

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

Introduction

On March 20th we presented the base budget for the Department of Public Health for FY 07-08.

On April 1, the Mayor's Budget office advised us of the need develop a contingency plan to further reduce our General Fund subsidy by an additional 3%. A 3% reduction would reduce our General Fund subsidy an additional \$9.4 million. This additional contingency reduction is necessary because pf the possibility that the Board of Supervisors will appropriate current year General Fund surplus to fund supplemental appropriations which would reduce the amount available to balance the budget for FY 07-08. We are therefore submitting a contingency plan for your consideration.

Following is a high level summary of changes to our base budget, the proposed contingency plan, and unfunded initiatives. The budget returns \$8.1 million to the General Fund from the base budget and an additional \$4.1 million from the contingency plan.

<u>Category</u>	<u>3/20 Presentation</u>	<u>4/17 Presentation</u>	<u>Change</u>
Regulatory	(\$2,827,783	(\$2,827,783)	\$0
Inflationary	(7,687,901)	(7,687,901)	0
Revenue Neutral	1,017,606	1,017,606	0
Health Access Program	<u>0</u>	<u>35,031</u>	<u>\$35,031</u>
Subtotal	(\$9,498,078)	(\$9,498,078)	\$35,031
Revenues	<u>\$20,027,572</u>	<u>\$20,027,572</u>	<u>\$0</u>
Subtotal	\$10,529,494	\$10,529,494	\$0
Structural	(\$10,449,134)	(\$10,788,167)	(\$339,033)
Reductions	<u>\$7,228,690</u>	<u>\$8,320,209</u>	<u>\$1,091,519</u>
Base Budget	<u>\$7,309,050</u>	<u>\$8,096,568</u>	<u>\$787,517</u>
Contingency Plan	<u>\$0</u>	<u>\$4,081,424</u>	<u>\$4,081,424</u>
Unfunded Initiatives	<u>\$22,250,061</u>	<u>\$28,179,971</u>	<u>\$5,929,910</u>

Following is a discussion of each of the sections summarized above.

Health Access Program

With the approval of our application under the Health Care Coverage Initiative, the Department is able to present its first year budget for the Health Access Program (HAP), which will be launched in a phased manner in July 2007. The award provides funding for both services and administrative costs for a three-year period beginning September 1, 2007. Services funding totals \$73.12 million (or \$24.37 million a year) and allowable administrative funding totals \$5.66 million over the three-year period. Services and administrative funding under HCCI are provided to the Department based on a claiming mechanism (i.e., the Department incurs and documents health services and administrative expenditures that are subsequently reimbursed at 50% of costs). The Department anticipates that HCCI will provide revenue in the 2007-08 year of \$18.28 million (time period September 2007 – June 2007; assumes that 90% of allowable services funding will be received). This will be in addition to the \$244.18 million in funding that is currently used to provide health services to uninsured persons.

Funding for the HAP is comprised of City and County General Fund, Health Care Coverage Initiative dollars, fees from participants and any contributions from employers that elect to participate in the HAP. These revenues enable the Department to expand clinical services, and enhance our registration and information systems to better serve our patients. In addition, the Department will be able to fund HAP program and administrative services that will be provided by the San Francisco Health Plan. Following is a high level summary of first year costs. Additional detail is included in items F1 – F20, attached.

Cost Category	Amount
Clinical Expansion Costs	\$11.31 million
Delivery System Innovation Costs	\$2.07 million
Patient Access Costs	\$4.74 million
Administrative Costs	\$4.93 million
Total Estimated New Costs	\$23.05 million
Estimated New Revenues	\$23.09 million
Net	\$0.04 million

Structural Issues

We have made corrections to the salary budget at Laguna Honda Hospital for positions that have been reclassified in FY 2006-07 (E19). We have also increased our workorder budget for additional costs identified since our last meeting (E16). We have included funding for a driver for our Mammovan (E6) previously associated with an expired grant. We recognize the need to fund the professional fees associated with funding the driver of the van is properly included as a structural cost and cannot be avoided. As several Commissioners pointed out, it would make no sense to have a mobile mammogram without a driver.

<u>Category</u>	<u>3/20</u>	<u>4/17</u>	<u>Change</u>
Department Wide Work Orders (E16)	\$424,712	\$673,035	\$248,323
LHH correction to budget to reflect reclassifications that have already occurred (E19)	77,041	109,501	32,460
Mammovan driver (E6)	0	58,250	58,250
Total			<u>\$339,033</u>

Reductions

We have revised the methodology and savings associated with the expansion of the prescription co-payment (G-2). This initiative will expand the co-payment requirement in the SFGH Outpatient Pharmacy and contracted network pharmacies to include all clients except those on general assistance and clients who are homeless. While the copay for preferred medications remains at \$5, we propose to increase co-payment for non-preferred and non-formulary drugs to \$25 per prescription. We would also assess the \$25 co-pay for most non-prescription items including nutritional supplements, drugs used for hormone replacement therapy, and selected high cost formulary agents for which lower cost formulary alternatives are available. The copay would not apply to insulins, anti-psychotics, and antibiotics for acute infections. We believe this will reduce pharmacy cost as patients opt for lower cost medications and generate additional point of service revenues.

We have established a new co-payment for certain outpatient specialty and diagnostic services to uninsured patients whose income level is over 100% of the Federal Poverty Level (FPL). The copay would also be assessed for non-emergent services provided in the Emergency Room and in the Urgent Care Clinic. In addition to generating additional revenue, this initiative will create a financial incentive for patients to access services in our clinics (G-3).

<u>Category</u>	<u>3/20</u>	<u>4/17</u>	<u>Change</u>
Pharmacy Co-payment (G2)	\$1,357,699	\$1,906,246	\$548,547
Outpatient specialty and non-emergent care Co-payments (G3)	0	542,972	542,972
Total			<u>\$1,091,519</u>

Contingency Plan

In order to balance the base budget and meet targeted reductions to our use of General Fund, it was necessary to propose cuts to substance abuse services, inpatient and outpatient psychiatry services, and eliminate public health nurses assigned to chronic care. Therefore, we have even more difficulty identifying additional reductions to meet the contingency plan. Necessarily, our focus must be on services that rely on General Fund support. We hope that the Citywide budget can be balanced without implementing these cuts, however, should it be necessary to implement additional reductions to achieve a balanced budget, we have identified the following additional reduction initiatives. These initiatives fall short of the \$9.4 million requested.

Proposed Reduction

Eliminate remaining funding for the SRO Collaboratives serving 1,800 unduplicated clients annually.	\$833,770
Close Mission Assertive Community Treatment Facility and transition 100 clients to lower levels of service.	410,881
Reduce outpatient substance abuse services which will decrease service to approximately 1,271 unduplicated clients (32,600 units of service).	1,583,000
Limit Safety Net Services for Uninsured Adults to the Seriously Mentally ill. This will reduce service to an estimated 994 clients. This will necessitate an amendment to the Administrative Code which requires a single standard of care.	<u>1,253,773</u>
Total	<u>\$4,081,424</u>

A copy of the contingency plan submitted to the Mayor's Budget Office accompanies this report.

Funding Requested in Excess of Base Budget

Following is a summary of changes to our listing of unfunded initiatives:

	<u>3/20</u>	<u>4/17</u>	<u>Change</u>
Expired Grants	\$5,201,188	\$10,842,938	\$5,641,750
Addbacks	2,928,323	2,928,323	0
New Initiatives	<u>14,120,550</u>	<u>14,408,710</u>	<u>288,160</u>
Total	<u>\$22,250,061</u>	<u>\$28,179,971</u>	<u>\$5,929,910</u>

Expired Grants

We are projecting a \$5.7 million reduction in CARE funding for 2007-08 from \$27.9 million to \$22.2 million. The CARE grant is comprised of a formula and supplemental award. We have been notified of a \$772,240 reduction to the CARE formula award, which represents a 5% reduction compared to the prior year. Although we have not yet been notified of our supplemental award, we are now anticipating an additional cut of up to \$5 million. This estimate is based on our expectation that we will continue to receive approximately 5% of supplemental funding as we have in the past, which funding, on a national level, is expected to decline by 50%. If we continue to receive 5% of the reduced award, funding for 2007-08 would decline by an additional \$5 million.

In addition, as discussed above, we have reclassified the cost of the Mammovan driver into the base budget for a reduction of \$58,250. The cost of the health educator for the Mammovan remains in our listing of expired grants.

	<u>3/20</u>	<u>4/17</u>	<u>Change</u>
AIDS CARE reduction	\$0	\$5,700,000	\$5,700,000
Mamovan Driver	<u>171,284</u>	<u>113,034</u>	<u>(58,250)</u>
Total	<u>\$171,284</u>	<u>\$5,813,034</u>	<u>\$5,641,750</u>

Unfunded Initiatives

We have made two revisions to our listing of unfunded new initiatives.

- We have added a request for additional P103 nursing support to the serial inebriate program. Based on the experience of San Diego's Program, which is the model adopted for the development of the San Francisco proposal, there will be an increase in intoxicated individuals brought to the county jail. To address the additional health needs, this proposal would add funding to support "on-call" registered nursing hours as part of the workorder with the Sheriff for Jail Health. Assuming the costs are added to our workorder, this change is cost neutral to the Department.
- At the request of the Department of Children Youth and Families (DCYF), we have added an additional funding request. DCYF is proposing to implement the final four Wellness Centers in the remaining four comprehensive high schools that don't yet have one. A Wellness Center is a high school campus drop-in center providing students with access to health, behavioral health and other services. Previously, DCYF funded the behavioral health component of each Wellness Center. However, in FY 07-08, DCYF has requested that DPH fund the behavioral health component for the remaining four sites, or approximately \$80k per school for a total of \$320k which is offset by \$32k in revenues. The behavioral health services are provided by a non-profit agency, so the funding would be an expansion of contractual services.

	<u>3/20</u>	<u>4/17</u>	<u>Change</u>
Serial Inebriate Program (K11)	\$654,966	\$654,966	\$0
Wellness Centers (K8)	<u>0</u>	<u>288,160</u>	<u>288,160</u>
Total	<u>\$654,966</u>	<u>\$943,156</u>	<u>\$288,160</u>

Conclusion

We are submitting a two draft resolutions for your consideration. The first resolution is to approve submission of the FY 07-08 base budget and the second is to accompany submission of the contingency plan.

