

MESSAGE FROM THE DIRECTOR OF HEALTH ON FY 07-08 BASE BUDGET

Introduction

On February 13th we presented the first part of the Department of Public Health's budget for FY 07-08, which included a review of the Mayor's Budget instructions, a discussion of new regulatory and inflationary requirements, including increases in contractor costs of doing business, revenue neutral proposals, and increased revenues.

For this second budget hearing, we are bringing a full budget presentation to you for review and approval, (base budget). Our base budget includes the regulatory, inflationary, revenue neutral and revenue items, plus structural issues that address costs we are incurring in the current year which require adjustment to the budget for next year. This base budget presentation also includes some changes to the items that were presented last month.

Our base budget also proposes several cost reduction initiatives that, in total, contribute \$7.23 million towards the Mayor's \$9.66 million General Fund reduction target. These reductions include \$4.30 million in department reduction proposals and \$2.93 million in Board of Supervisor's add-backs. We believe that these add-backs should be considered in the context of other funding needs associated with expiring grants and other funding requests if additional City funding is identified. We accomplish this by including add-backs in our reduction list and re-introducing these add-backs in our list of new funding initiatives excluded from the base budget.

In addition to the Board add-backs, we also list our expired grants, and the new initiatives that we believe will further the mission of the Health Department. We hope that additional City revenue will become available to fund these programs.

Following is a table summarizing the components of the base budget and unfunded initiatives.

Regulatory	(\$2,827,783)
Inflationary	(7,687,901)
Revenue Neutral	<u>1,017,606</u>
Subtotal	(\$9,498,078)
Revenues	<u>\$20,027,572</u>
Subtotal	\$10,529,494
Structural	<u>(\$10,449,134)</u>
Subtotal	<u>\$80,360</u>
Reduction initiatives	\$7,228,690
Total Base Budget	<u>(\$7,309,050)</u>
Unfunded initiatives	<u>\$22,250,061</u>

Revisions in regulatory, inflationary, structural, revenue neutral and revenue initiatives

There have been several changes to the items presented on February 13. We have been able to fund these items within our base budget without reliance on additional General Fund. Following is a table that summarizes those changes:

<u>Category</u>	<u>2/13 Presentation</u>	<u>3/20 Presentation</u>	<u>Change</u>
Regulatory	(\$2,978,421)	(\$2,827,783)	\$150,638
Inflationary	(8,758,725)	(7,687,901)	1,070,824
Revenue Neutral	<u>891,223</u>	<u>1,017,606</u>	<u>126,383</u>
Subtotal	(\$10,845,923)	(\$9,498,078)	\$1,347,845
Revenues	<u>\$17,792,419</u>	<u>\$20,027,572</u>	<u>\$2,235,153</u>
Subtotal	\$6,946,496	\$10,529,494	\$3,582,998
Structural	(\$20,000,000)	(\$10,449,134)	\$9,550,866
Total	<u>(\$13,053,504)</u>	<u>\$80,360</u>	<u>\$13,133,864</u>

The following section briefly discusses each of the changes from our February 13 presentation and includes a reference to attachments providing additional details.

Regulatory Issues

We reduced requests for new positions contained in two initiatives: SFGH Quality Management Data Requirements to Maintain Full Medi-Care payment (A3) and the LHH Rehabilitation Fall Risk Management (A5).

Inflationary Issues

We made a small adjustment decreasing rent increases at the STD clinic (B1). We have also been able to reduce the amount required to address increased cost of doing business by UC under the Affiliation Agreement (B5). Finally, we were able to reduce the UC non-Faculty cost increases (B6) by adjusting the base against which the cost increase is applied to consider current year savings that contribute funding towards the amount required for the FY 07-08 year.

Revenue Neutral items

Since the February 13th meeting we have revised five initiatives and identified six new revenue neutral opportunities. Six additional beds have been added, for a total of 12 beds, to respond to the increased census in the Medical/Surgical and Critical Care IP units at San Francisco General Hospital (C7). Revenues associated with the beds offset the expenditures. The Coordinated Case Management Information System cost and workorder were increased (C18). In keeping

with the Mayor's direction to limit the number of new positions, we have determined that we will be able to produce revenues without adding positions so we moved three proposals from revenue neutral to revenues: Mammo Van and Avon Breast Cancer education (D18) and Medical High User Case Management (D19). The Jail Health Administrative building rent increase was moved from inflationary to revenue neutral since the funding will come from the Sheriff via the work order for Jail Health (C28).

Six new revenue neutral initiatives have also been identified:

1. Behavioral Health Services for Children/Youth in Foster Care (C24),
2. Special Program for Youth (SPY) Integration of Primary Care and Behavioral Health services (C25),
3. Child & Adolescent Psychiatry Training Program (C26),
4. Short Doyle MediCal Request for Contractors (C27),
5. Podiatrist for Housing and Urban Health Clinic (C29), and
6. 20 New Permanent Housing for Homeless and Frail Seniors (C30).

Revenues

We have increased our revenue budget from \$17,792,419 to \$20,027,572. Additional revenue generating proposals totaling \$2,235,153 have been identified since we met on February 13th. This has greatly assisted in enabling us to fund base budget requirements. The following table summarizes changes from our February 13 presentation:

SFGH Baseline Revenues (D6)	\$300,000
LHH Baseline Revenues (D7)	556,481
Mammo Van and Avon Breast Center Cancer Education (D18)	268,477
Medical High User Case Management Program (D20)	110,195
Short Doyle MediCal Revenues for Mental Health (D22)	<u>1,000,000</u>
Total	<u>\$2,235,153</u>

Structural Issues

The net revenues available to cover our structural issues after we take care of our regulatory, inflationary and revenue neutral requirements are \$10.59 million. Structural issues represent cost items that were not fully funded in the current year budget and are causing us to exceed spending authority in the current year. In order to avoid similar overspending next year, it is important to include funding for these issues. We are currently processing a revenue supplemental to address cost pressures at SFGH and LHH. The items listed below address that overspending to the extent that we are able and still deliver a balanced budget (before consideration of the full 3% General Fund reduction). Each of the items listed below are referenced to the enclosed attachments providing additional details.

Housing and Urban Health

Annualization of the DISH Pilot Program (Property Management) costs and	\$585,000
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transition an additional four DAH sites (E1)

SFGH

Materials and Supplies (E2)	\$1,000,000
Salaries (E3)	965,815
Sheriff Department Security Work Order (E4)	444,366
Increase SFGH Budgeted Census (E5)	<u>4,820,564</u>

While this item would normally be a revenue neutral item, the revenue associated with this increase was programmed into last year's budget, but the associated nurse staffing cost was not.

Total SFGH	\$7,230,745
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LHH

Clinical Support (E6)	\$140,685
Contracted Services (E7)	295,000
Materials and Supplies (E8)	500,000
Nursing Staffing (E9)	431,329
Environmental Services (E10)	187,838
Health Information Services (E11)	115,113
Facilities (E12)	78,222
LHH correction to budget to reflect reclassifications that have already occurred (E18)	<u>77,041</u>
Total LHH	\$1,825,228

Community Programs and AIDS

General Fund Match to State Funded MCAH Programs (E13)	\$274,116
California Children's Services (CCS), Occupational Therapist (E14)	7,583
CBHS, MCH, HUH and Prevention budget corrections to reflect reclassifications that have already occurred and AIDS reorganization (E16)	<u>(15,250)</u>
Total Community Programs	\$266,449

PC Structural Salary Deficit (E17)	\$117,000
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Department Wide Work Orders (E15)	\$424,712
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Total	<u>\$10,449,134</u>
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Reductions

We have been able to balance the base budget with our revenues without impacting services. However, our budget instructions also require us to make a 3%, (\$9.66 million) reduction in our General Fund. While we have not yet been able to fully address this reduction, we have identified six reduction initiatives that total \$7.23 million toward the reduction. Two of the six initiatives have been presented, and rejected, in the previous year. However, we are unable to identify any alternative cuts that would have less impact on our clients. We are also proposing to

remove selected FY 05-06 and FY 06-07 add-backs, as discussed above. The add-backs will be included as funding requested in excess of the base budget.

Closure of the Workers Compensation Clinic at SFGH (F1) – This initiative was first proposed in the 2005-06 budget year but was restored by the Board of Supervisors. We also proposed it in FY 2006-07. The annual operating cost of the clinic exceeds collected revenues by \$999,910. Closure of the Clinic on September 1, 2007 will eliminate 7.05 positions save \$833,258 in General Fund for FY 07-08.

The Workers Compensation Clinic is designated by the Department of Human Resources as a medical provider for CCSF employees who are obtaining medical care under Workers Compensation Insurance. Services are paid based on a fee schedule set by the State. There are other medical providers in San Francisco who would be able to assume care to the 10,500 CCSF employees who currently receive care at SFGH. Currently, employees are able to select a private provider for follow up treatment.

Prescription Co-Payment For All Except Those on General Assistance (F2) – This was also proposed in FY 06-07 and restored by the Board of Supervisors. We propose to expand the \$5 and \$10 prescription co-payment requirement, currently used in the SFGH Outpatient Pharmacy and contracted network pharmacies, to include all clients except those on general assistance and the homeless. Drugs excluded from the new co-payment policy will be insulin, anti-psychotics, and antibiotics for acute infections. Pharmacy co-pays are commonplace in the healthcare industry and enables the Department to recover point of service payments that are very low in relation to the high volume of services that are provided without payment and for which collections efforts are largely ineffective. This initiative is expected to reduce the General Fund requirement by \$1,357,699.

Methadone Maintenance Provided Through a Mobile Van Offset by Reduction of Adult Residential and Outpatient Slots (F3) – This initiative consists of funding the operation of a third Methadone Van that will serve 150 to 180 unduplicated clients. The van has been purchased but operating costs are requested including City Staff, UCSF contract staff, van maintenance and medical supplies. Staffing levels are consistent with the operations of the existing vans. To offset the van's operating cost and generate General Fund savings, funding will be eliminated for 60 higher cost residential treatment beds and 90 higher cost adult outpatient slots. Adding van services and reducing residential and outpatient services will result in an equal number of treatment slots to opiate users. We recognize that replacement of outpatient and residential substance treatment with methadone may not be ideal for everyone. On the other hand, evidence indicates that methadone is the most effective method of substance treatment for opiate users. This initiative is expected to reduce the General Fund requirement by \$1,306,411.

Addition of Community Urgent Care and Acute Diversion Unit and closure of SFGH psych acute beds combined with reduction in SFGH PES volume (F4) We propose to establish a community based Urgent Care Center and 14-bed Acute Diversion Unit (ADU), under a contract with Progress Foundation, as an alternative to, and diversion from the SFGH Psychiatric Emergency Room and Inpatient Acute Psychiatric unit. The ADU will operate 16 hours per day, 7 days per week and will refer patients, when necessary, to a bed in the new ADU or other existing ADU as an alternative to SFGH acute admissions. Funding for this service will be

comprised of revenue generated in the Urgent Care Center and ADU combined with savings from a 14-bed reduction to the SFGH Psychiatry Unit and reductions in cost in the SFGH Psychiatric Emergency Room. This initiative is expected to reduce the General Fund requirement by \$133,653.

Reduction in at-Home Public Health Nurses (F5) We propose to make a 25% reduction in Public Health Nurses working in chronic care through Health at Home. This initiative was proposed for reduction in FY 05-06, was restored by the Board of Supervisors and was been included in the base budget for FY 06-07. We continue to prioritize Public Health Nursing services in Maternal-Child Health, and while we value the services to the Health at Home population, consider this to be a lower priority. This initiative is expected to reduce the General Fund requirement by \$669,942.

Removal of FY 05-06 and FY 06-07 BOS Add backs and Move to Enhancement Category (F6) – In FY 05-06 and FY 06-07, the Board of Supervisor’s added \$10.9 million and \$9.7 million, respectively, to the DPH budget. The majority of these add backs funded continuing services such as housing and dialysis services, cost increases to community based organizations, maintenance of effort to fund AIDS services cut from federal grants. We have identified the following listing of items, totaling \$2.93 million, that could be considered for continued funding in relation to other funding needs of the Department. Although the funding is proposed for reduction, we have also included the items in the listing of funding requests in excess of the base budget, should the City identify additional savings that can be redirected to other uses. This listing includes all add-backs except those associated with:

- CBO increases for the cost of doing business
- Items that are itemized separately in our 2007-08 reduction listing (Worker’s Compensation Clinic, Prescription co-payment, Chronic Care Public Health nurses)
- Dialysis restorations which now operate at breakeven
- Substance Abuse restorations because services were re-bid and new contracts were awarded
- AIDS maintenance of effort support to replace cuts in Ryan White Funding
- Add-backs associated with housing
- Add-backs related to position restorations

Trauma Center Wrap Around Services (H1)	\$100,000
HIV/AIDS Housing LGBTQ Youth (H2)	75,000
HIV/AIDS Services for African American Men (H3)	275,000
Alternative Medicine for Persons with HIV (H4)	108,000
STD Prevention in Castro (H5)	132,000
Needle Exchange Services in Haight Ashbury (H6)	125,000
AIDS-Intensive Case Mgmt for Methamphetamine Users (H7)	250,000
Safehouse for Juveniles (H8)	300,000
Outreach and Job Placement (H9)	80,000
Women's Health Services (H10)	200,000
Senior Health Project (H11)	40,000

Dimension's Clinic (H12)	55,892
Drug Overdose Prevention in SRO and Shelters (H13)	75,000
Methamphetamine Treatment (H14)	200,000
Outpatient Substance Abuse for Women (H15)	70,000
Substance Abuse Enhancement for Gay Men and HIV (H16)	50,000
Sheriff's "Roads to Recovery" and Post-Release Education Program" (H17)	133,000
MCH Public Health Nurses (H18)	394,431
Bedbug Abatement (H19)	63,000
Asthma Task Force (H20)	102,000
SRO Collaborative (H21)	100,000
Total	<u>\$2,928,323</u>

Funding Requested in Excess of Base Budget

The following items are not included in our base budget as we are unable to fund these items within our available funding. This is difficult for us and these issues represent important priorities for the Department. As mentioned above, we are hopeful that these items will receive favorable attention as the budget process moves to the Mayor and Board of Supervisors. Following is a summary of unfunded initiatives:

Expired Grants	\$5,201,188
Addbacks	2,928,323
New Initiatives	14,120,550
Total	<u>\$22,250,061</u>

Expired Grants

We have reevaluated the need for funding for expired grants. The total request has been reduced from \$5.67 million to \$5.20 million. This is an unusually large reduction in grants in a single year due to expiration of disaster planning grants and loss of federal earmarks for AIDS and housing. Historically, the Department's policy has been to discontinue grant-funded services when the funding for those services expire. While exceptions to that policy have been made, the budget constraints we face this year leave us with no other options. While we may not be able to fund these activities, recognition of the importance of these services has frequently received favorable attention from the Mayor and Board of Supervisor's. The expired grants are found in initiatives G1 through G22. Following is a summary of expired grants that remain, categorized by major area:

Disaster Response Related Activates	\$699,033
Training	332,446
AIDS	743,946
Mental Health Services	384,525
Housing	1,716,229
Substance Abuse	457,799

Primary Care	174,050
Prevention and Treatment of Communicable Diseases	442,496
Program Evaluation	79,379
Breast Cancer Education	171,284
Total	<u>\$5,201,188</u>

Board of Supervisor addbacks

As previously mentioned, selected Board of Supervisor's add backs, totaling \$2.93 million have been removed in the reductions section of the report and moved into the request for funding in excess of the base budget. The restoration of the add backs is found in initiatives H1 through H21.

New Funding Initiatives

Included in your package are \$14.10 million in additional funding for services. Following is a summary of the 36 items detailed in the attachment in I1-I36 and organized into the following categories:

Core Public Health Functions

Community Programs	\$480,947
SFGH	118,209
Public Health	<u>91,432</u>
Total	<u>\$690,588</u>

Services

Community Programs	\$3,318,901
SFGH	7,005,659
Primary Care	354,425
Public Health	89,584
LHH	<u>344,039</u>
Total	<u>\$11,112,608</u>

Infrastructure

Community Programs	\$424,000
LHH	1,697,996
DPH Human Resources	<u>195,358</u>
Total	<u>\$2,317,354</u>

Grand Total	<u>\$14,120,550</u>
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Health Access Program

At this point the Department's proposed budget does not include expenditure and revenue projections for the Health Access Program (HAP). Previously, the Department noted that implementation of HAP would result in cost increases, but that anticipated revenue increases would cover expenditure increases (i.e., HAP will be budget neutral). Expenditures increase with HAP implementation because the program entails serving more uninsured individuals, revamping eligibility and registration processes, enhancing information technology systems, expanding access (clinical hours, services, staff), increasing the number of providers serving the population and contracting with a vendor to administer the program. All of these components have additional costs (and funding) associated with them.

The Department will be able to develop the expenditure and revenue budget for the HAP once it receives notification from the State Department of Health Services on whether its Health Care Coverage Initiative application for three years of funding for HAP was approved. Funding from this application would help support services provided to HAP participants in the Department's delivery system. The Department is hopeful that the City and County's application will be approved and that the State will announce the awards in March 2007. In addition to this potential revenue, the other sources of HAP funding have been defined in broad terms (e.g., employer contributions, participant fees and General Fund). One key financing principal is that Department will assume no reduction in City and County General Fund support for services to uninsured persons. The Department anticipates presenting the HAP revenue and expenditure budget in April 2007.

Conclusion

We are submitting a draft resolution for your consideration to approve submission of the FY 2007-08 base budget to the Mayor's Office. We will return to the Health Commission for a second budget hearing on April 3.

