

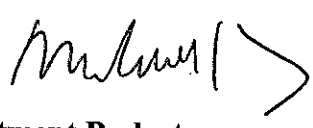


Mitchell H. Katz, MD  
Director of Health

## MEMORANDUM

**DATE:** April 3, 2003

**To:** President Edward A. Chow, MD  
and Members of the Health Commission

**FROM:** Mitchell H. Katz, MD  
Director of Health 

**RE:** **FY 03-04 Health Department Budget**

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San Francisco's financial situation continues to be very fluid. February payroll tax returns, hotel, and sales tax collections were lower in the City than anticipated, resulting in the City revising its revenue projections.

At this time the City is projecting a shortfall for FY 03-04 of \$347 million dollars. When the base reductions are entered into the City's Budget, including our 6% general fund base budget reductions, the shortfall decreases to \$200 million dollars. It is important to note that the Mayor's Office has included a 6% base budget general fund reduction in the budget of all City departments, regardless of whether or not the department has been able to detail what those cuts would be, with the sole exception being voter mandated funding (e.g., children's baseline budget, minimum number of police officers on the street).

At this time, the Mayor's Budget Office is proposing that the \$200 million dollar gap be closed with:

- 1) \$80 million dollars from employees paying their own portion of their retirement contribution (or an economic concession worth an equivalent amount of money).
- 2) An increase of \$45 million dollars from the State compared to earlier more pessimistic projections, and
- 3) \$75 million dollars of citywide departmental contingencies.

As the Health Department represents approximately 25% of the City's discretionary general fund, the Mayor's Budget Office may reduce our general fund budget by an additional \$18.75 million dollars. If the City were not able to achieve the \$80 million of savings and/or if the more optimistic State projections do not hold, than we could be asked for the full 10% general fund reduction (\$27 million dollars). At this time, the Mayor's Budget Office has told us that they

will be subtracting \$12 million from our General Fund and asked us to identify the specific revenue increases and/or expense reductions.

While the City's financial condition has worsened, the Health Department's financial situation has improved.

Specifically, we have increased our projection for our year-end surplus (for the current year) an additional \$2.6 million dollars.

We are also projecting for next year an increase in hospital funding of \$4.2 million, an increase of hospital-based FQHC revenue of \$1.5 million and an increase of environmental health services revenue of \$282,500. Although, these are offset by decreases in MediCal and Prop. 99 funding, the overall effect as shown below, is an increase of revenue of \$4,082,500. The Mayor's Office has accepted this in lieu of an equal amount of funding cuts.

Surplus increase FY 02-03	\$2,600,000
Increased hospital rate (upper payment limit and SB1255 adj.)	\$4,200,000
Increased hospital-based FQHC Revenue	\$1,500,000
Increased EHS Revenue	\$282,500
Decreased MediCal rate	(\$1,300,000)
Decreased Prop. 99 funding	(\$600,000)
<b>Total</b>	<b>\$6,682,500</b>

The Mayor's Budget Office has accepted this \$6.7 million dollars as the first installment of the Health Department contingency.

In addition, they have decided to enter into the B-Prep an additional \$5.3 million dollars of general fund cuts from the Health Department. They asked that we prioritize client service to the extent possible and instead focus cuts in administrative areas and/or support services. The full list of these cuts is shown on the Excel spreadsheet on page 7.4. Forty positions (14.7 of which were vacant) were eliminated throughout the Department.

In addition, the cuts were made in:

- Medical Care Substance Use Services (MCSUS) O/P & Prevention Program
- Baker Places-Westside Lodge Day Treatment
- HIV Health Services
- Employee Assistance Program
- Health at Home

The Medical Care Substance Use Services (MCSUS) O/P and Prevention Program was cut in the Department's base budget. Although it is a very worthwhile program it falls into the categories of referral/outreach/and provider training. We had prioritized this below direct services to clients. However, in the base budget we understated the financial savings of cutting this program.

The Baker Places-Westside Lodge Day Treatment is an excellent facility for mentally ill persons needing transition housing with treatment. Unfortunately because it is a 36-bed program (above

the 16 bed threshold) it receives no MediCal reimbursement for the residential component of the program. Through some very creative planning by Baker Places they have managed to save \$1.5 million dollars of general fund while still retaining the facility and providing transitional housing to 16 persons (at 16 they will receive MediCal Income).

The HIV Health Services contracts are the Work Reentry Program and the Compass Point Technical Support to Minority Integrated Services Contractors. Vocational services and technical assistance to agencies while useful have been prioritized below other direct services such as housing, substance abuse and mental health treatment.

The decrease to the EAP program of 1.5 FTEs will decrease trainings and may also reduce the number of sessions per issue that employees receive. After this cut, the EAP program will have a Director, two counselors, and a clerk.

The Health at Home decrease was designed to minimize the impact on our home bound clients. No visiting nurses were eliminated. Rather, we eliminated 1.10 FTEs that were vacant, 2.2 administrative positions, 2 home health aides, and a 0.5 of a social worker.

The combined total of General Fund cuts and revenue improvements listed above is \$12 million.

Although these cuts have been entered into the B-Prep, which does increase the probability that these cuts will actually occur, Commissioners will remember that there remain opportunities to influence both the Mayor and the Board of Supervisors

### **Primary Care Planning**

One of the most critical services at risk if we are required to take further contingency cuts are our primary care centers.

The Health Commission is aware that we had calculated we could save \$8.6 million dollars without closing any of our Health Centers by pairing our centers and decreasing our staff in half. This would have the unfortunate effect of also decreasing by half the available appointments and revenue. The primary care administration team under the direction of Deputy Director Barbara Garcia are working on a new model that would achieve the same total savings but would have a less devastating effect on access to care and on our revenue. In our new model we would keep all 8 centers open full time but would staff them with fewer providers such that each provider would have 2 or 3 exam rooms.

The Commission is aware that to achieve optimal efficiency in providing primary care each provider should have 3 exam rooms. This allows the provider to see the next patient while a different patient is dressing or undressing or receiving care from a different team member (e.g., an immunization from a nurse). Unfortunately, the constraints of our physical space in some of our health centers prevent us from giving all our providers even two rooms. Under this new model we will be able to give each provider at least 2 rooms allowing greater provider productivity. Also, since the health centers will be open 5 days a week, service delivery will be more predictable for the surrounding community.

We are also looking at changing our staffing to have fewer registered nurses (RNs) and more nurse practitioners (NPs) in our primary care sites. Although RNs can perform nursing assessments of patients, we cannot bill for RN assessment and in many cases the patient must still see a physician or nurse practitioner. By using nurse practitioners instead of RNs for assessment and treatment of patients, we believe we can improve our efficiency and our ability to generate revenue. Also, because there is a tremendous shortage of RNs we would have no trouble absorbing these nurses into the staff at SFGH, LHH, or Jail Health. Such a change would also help us to reduce overtime and use of nursing registries at these institutions.

I must emphasize that even with this model, there will still be a significant decrease in our ability to provide primary care. It is our hope that we do not need to make such drastic cuts to our primary care centers in order to meet a contingency budget requirement. If there are opportunities to work more productively, such as by using NPs instead of RNs, we will pursue these opportunities in order to increase our access to services independent of the budget situation.

### **Conclusion**

The City's FY 03-04 budget is clearly a work in progress. It is likely to change many times before the Mayor submits his budget to the Board of Supervisors on June 1, and many times thereafter while in the hands of the Board of Supervisors. The Department commits to the Commission and to the public to keep you fully informed as these changes occur.

Department of Public Health  
 Summary of FY 03-04  
 Contingency General Fund Reduction

Item No.	Description	FTEs	Contract or Civil Service	Expend Incr/(Decr)	Revenues Incr/(Decr)	General Fund	Comment
	<b>FY 02-03 Surplus</b>						
DPH	FY 02-03 Surplus				2,600,000	(2,600,000)	Increases our projected year end surplus from \$9.7 Million to \$12.3 Million
	<b>Subtotal - Prior Year Surplus</b>	<b>0.00</b>		<b>0</b>	<b>2,600,000</b>	<b>(2,600,000)</b>	
	<b>Revenues</b>						
R1	Increased Hospital Revenues				4,200,000	(4,200,000)	Upper Payment limit (UPL) adjustment in base budget (\$2.2 M) will not be required as a result of issuance of UPL targets by CMS in March. FY 02-03, received \$4.3M more than \$19.7M budgeted. CMAC and CAPH indicated that next year will also exceed \$19.7M budget projecting a \$2M add'l payment.
R2	Hospital Based FQHC Revenue				1,500,000	(1,500,000)	Review of recent claims payment history indicates that base budget was understated.
R3	EHS revenues				282,500	(282,500)	Proposed increase to restaurant inspection fees. First increase in two years.
R4	M/Cal rate adjustment				(1,300,000)	1,300,000	CMAC approved a \$58 increase to the Medical per diem. We budgeted a \$100 increase. Difference of \$42/ day translates to \$1.3M reduction.
R5	Prop 99 Funding decrease				(600,000)	600,000	State Dept of Health Service made year-end adjustment to CHIP revenues for 02-03. We anticipate a similar reduction for 03-04
	<b>Subtotal - Revenues</b>	<b>0.00</b>		<b>0</b>	<b>4,082,500</b>	<b>(4,082,500)</b>	
	<b>Position deletions</b>						
P1	SFGH	(5.70)	Civil	(440,866)		(440,866)	Delete 5.70 vacant positions.
P2	LHH	(6.00)	Civil	(406,024)		(406,024)	Delete 6.0 FTE vacant positions.
P3	Behavioral Health	(2.00)	Civil	(182,830)		(182,830)	Delete 2.0 FTE filled positions.
P4	Prevention	(3.30)	Civil	(280,904)		(280,904)	Delete 3.3 FTE filled positions.
P5	AIDS Office	(7.50)	Civil	(569,225)		(569,225)	Delete 7.5 FTE positions; 3.0 FTE vacant and 4.5 FTE Filled.
P6	DPH Administration and Support	(8.30)	Civil	(861,019)		(861,019)	Delete 8.3 FTE Position in Administration, Admin Support, Fiscal and Facilities. All filled positions.

**Department of Public Health  
Summary of FY 03-04  
Contingency General Fund Reduction**

7.5

Item No.	Description	FTE's	Contract or Civil Service	Expend Incr/(Decr)	Revenues Incr/(Decr)	General Fund	Comment
	<b>Subtotal - Position Deletions</b>	<b>(32.80)</b>		<b>(2,740,868)</b>	<b>0</b>	<b>(2,740,868)</b>	
	<b>Program Reductions</b>						
SA	Medical Care Substance Use Services (MCSUS) O/P & Prevention Program	(2.20)	Civil & Contract	(444,786)		(444,786)	MCSUS intervention/outreach/referral/screening services for SFGH inpatient, ER, and ISIS. The focus is to identify substance-abusing individuals before they develop life-threatening drug/alcohol illnesses and link them to community resources.
MH	Baker Places -Westside Lodge Day Treatment		Contract	(1,970,276)	(470,276)	(1,500,000)	The 36 bed combined residential and day treatment program will be converted to a 16 bed residential and day treatment program serving clients from SFGH.
PH	HIV Health Services		Contract	(290,000)		(290,000)	Reduction of (1) \$140k for work re-entry employment programs, and (2) \$150k for technical support to minority integrated services contractors.
DPH	Employee Assistance Program	(1.50)	Civil	(132,400)	(35,000)	(97,400)	Reduction of City wide Employee Assistance Program. Will increase wait period for appointments and may reduce the number of sessions per issue that an employee presents with for assistance.
HH	Health at Home	(4.10)	Civil	(273,705)	(29,259)	(244,446)	Reduce capacity of Health at Home services and prioritize those patients that would otherwise require hospital care.
	<b>Subtotal - Program Reductions</b>	<b>(40.60)</b>		<b>(3,111,167)</b>	<b>(534,535)</b>	<b>(2,576,632)</b>	
	<b>Total - Department-Wide</b>	<b>(40.60)</b>		<b>(5,852,035)</b>	<b>6,147,965</b>	<b>(12,000,000)</b>	

**RESOLUTION OF THE HEALTH COMMISSION REJECTING THE DEPARTMENT OF PUBLIC HEALTH'S CONTINGENCY BUDGET FOR FY 03-04, AND URGING THE BUSINESS COMMUNITY, ORGANIZED LABOR, AND RESIDENTS TO WORK WITH THE MAYOR AND THE BOARD OF SUPERVISORS TO AVOID DEVASTATING CUTS TO THE COUNTY'S HEALTH SAFETY NET SERVICES.**

WHEREAS, the City and County of San Francisco is facing a \$350 million dollar shortfall for FY 02-03, and the Mayor's Budget Office has required that the Department prepare a contingency plan which would cut the Department's general fund by 10% or \$27 million dollars; and

WHEREAS, in the base budget the Department already absorbed \$20 million dollars in unavoidable increases and decreased the general fund usage of the Department by \$18 million dollars; and

WHEREAS, the base budget already made large cuts to vital health programs including the reprogramming of the Mental Health Rehabilitation Facility (MHRF), increasing eligibility requirement for outpatient medication, reducing hospital based translation services, eliminating adult dental services, cutting important referral/education services, and outpatient drop-in substance abuse services, and eliminating contracts for emotional and practical peer support; and

WHEREAS, the Health Commission recognizes that the City is in a true financial emergency and that the Mayor must submit a balanced budget to the Board of Supervisors by July 1, 2003; and

WHEREAS, the Health Commission strongly encourages other City Departments to do their due diligence to identify budget reductions and contribute their fair share to addressing the City's budget crisis; and

WHEREAS, the Health Commission understands there is a proposal for City employees to pay their share of their retirement contribution to assist the City in balancing its budget; and

WHEREAS, the Health Commission appreciates the Department's attempt to further reduce its general fund requirements in order to comply with the instructions of the Mayor's Budget Office; and

WHEREAS, the Health Commission believes that the proposed contingency cuts are counter to the Departments strategic plan and would be devastating to the safety net of San Francisco; and

WHEREAS, the Health Commission does not believe that alternative cuts exist in the Health Department budget that would be less harmful to health services in San Francisco than those proposed in the contingency budget; and

WHEREAS, the Health Commission also recognizes its own responsibility to maintain safety net health and public health services for San Francisco's most vulnerable residents; therefore be it

RESOLVED, that the Health Commission finds the Department of Public Health contingency cuts unacceptable; and be it

FURTHER RESOLVED, that the Health Commission rejects any further service cuts to the Department of Health's budget beyond those detailed in the base budget; and be it

FURTHER RESOLVED, that the Health Commission urges the Board of Supervisors and the Mayor to support fee and license increases for the Department's Environmental Health Services division so that the Department can fully recoup the costs of providing these services; and be it

FURTHER RESOLVED, that the Health Commission urges the business community and the residents of San Francisco to support additional revenue enhancing measures to prevent elimination of vital health services; and be it

FURTHER RESOLVED, that the Health Commission strongly urges organized labor to agree that City staff pay their portion of their own retirement or agree to other concessions that would save the City approximately \$80 million dollars; and be it

FURTHER RESOLVED, that although the Health Commission will not support any service cuts beyond those stipulated in the base budget, the Health Commission does wish for the Department to keep the Health Commission apprised on what cuts or augmentations the Mayor's Budget Office and/or the Board of Supervisors have made to the Health Department FY 03-04 budget.