kroger
- Mallinckrodt*
- McKinsey (*states-only*)
- Publicis (*states-only*)
- Teva
- Walgreens
- Walmart

Partial Oversight

- **Endo*** (*only payments made to the state*)

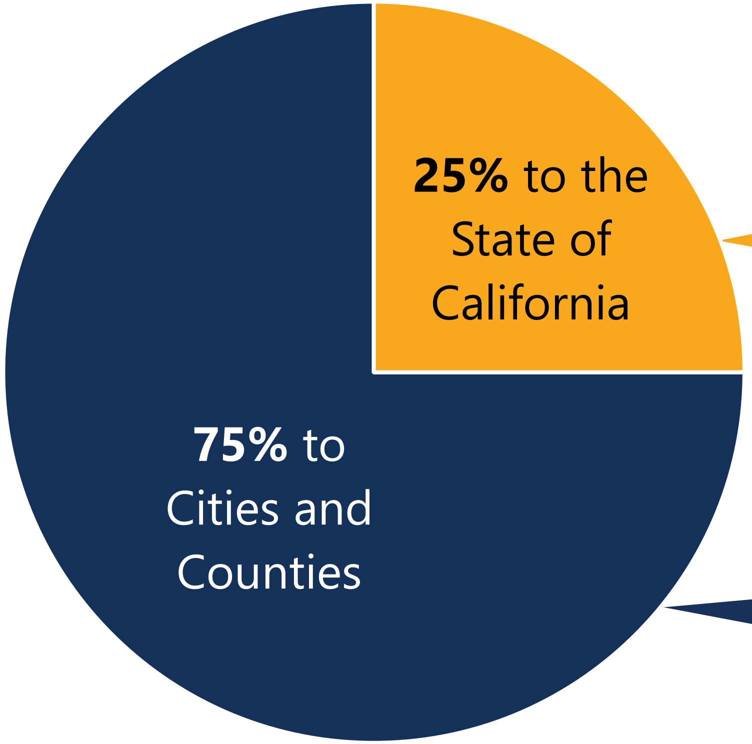
No Oversight

- **McKinsey** (*class action settlement*)

* *Mallinckrodt and Endo are bankruptcies.*

Total California Payments

As of August 2026, California has received over **$1.5 billion** from the opioid settlements and bankruptcy.



Over **$404 million** paid directly to the State of California

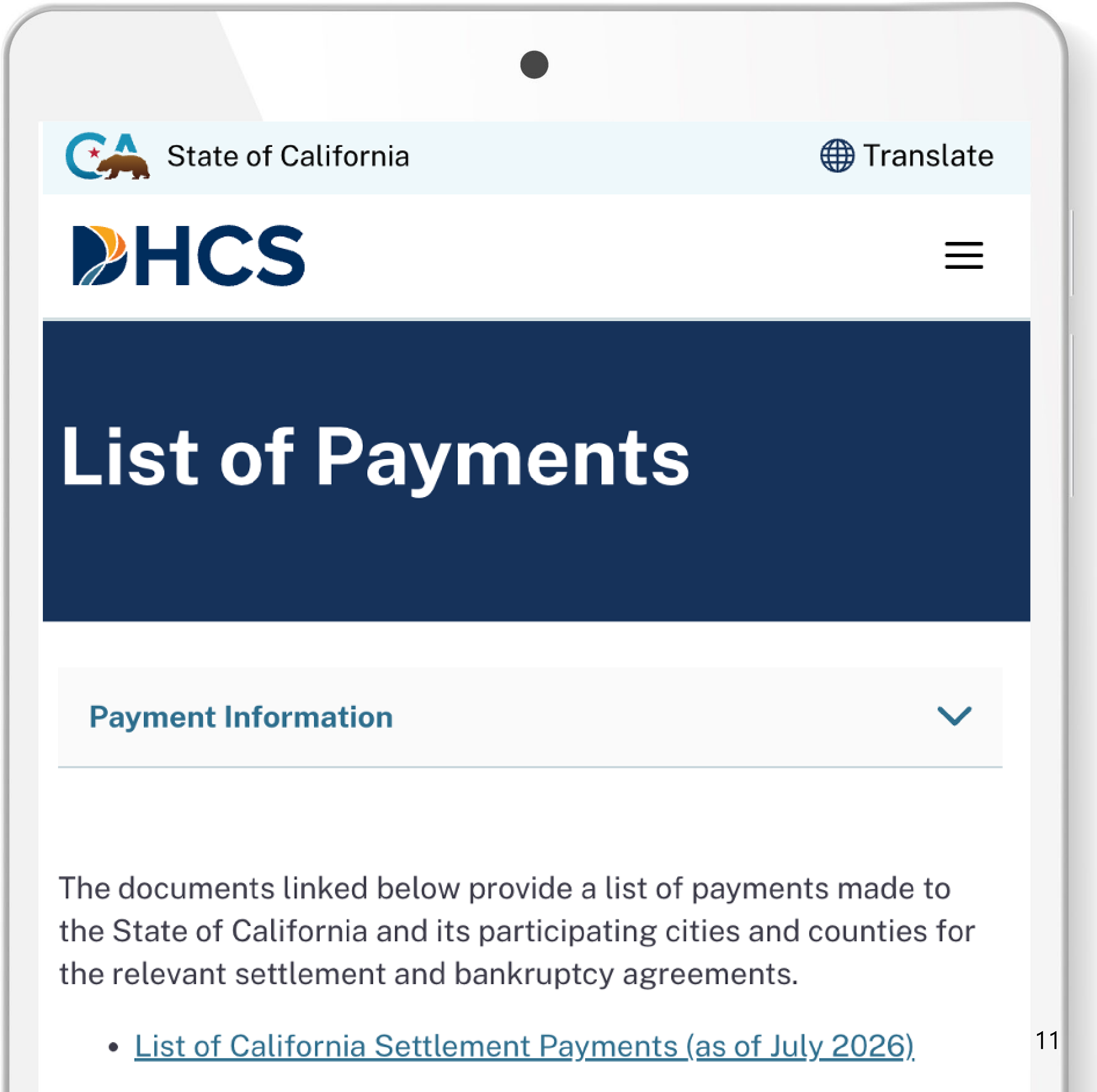
Over **$1.1 billion** paid directly to cities and counties

**Amounts include city and county Special Master Award payments, State Cost Fund payments, and McKinsey payments made to the state; does not include the Remnant settlement or McKinsey payments made to cities and counties.*

Website Navigation: Payment Information

» Looking for more information about local distributions and future payments?

- Visit the Payment Information tab on the DHCS Opioid Settlements webpage
- BrownGreer PLC published a resource detailing future settlement payments. Their website is also linked.



Governing Documents for the Opioid Settlements:
State-Subdivision Agreements

California and the State-Subdivision Agreements

- As national agreements were finalized, states and their subdivisions had the ability to structure **settlement allocations** according to their preferences

- California and counsel representing a group of cities and counties reached an **agreement** to further define **allocations** and **payment uses**

- These agreements, referred to as the **State-Subdivision Agreements** (SSA), govern opioid settlement allocations and expenditures. The SSAs are formally accepted through the **sign-on process**.

Definition of Participating and Plaintiff Subdivisions

- **CA Participating Subdivision**: A Participating Subdivision that is also (a) a Plaintiff Subdivision and/or (b) a Primary Subdivision with a population equal to or greater than 10,000. Eligible CA Participating Subdivisions are those California subdivisions listed in Exhibit C (excluding Litigation Special Districts) and/or Exhibit I to the Distributor Settlement Agreement.*
- **Plaintiff Subdivision**: A Subdivision located in California, other than a Litigating Special District, that filed a lawsuit, on behalf of the Subdivision and/or through an official act of the Subdivision on behalf of the People of the State of California, against one or more Opioid Defendants prior to October 1, 2020.
    - Plaintiff Subdivisions are still considered Participating Subdivisions.

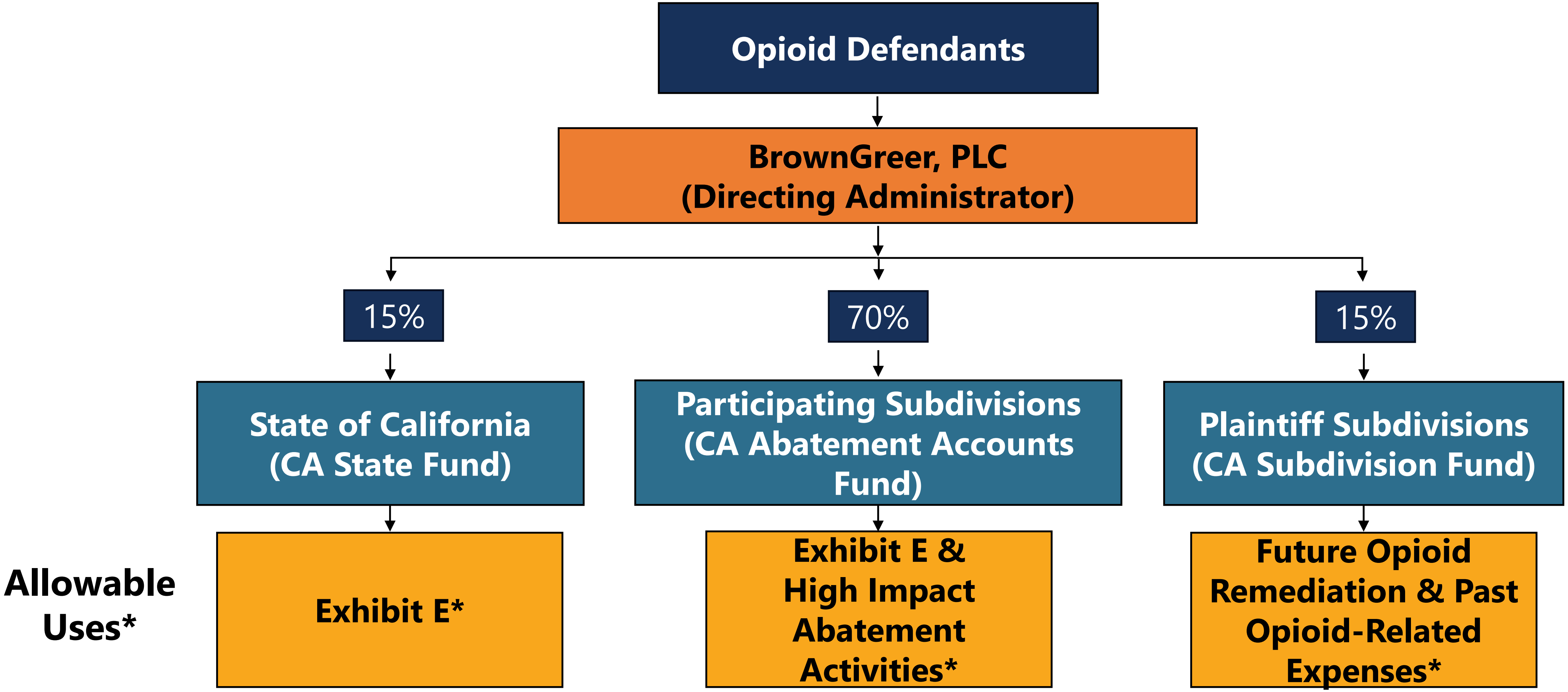
**This definition is from the California State-Subdivision Agreements for the Janssen and Distributors Settlements.*

Frequently Asked Questions

How much is allocated to cities & counties vs. the state?

Can we use funds for administrative expenses?

Distribution of Funds



Opioid Settlements Allow for Administrative Costs

- The National Opioid Settlement Agreements note that allowable expenditures may include “reasonable related administrative expenses.”
- The DHCS’ Reasonable Administrative Cost Policy for the CA Abatement Accounts Fund further defines this, allowing **ten percent (10%)** of the total amount allocated to the Opioid Remediation activity/program.
- While the CA Subdivision Fund does not have a specific administrative cost policy, Plaintiff Subdivisions are encouraged to adhere to the policies listed in the DHCS’ Reasonable Administrative Cost Policy.

Additional Expenditure Requirements: CA Abatement Accounts Fund

» Pursuant to DHCS' BHIN 26-010, Reasonable Administrative Costs Policy, and/or the SSAs:

Requirement	Policy
Reasonable and Related Administrative Costs	Total indirect costs **shall not exceed** ten (10) percent of the total amount allocated to the activity/program*
Interest-Bearing Accounts	Interest earned **shall** be used for allowable **Opioid Remediation** activities and reported annually to DHCS
Expenditure Timeframes	Funds **shall** be encumbered or expended within **five (5) years** or **seven (7) years** for capital outlay projects
High Impact Abatement Activity (HIAA)	**No less than 50%** of funds received in each calendar year **shall** be used on one or more HIAA

** Indirect costs in excess of ten percent are presumed unreasonable but may be allowed with proper supporting documentation pursuant to DHCS' Reasonable Administrative Costs Policy.*

Additional Expenditure Requirements: CA Subdivision Fund

» Pursuant to DHCS' BHIN 26-010, Reasonable Administrative Costs Policy, and/or the SSAs:

Requirement	Policy
Reasonable and Related Administrative Costs	Total indirect costs **should not exceed** ten (10) percent of the total amount allocated to the activity/program
Interest-Bearing Accounts	Interest earned **shall** be used for allowable **Opioid Remediation** activities and reported annually to DHCS
Expenditure Timeframes	No imposed expenditure timeframes per the SSAs
Past Opioid-Related Expenses	Funds **may** be used to reimburse **past opioid-related expenses**, which may include litigation fees and expenses

Settlements With This Structure

- The following settlements adhere to the State-Subdivision Agreement 15/70/15 allocation structure and expenditure requirements:

Settlements	
» Allergan	» Kroger
» CVS	» Teva
» Distributor	» Walgreens
» Janssen	» Walmart

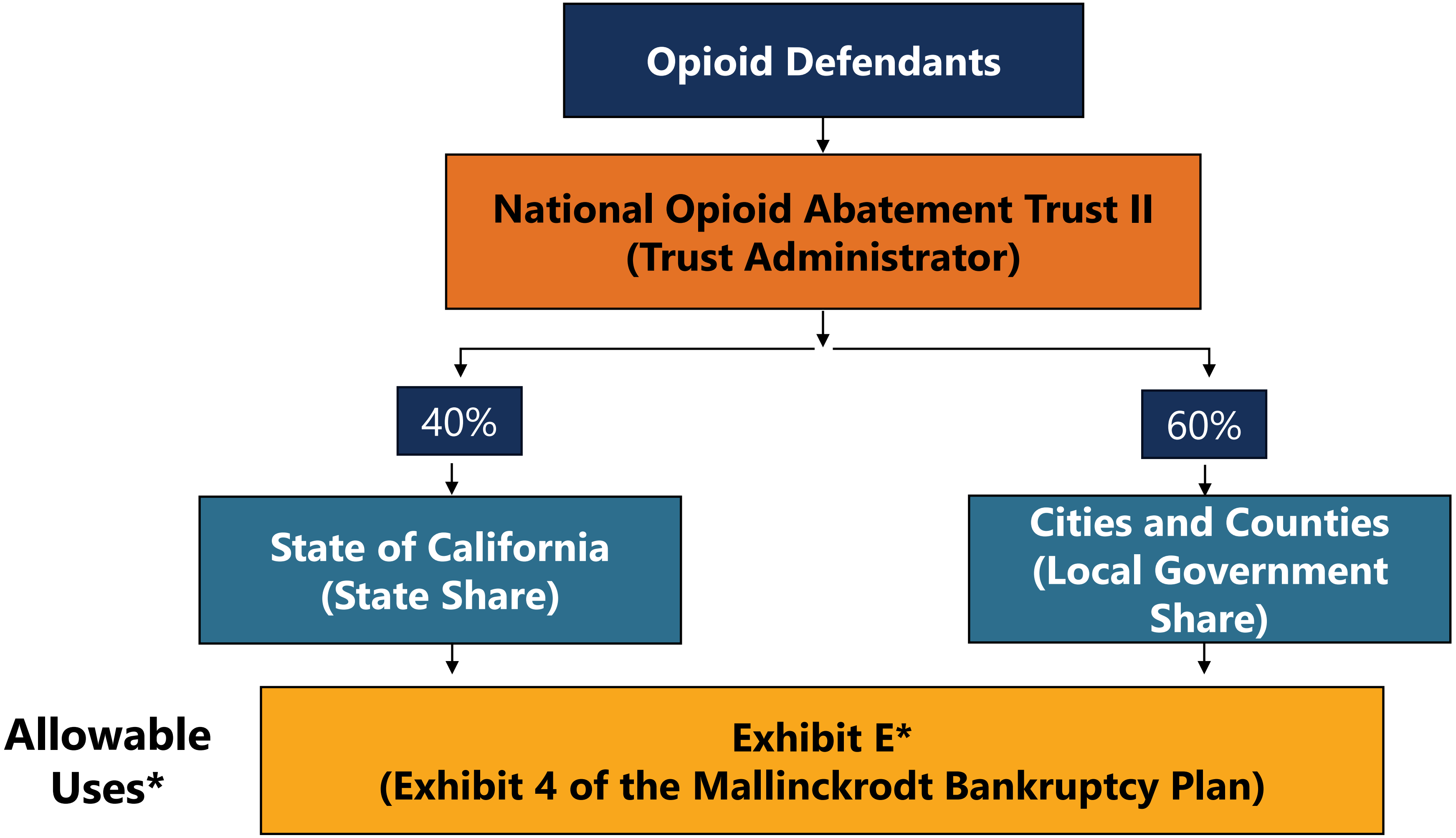
Governing Documents for the Opioid Bankruptcies: Statewide Abatement Agreement

California and the Statewide Abatement Agreement

- Individual payments were connected to elections made by a city or county in the **National Distributors Settlement**
- If a **city did not elect direct payment** in the National Distributors Settlement, funds were distributed to that city's county
- Payments were made from the National Opioid Abatement Trust (NOAT) II, and no additional payments are expected

- California and counsel representing cities and counties also reached an agreement to further define local allocations, distributions, and uses of payments from the **Mallinckrodt Bankruptcy**.
- This agreement is referred to as the Statewide Abatement Agreement.

Distribution of Funds



Administrative Costs

» Local Governments may use a portion of their Mallinckrodt funds to pay for reasonable related administrative expenses.

- Indirect costs must not exceed five percent (5%) of the total allocation, as outlined in the California Mallinckrodt Statewide Abatement Agreement.

Additional Expenditure Requirements: Local Government Share Funds

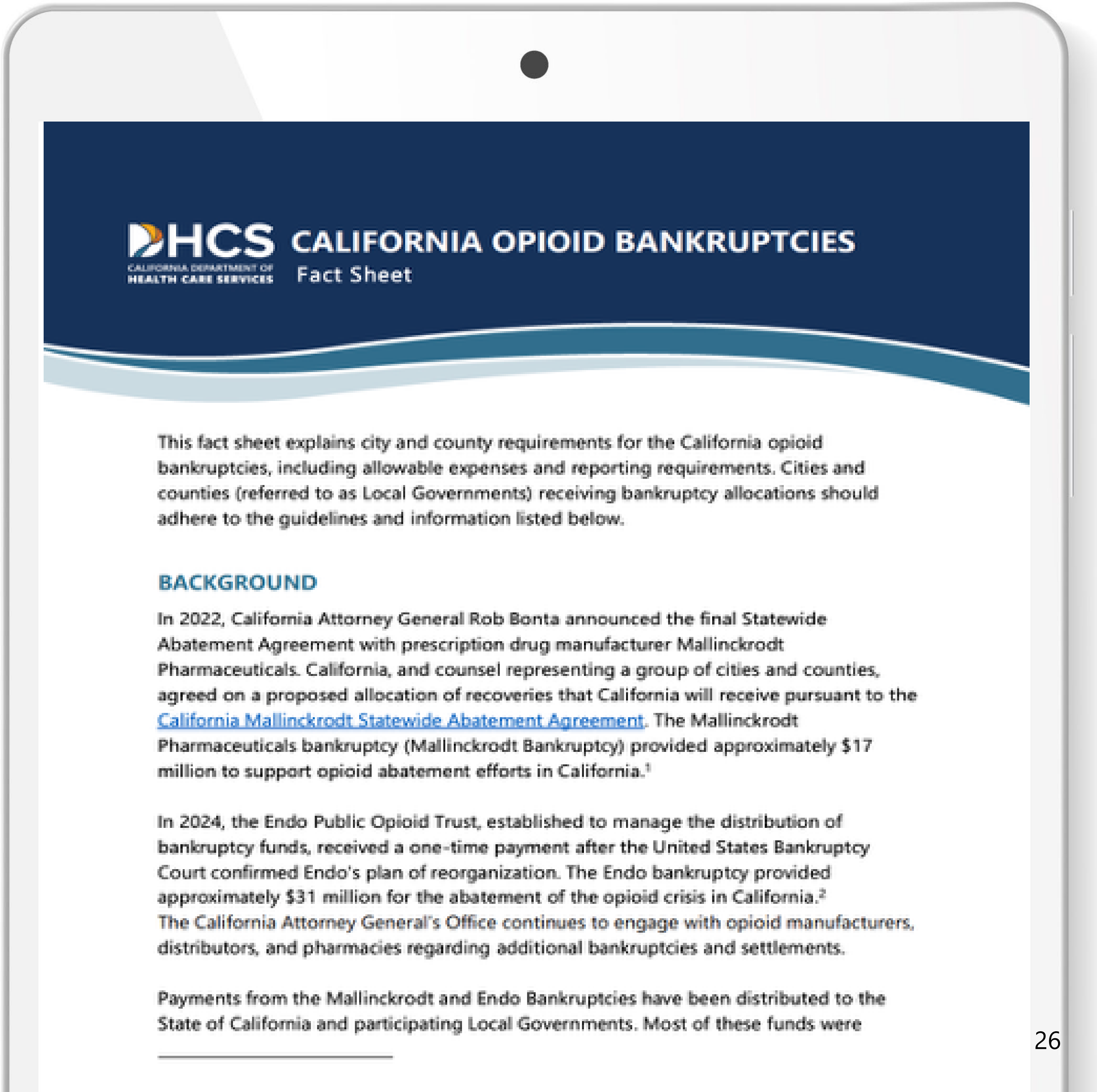
» Pursuant to DHCS' Opioid Bankruptcies Fact Sheet and/or the Statewide Abatement Agreement:

Requirement	Policy
Reasonable and Related Administrative Costs	Total indirect costs **shall not exceed** five (5) percent of the total allocation
Interest-Bearing Accounts	Interest earned **shall** be used for allowable **Opioid Remediation** activities
Expenditure Timeframes	Funds **should** follow similar expenditure time frames as the settlements and be used **before other funds** to reduce reporting burden
Allowable Expenditures	Funds **shall** be used on activities that are aligned with those in **Exhibit 4**[*]

**Exhibit 4 to the Statewide Abatement Agreement is identical to Exhibit E of the National Settlement Agreements.*

Website Navigation: Resources and Technical Assistance

» Looking for more information about the Mallinckrodt Bankruptcy?
- Visit the Resources and Technical Assistance tab on the DHCS Opioid Settlements webpage
- The California Opioid Bankruptcies Fact Sheet is available on the DHCS website.



DHCS CALIFORNIA DEPARTMENT OF HEALTH CARE SERVICES

CALIFORNIA OPIOID BANKRUPTCIES

Fact Sheet

This fact sheet explains city and county requirements for the California opioid bankruptcies, including allowable expenses and reporting requirements. Cities and counties (referred to as Local Governments) receiving bankruptcy allocations should adhere to the guidelines and information listed below.

BACKGROUND

In 2022, California Attorney General Rob Bonta announced the final Statewide Abatement Agreement with prescription drug manufacturer Mallinckrodt Pharmaceuticals. California, and counsel representing a group of cities and counties, agreed on a proposed allocation of recoveries that California will receive pursuant to the California Mallinckrodt Statewide Abatement Agreement. The Mallinckrodt Pharmaceuticals bankruptcy (Mallinckrodt Bankruptcy) provided approximately $17 million to support opioid abatement efforts in California.[1]

In 2024, the Endo Public Opioid Trust, established to manage the distribution of bankruptcy funds, received a one-time payment after the United States Bankruptcy Court confirmed Endo's plan of reorganization. The Endo bankruptcy provided approximately $31 million for the abatement of the opioid crisis in California.[2] The California Attorney General's Office continues to engage with opioid manufacturers, distributors, and pharmacies regarding additional bankruptcies and settlements.

Payments from the Mallinckrodt and Endo Bankruptcies have been distributed to the State of California and participating Local Governments. Most of these funds were

Allowable Uses of Funds

Frequently Asked Questions

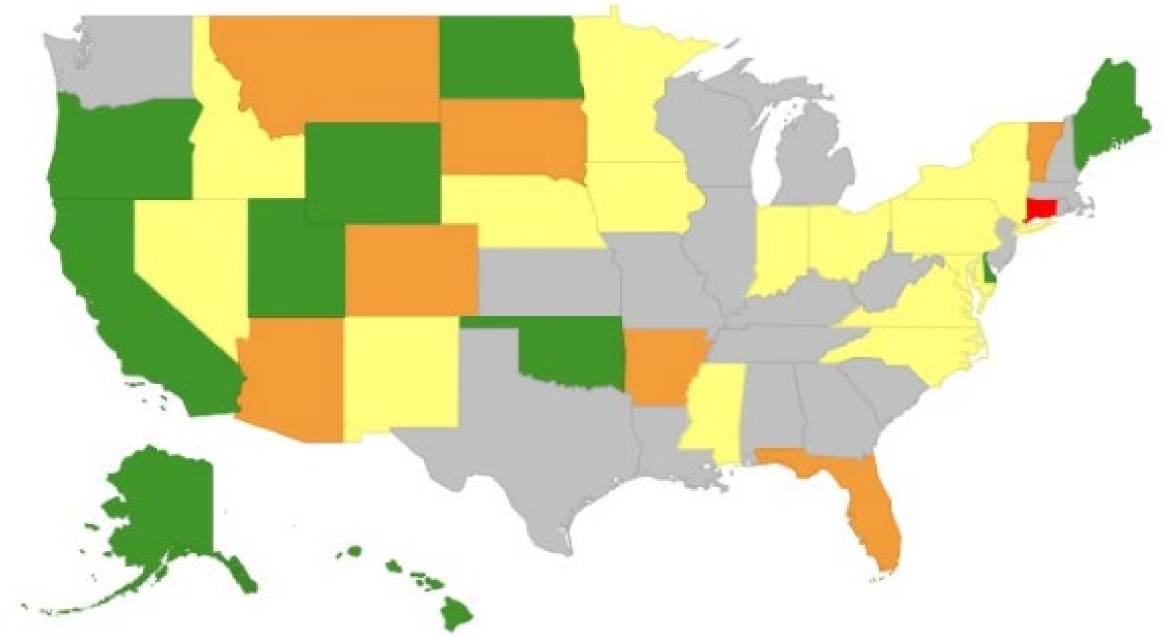
Are there requirements for how cities and counties can spend these funds?

What is a High Impact Abatement Activity?

What happens if a city or county expends funds on an unallowable activity?

Big Tobacco Settlement Lessons

- Critics of the 1990s Tobacco Master Settlement Agreement note that while states continue to collect billions of dollars from the tobacco settlements, only a small fraction of those funds are spent on smoking prevention and cessation programs.
- Report available at: https://www.tobaccofreekids.org/what-we-do/us/statereport.



States that are meeting CDC recommendation on tobacco prevention programs.

States that are spending 50% - 99.9% of CDC recommendation on tobacco prevention programs.

States that are spending 25% - 49.9% of CDC recommendation on tobacco prevention programs.

States that are spending 10% - 24.9% of CDC recommendation on tobacco prevention programs.

States that are spending less than 10% of CDC recommendation on tobacco prevention programs.

States that have allocated no state funds for tobacco prevention programs.

Approved Uses Defined in the Agreements

» Unlike the Big Tobacco settlements of the 1990's, the National Opioid Settlement Agreements require funds to be used for Opioid Remediation. The agreements clearly define allowable uses of these funds. Opioid Remediation is defined as the care, treatment, and other programs and expenditures designed to:

Address the misuse and abuse of opioid products	Treat or mitigate opioid use or related disorders	Mitigate other alleged effects of, including on those injured as a result of, the opioid epidemic

CA Abatement Accounts Fund Allowable Expenditures

» Opioid Remediation uses are listed in Exhibit E of the National Settlement Agreements.

» Although each settlement or bankruptcy may refer to this list (Exhibit E) differently, they all reference the same list of approved Opioid Remediation activities.

Exhibit E	
Schedule A (Core Strategies)	Schedule B (Approved Uses)
Targeted list of core strategies that should be prioritized	Comprehensive list of eligible Opioid Remediation activities

*For a list of allowable activities, please refer to the Allowable Expenditures Resource.

California's High Impact Abatement Activities

- In addition to the Opioid Remediation activities outlined within Exhibit E, California has designated a set of six High Impact Abatement Activities (HIAA).
- No less than fifty percent (50%) of the funds received by a CA Participating Subdivision from the CA Abatement Accounts Fund in each calendar year must be used for one or more of the HIAA.

List of California's High Impact Abatement Activities

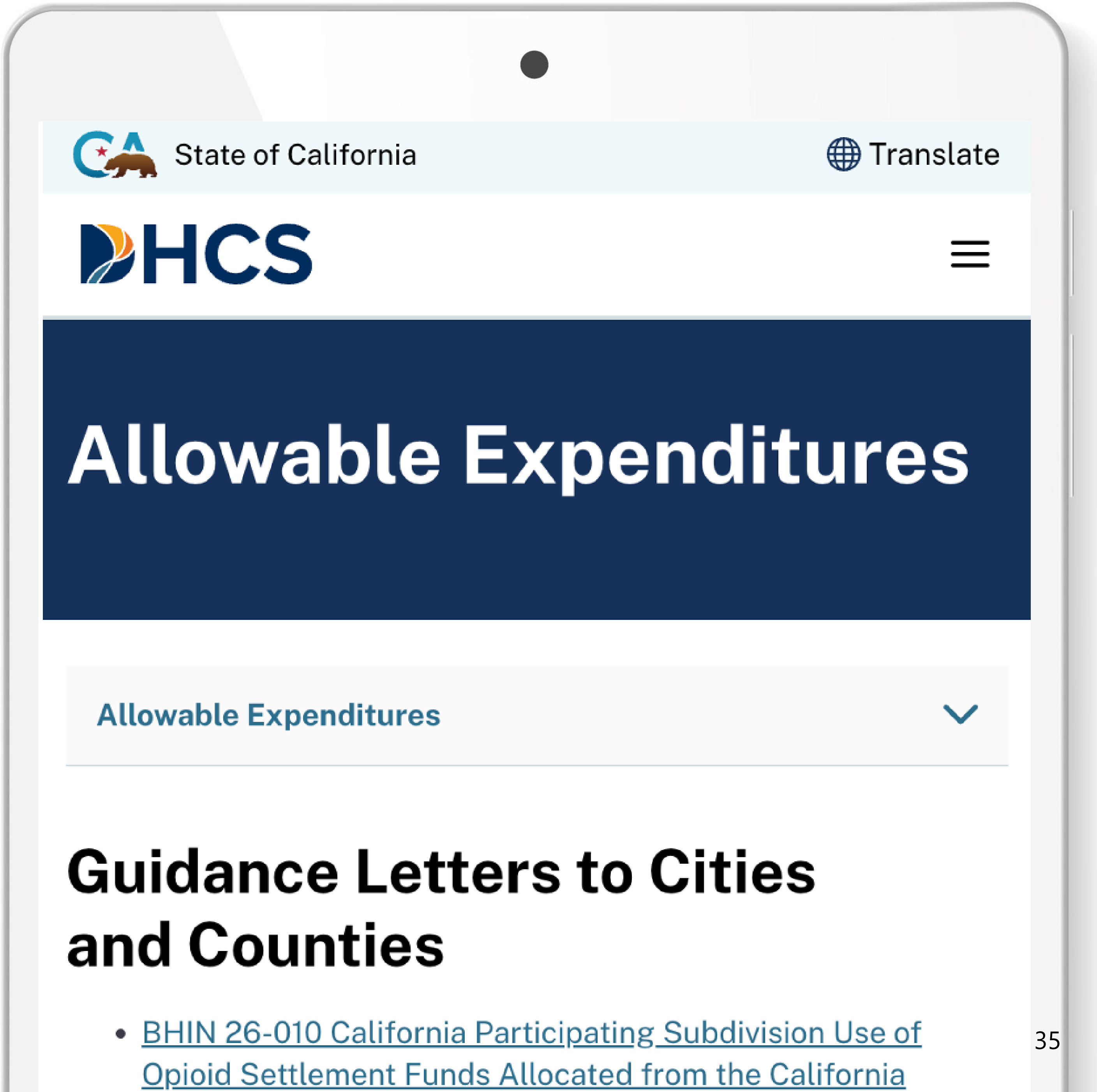
No.	Activity
1	Provision of matching funds or operating costs for substance use disorder facilities with an approved project within the Behavioral Health Continuum Infrastructure Program (BHCIP)
2	Creating new or expanded substance use disorder (SUD) treatment infrastructure
3	Addressing the needs of communities of color and vulnerable populations (including sheltered and unsheltered homeless populations) that are disproportionately impacted by SUD
4	Diversion of people with SUD from the justice system into treatment, including by providing training and resources to first and early responders (sworn and non-sworn) and implementing best practices for outreach, diversion and deflection, employability, restorative justice, and harm reduction
5	Interventions to prevent drug addiction in vulnerable youth
6	The purchase of naloxone for distribution and efforts to expand access to naloxone for opioid overdose reversals.

CA Subdivision Fund Allowable Expenditures

- Unlike the CA Abatement Accounts Fund, the CA Subdivision Fund is not restricted to Exhibit E uses.
- Funds must be used towards future opioid remediation and to reimburse past opioid-related expenses, which may include litigation fees and expenses against one or more of the Opioid Defendants.
- If Plaintiff Subdivisions dedicate funds to past opioid litigation costs, these expenses must be reported to BrownGreer via a reporting portal.

Website Navigation: Allowable Expenditures

- » Looking for more information about allowable expenditures and High Impact Abatement Activities?
  - Visit the Allowable Expenditures tab on the [DHCS Opioid Settlements webpage]()



DHCS Reporting Requirements

Frequently Asked Questions

What are the reporting requirements for these funds?

How can I see how other cities and counties are spending their funds?

Expenditure and Reporting Periods

Expenditure Period

July 1, 2025 → **June 30, 2026**

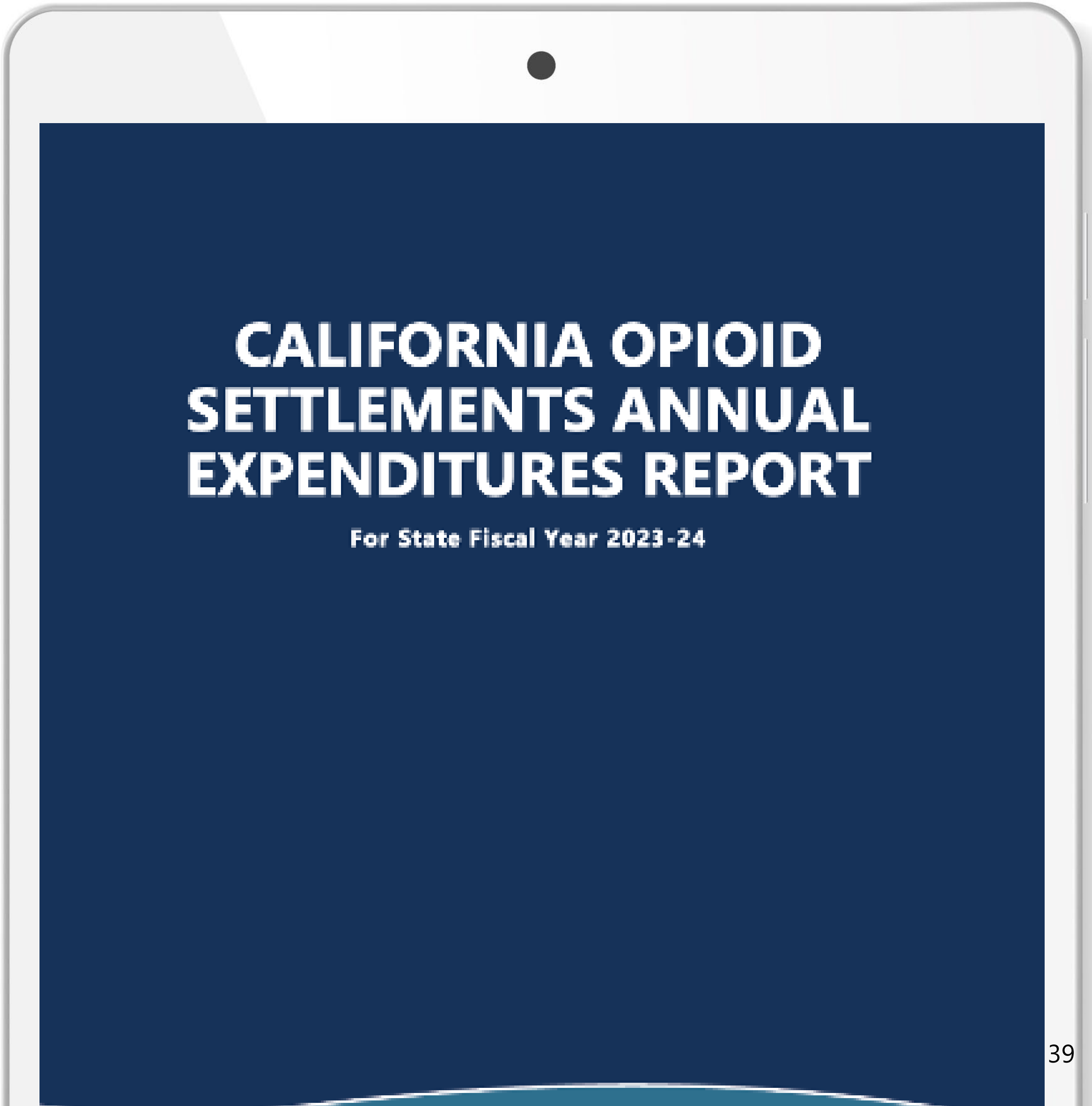
Reporting Period

July 1, 2026 → **September 30, 2026**

- Cities and counties are required to submit annual reports to DHCS, which include payments received and activities funded, for the previous SFY, or **Expenditure Period**, each year.
- The online reporting form is open to cities and counties during the **Reporting Period** each year.

California Opioid Settlements Annual Expenditures Report

- DHCS prepares an annual report regarding the State's use of funds.
  - These reports are made publicly available on the DHCS California Opioid Settlements webpage.
  - DHCS also hosts a public meeting to discuss the report.
    - DHCS presented the SFY 2023-24 California Opioid Settlements Annual Expenditures Report in May 2026, and the report is available on the DHCS website.



Website Navigation: Reporting Requirements

» Looking for reporting guidance and resources?
  - Visit the Reporting Requirements tab on the [DHCS Opioid Settlements webpage]

Resources

Frequently Asked Questions

What are best practices for allocating settlement funds?

How do we request technical assistance?

Where can I find additional opioid settlement resources?

Best Practices for Allocating Funds

» When allocating funds, Participating Subdivisions should consider:
  - Investing in evidence-based practices with a focus on those listed in California's HIAA and the Core Strategies (Schedule A) of Exhibit E.
  - Supplementing current successful efforts.
  - Creating a transparent process for planning, including engaging people with lived experience and people working in SUD prevention, treatment, harm reduction, and recovery to understand community needs.
  - Reviewing the Allocating Opioid Settlement Funds: Guiding Principles developed by DHCS.

Leverage Existing Community Capacity

- Focus on strengthening and expanding current opioid remediation efforts rather than creating new programs or supplanting efforts.
- Look for organizations already doing opioid remediation work in your jurisdiction and connect with them to learn about their needs.
- Local entities who are likely working on this include county public health departments, county behavioral health departments, harm reduction programs/syringe service programs, local opioid coalitions, local SUD treatment providers, local hospitals and clinics.

Guidance Letters to Cities and Counties

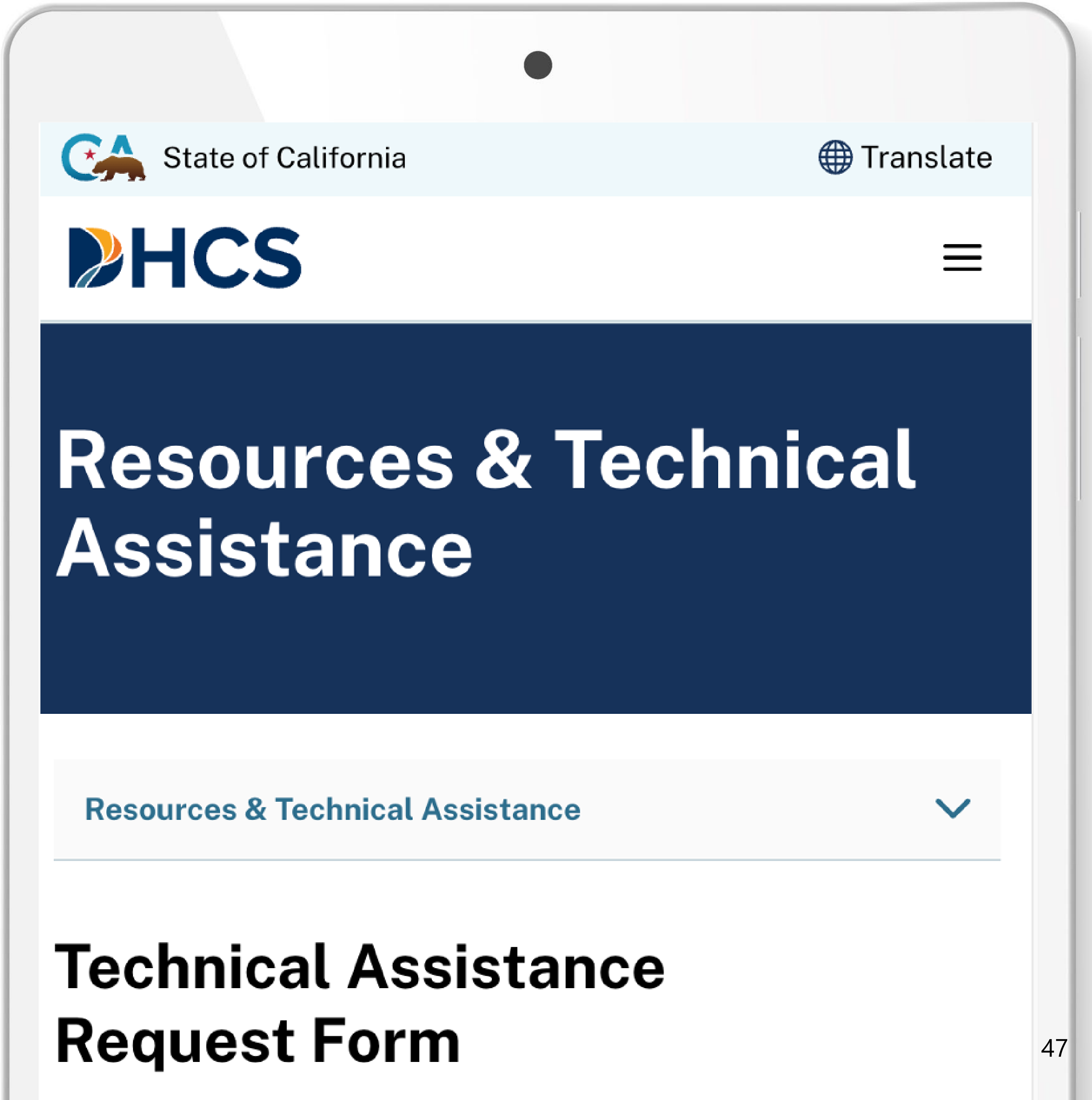
- BHIN 26-010 California Participating Subdivision Use of Opioid Settlement Funds Allocated from the California Abatement Accounts Fund
  - Enclosure 1: Reasonable Administrative Costs Policy
  - Enclosure 2: California Opioid Settlements Glossary – CA Abatement Accounts Fund
- BHIN 26-011 California Plaintiff Subdivision Use of Opioid Settlement Funds Allocated from the California Subdivision Fund
  - Enclosure 1: California Opioid Settlements Glossary – CA Subdivision Fund

Requesting Technical Assistance

- DHCS offers technical assistance to Participating Subdivisions interested in reviewing eligible Opioid Remediation activities, expense tracking, and reporting requirements under the California Opioid Settlements.
- Cities and counties should visit the Resources and Technical Assistance webpage on the DHCS Opioid Settlements webpage.

Website Navigation: Reporting Requirements

- Looking for fact sheets, FAQs, and past webinar recordings?
  - Visit the Resources & Technical Assistance tab on the DHCS Opioid Settlements webpage



Q&A

Please submit any questions to the DHCS Opioid Settlements Team at OSF@dhcs.ca.gov.

DHCS