

**DEPARTMENT OF PUBLIC HEALTH
PROPOSED FY 03-04 BUDGET**

PRESENTED TO THE HEALTH COMMISSION

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TABLE OF CONTENTS

	PAGE #
I. MESSAGE FROM THE HEALTH DIRECTOR ON FY 03-04 BUDGET	1
II. SUMMARY OF PROPOSED BUDGET FOR FY 03-04	17
III. MAYOR'S BUDGET INSTRUCTIONS	19
IV. GENERAL FUND	22
V. REVENUES	23
VI. EXPENDITURES	40
VII BASELINE SUMMARY ATTACHMENT	46
VIII PROGRAM CHANGE DETAIL ATTACHMENT	56

MESSAGE FROM THE DIRECTOR OF HEALTH ON FY 03-04 BUDGET

I. Introduction

I am presenting the Department of Public Health's FY 03-04 budget for consideration and approval by the Health Commission. This budget submission is divided into two major parts: 1) the base budget, which in accordance with the instructions of the Mayor's Finance Office decreases our use of general fund by \$17,485,847 compared to our FY 02-03 budget and absorbs \$20M in unavoidable increases including contracted increases to labor costs, and 2) a partial contingency plan on how the Department could further reduce our general fund allocation by \$27.3 million if necessary.

Base Budget

Please note that our base budget target reduction is twice as large as we had previously reported to the Commission. This is because the Mayor's Finance Office, in response to the Governor's proposed State budget, is anticipating significantly less State support and now projects the size of the City shortfall for 2003-2004 at \$350 million.

The Mayor's Finance Office has given us permission to roll over any surplus at the end of this fiscal year into next year's budget. Therefore, in order to minimize layoffs and program cuts for next year we will be on a hiring freeze for the rest of the fiscal year, with positions approved only for grant funding or when failure to hire the position will result in use of overtime. We have estimated a surplus of \$2 million from this effort and have used it to reduce the necessary cuts for next year (with the provision that this is one-time money being used to help solve an ongoing problem). If we do not make this target we will have to identify other cuts.

Contingency Plan

The contingency cuts will not be loaded into the Health Department's budget by the Mayor's Budget Office at the current time, but may be taken at a later date if there are insufficient revenues in the City to support the base budget. The contingency plan is not due to the Mayor's Finance Office until March 15th, 2003 and it is not currently finished.

II. Process

Rather than allocating the budget reductions to each of the divisions and sub-divisions of the Department, we made those reductions that made sense as a Department. We wanted to avoid a situation where a cut to one part of the Department (e.g., mental health beds appropriate for hospital discharge) would increase costs to another part of the Department (e.g., the hospital). We also recognized, as discussed in Section III, that there are many constraints that prevent certain parts of the Department from making large scale cuts. For this reason, the presentation is by strategic goal, not by division. On the detail sheets the division is listed, however, so that people can see in what division the cut is occurring.

As in past years, the Budget was developed primarily by my cabinet staff. It would be ideal if the budget could be developed with extensive input and consensus building with our partners including labor, community-based organizations, and the University. Unfortunately, it is the nature of a City budget that exists on a one-year cycle, that it is impossible to incorporate consensus building on how to cut \$17.5 million of services in the course of a few weeks. To compensate for this loss, we built the budget around the Strategic Plan, which did have extensive input and a consensus building process.

Also, it is important to note that our presentation to you today only begins the community process. I know you will hear thoughtful, impassioned testimony from the community at this meeting and the one scheduled in two weeks. In addition, the Board of Supervisors will of course hold extensive public debate after the budget moves from the Mayor's Office to the legislative branch.

If the contingency reductions are needed, the Department will come back to the Health Commission for guidance and approval on implementing the contingency plan.

III. Base Budget

Although a lot of hard work and thought has gone into the base budget, it gives me no pleasure to present it to you. The base budget makes substantial cuts in valuable health services. Not only are we unable to narrow the gaps in important service areas, but we are actually proposing cuts that will increase unmet need in many communities.

In this budget, we propose laying off civil service workers. This too is painful for us. The good work of the Health Department is due entirely to our staff. Layoffs are harmful in that they result in many hardworking employees being left without a way to support their families. Beyond the loss to the specific employee, lay offs hurt the morale of the remaining employees, increase their workload, and cause bumping of employees (employees with greater seniority displace less senior employees), which is very disruptive to the work environment.

This budget also proposes substantial cuts to our community-based agencies (CBO's), cuts that will eliminate valuable services and in some cases threaten the viability of entire agencies.

We propose these reductions only because there is insufficient revenue in the City to support our current array of services. We know that the pain will be felt in all areas of City government as the City's revenue shrinks.

I have been very explicit that this budget causes pain because I think it is important to frame the issues the Health Commission faces today and at our next hearing on February 18th, 2003. The issue before you is not whether the proposed cuts are harmful to health -- they are -- but whether the proposed cuts are the least harmful cuts possible to reach our fiscal targets.

Although the Health Commission may decide it cannot forward a budget that contains such reductions to the Mayor's Office, failure to pass a budget ultimately results in the Mayor's Finance Office deciding what they think are the correct reductions. Clearly the Health Commission is the more appropriate body to make that determination.

Regardless of the final budget submitted to the Mayor's Office, the Commission and the Department need to advocate locally to the Board of Supervisors and the Mayor, as well as to the State and Federal Governments about the importance of preserving safety-net services. With effective advocacy we may be able to reduce our targets. But even if our efforts are successful, such improvements in our situation are not likely to happen before April/May when the City has a fuller picture of its revenues. Depending on the State and Federal budgets it is also possible that the situation will worsen.

IV. Constraints in Meeting Reduction Targets

In considering our budget, it is important to understand the large number of constraints that we face in meeting the reduction targets:

1. We have substantial unavoidable increases in the costs of doing business. This is consistent with several reports that health care inflation is running at a rate greater than 10% per year. In meeting our reduction target for the general fund, we must support these increases in the cost of doing business. This includes programs where our current spending exceeds the amount appropriated and we cannot reduce spending due to utilization (e.g., pharmaceuticals) without making major policy changes (e.g., not providing certain drugs or not providing them to certain populations). It also includes annualizations of existing programs.

Salary MOU Cola	\$15,988,820
Nurse Registry	\$512,000
Jail Staffing at Required Levels	\$565,700
Increased Pharmaceutical Utilization at SFGH, Community Programs, LHH, Jail	\$1,225,563
Increased Security Utilization	\$412,324
Annualization of Star & Camelot Hotel costs	\$438,738
Annualization of Therapeutic Behavioral Services for Children	\$12,500
Dialysis Center	\$457,558
Increased Utilization of NAPA beds	\$300,000
Total Increases due to Inflation, Utilization, and Annualization	\$19,913,203

2. Our institutions SFGH, LHH, and Jail Health work in a tight regulatory environment where our staffing is determined by a combination of licensing requirements (DHS), accreditation requirements (JCAHO), legal mandates (OSHA & DOJ), and our collective bargaining agreements with our labor partners.

For example, our base budget includes an increase of 10.5 FTEs at a cost of \$966,250 to comply with a new law, AB394, which requires increased staffing in the emergency department and in the Psychiatry Inpatient Department. (As this is effective 01/01/04 it should be noted that the annualized cost of this increase in staffing is 2 million dollars a year.)

Our base budget also includes \$288,215 to develop a computerized provider order entry system. Such a system is required by SB1875, a state law that requires hospitals to implement systems that have been proven to reduce medical errors. To implement this system another \$1.2 million will be needed, and we will need to seek state approval for implementing only a portion of the system in this next fiscal year.

Nursing Ratio Title 22 Staffing	\$966,250
IS services to comply with SB1875	\$288,215
Total Increases due to regulatory environment	\$1,254,465

3. Much of the general fund is used to subsidize services that are primarily financed with revenue or grant funds. In fact, of the Department's total budget for 02/03 of \$1.04 billion, only \$290 million (28%) is supported by the general fund. Therefore, decreases in services partially dependent on general fund will also eliminate important sources of revenue and make it impossible for us to offer the service. Stated a different way, our local general fund leverages revenue. This principle is especially true at SFGH and LHH, which together account for 54% of our budget.

<u>Institution</u>	<u>Total Budget</u>	<u>General Fund</u>	<u>Revenues</u>	<u>% that GF represents of Total Budget</u>
SFGH	\$379.M	\$94.8 M	\$398.7 M	25%
LHH	\$148.5 M	\$36.0 M	\$112.5 M	24.2%

We have eliminated two non-revenue producing service at SFGH (Substance Abuse Treatment Services and patient referral services) and we have reduced Translation Services. These reductions are explained in Section V 2.C and V 4.

Even in non-institutional settings, many of our dollars are leveraged. For example, for positions in the MCH budget, the State pays 75% of the expense. Thus, the financial impact of reducing staffing by 4 FTEs, is a general fund savings equal to 1 FTE.

One fortuitous aspect of our ability to generate revenue is that in a few cases we are able to create new services, which are funded entirely through revenues linked to the services. In this budget we propose three such initiatives.

	<u>Expend</u>	<u>Revenue</u>	<u>General Fund</u>
Expansion of SFGH Urgent Care	\$495,785	\$501,797	(\$5,709)
Expansion of Worker's Comp Clinic	\$100,000	\$130,582	(\$30,528)
Expansion of Orthopedic & Neurosurgical Services	\$500,000	\$500,000	—
Children's Mental Health Services	\$163,647	\$163,647	—
Adolescent & Youth Mental Health Pilot Project	\$200,000	\$200,000	—
Substance Abuse Programming	\$213,700	\$213,700	—
Total Revenue Neutral Programs	<u>\$1,673,132</u>	<u>\$1,709,369</u>	<u>(\$36,237)</u>

4. Because of the fixed costs of running large institutions like SFGH and LHH (e.g., physical plant, administration, quality improvement efforts), we have found that decreases in census do not result in substantial savings, and in some cases may actually increase our need for general fund. The loss in revenue exceeds the savings associated with reductions in census. For this reason we have not proposed any decreases in the census of SFGH or LHH.
5. Some potential program eliminations might result in costing us more money because they will increase hospitalization. This is financially counter-productive and also counter to our principle of reducing institutional care.

For example, we are recommending maintaining the existing dialysis center at an increased cost to us of \$457,558 because if we allow the center to close, it will cost us more in decertified days at the hospital due to inability to discharge patients who need an outpatient dialysis program.

6. Children's services in DPH fall under a San Francisco voter defined budget baseline and must equal at least \$32,892,041.

V. Principles Used in Creating the Budget

Whether we are expanding in size as a Department, as we did with our last 7 fiscal year budgets, or whether we are contracting, we look to our Strategic Plan for guidance in making decisions.

Our Strategic Plan lists 4 principles to adhere to in times of fiscal constraints:

1. Expand community-based alternatives – decrease need for institutional care.
2. Target populations receiving services - allocate resources to those most in need and who lack options.
3. Strengthen and promote prevention.
4. Use data to reorganize, reprioritize, reduce or eliminate services – based on priorities, performance measures and the Strategic Plan.

We followed these principles, to the best of our ability.

1. Expand community-based alternatives – decrease need for institutional care.

A. Change license for Mental Health Rehabilitation Facility (MHRF).

We propose changing the license of the Mental Health Rehabilitation Facility (MHRF) from an IMD (Institution for Mental Disease) to an RCFCI (Residential Care Facility). The facility will still be dedicated to persons living with mental illness. However, we will change the license and program the services to be very similar to the Broderick. The Commission will remember that all of the residents at the Broderick came from the licensed settings of the MHRF, Acute Psychiatry at SFGH, or LHH. Under an RCFCI model we will be able to bill Medicaid for our services. In addition, clients living at the new reprogrammed facility will be able to receive a portion of their social security income check, which they currently do not receive because the MHRF is classified as an IMD. Because the reprogrammed facility is not a locked building, clients who must be kept in a locked facility will be placed in other facilities.

Savings due to change in MHRF license \$8,140,599

	Expense	Revenue	General Fund
B. Development of Sobering Center	\$400,000	(\$175,000)	\$225,000

We have committed \$400,000 a year to enhance medical services at McMillan Drop-in so that inebriates can be taken there instead of being taken to the hospital. These general fund dollars are being matched by the private hospitals. We anticipate that there will be an increase in \$175K of revenue at SFGH because the payor mix will improve with more inebriated patients being diverted from SFGH.

C. Increase availability of supportive housing. \$3,000,000

Federal dollars are available on a competitive basis to develop supportive housing units using the Direct Access to Housing Model. The City can apply for up to \$3,500,000. We are hopeful that we will obtain at least \$3 million for new supportive housing in San Francisco.

D. Decrease use of fee-for-service hospitals for mentally ill. \$100,000

2. Target populations receiving services -- allocate resources to those most in need and who lack options.

In following this principle, we used several strategies:

A. Increase revenues. By increasing revenues we are able to significantly decrease the size of the general fund reductions that we must make. This

is also consistent with our Strategic Planning initiative 3.2 to adopt a financial strategy that enhances revenue and reduces expenditures to ensure that the overall public health system operates cost-effectively.

I am proud that the Department is increasing revenues in the following areas:

SFGH	\$8,394,944
Financial Services Revenue Enhancement	\$1,000,000
LHH	\$1,872,560
Mental Health	\$359,807
Public Health	\$527,082
Total Revenue Increase	<u>\$11,835,005</u>

- B. Make administrative cuts instead of service cuts whenever possible. Administration cuts have been made across the department. This will increase the administrative workload and result in delays in completing work. Our remaining workforce will be required to work harder. The decrease in administration is particularly noteworthy given our commitment to increasing revenues. Generally, it takes more administrative work to obtain increased revenue because of the added burden of documentation.

We will also eliminate the office of Managed Care. We will no longer be able to pay claims or do utilization management for the San Francisco Health Plan, or Chinese Hospital. We will convert our commercial capitation agreements to fee-for-service contracts. We believe that this is possible because the San Francisco Health Plan has the capability to pay its claims and do its utilization management. They can also do it for Chinese Hospital.

Decreased Administration positions (24.25 FTEs)	\$2,047,471
Eliminate Office of Managed Care	\$859,848
Decrease in energy costs through conservation	\$200,388
Operationalize Omnicell for savings	\$526,000
Public Health Operating Expense Reductions	\$80,365
Decrease in cell phone use	\$34,000
Eliminate LHH laundry	\$1,285,181
Reduce funding to Advisory Boards	\$35,894
Total Administrative and Operations Reductions	<u>\$5,069,147</u>

- C. Referral/Education services are extremely useful in connecting patients to needed services. On the other hand, it would be pointless to maintain referral services and cut the services that you would refer patients to. In the same mode, we are proposing eliminating the drop-in and outreach

program services to the homeless, both on the street and in SROs. These are all useful services but less useful than supportive housing.

The AIDS Hotline is a vital service but is supported by the State of California for the entire state and no other county besides San Francisco provides it extra funding. With this in mind we are proposing the following cuts:

SFGH patient referral services	\$408,287.
Central City Hospitality House drop-in/outreach	\$567,618
Reduce and consolidate homeless outreach (HOPE & MOST Team)	\$244,833
Progress Foundation Outreach Services	\$383,701
Instituto Familiar de la Raza Outreach Services	\$21,437
Decrease Tenderloin Outreach SRO Collaboration	\$69,560
Eliminate Chinatown Community Development Corp, SRO Families Collaboration	\$50,000
Reduction to SFAF AIDS Hotline	\$138,172
Eliminate inpatient substance abuse consult service at SFGH	\$73,125
Eliminate Community Substance Abuse Services Pretrial Referral Unit	68,601
Total decrease to Referral/Education	<hr/> \$1,864,641

3. Strengthen and promote prevention

As part of our commitment to strengthen and promote prevention we have made no cuts in these programs.

In addition we have allocated an additional \$117,185 for enrollment growth in the Healthy Kids Program. This program provides immunizations, anticipatory guidance, and acute care to children who are not covered by other insurance programs.

We have also allocated an additional \$150,000 in next year's budget to syphilis control in order to deal with the epidemic of syphilis cases we are facing. The CDC has agreed to a match of these dollars.

4. Use data to reorganize, reprioritize, or eliminate services based on priorities, performance measures, and the Strategic Plan

Even with data it is difficult to choose among our programs because the vast majority of them are extremely useful and while data is helpful in prioritizing programs in the same category, it is harder to use data to prioritize programs across categories (e.g., comparing an outpatient day program for seniors to a residential program for youth). Nonetheless, we made the following difficult choices:

Elimination/Reduction/Reprogramming with creation of new service	Amount Saved	Rationale
1. Elimination or reduction of outpatient and drop-in substance abuse services:		We have retained all of our residential substance abuse treatment beds because many of our clients are homeless or marginally housed making recovery extremely difficult without residential placements. We have eliminated the Ozanam detox but reprogrammed the dollars to the Baker detox which has been more heavily utilized. We have committed a portion of our savings (\$272,636) to create new methadone maintenance slots and replace lost grants for office based opiate treatment. Clients currently served in outpatient and drop-in programs will be referred to 12-step programs (AA & NA) or methadone. We believe that we will be able to use Prop 36 dollars to support Sheriff's Program.
Westside Youth Awareness Outpatient Program	\$341,761	
New Leaf Substance Abuse Program	\$122,194	
YMCA Urban Services Huckleberry Youth Program	\$36,525	
Potrero Hill Neighborhood House	\$44,987	
Asian American Recovery Services COPASSA	\$162,833	
Haight Ashbury Free Clinics, Inc. OSHUN	\$790,744	
Haight Ashbury Free Clinics, Inc. Mother's Ahead Program	\$332,836	
Haight Ashbury Free Clinics, Inc. Mother's Ahead Program Outreach	\$70,758	
Walden House Continuing Care	\$285,877	
Walden House Intensive Treatment Services	\$329,877	
Sheriff's Substance Abuse Residential	\$256,364	
Sheriff's Post Education Release Program	\$60,000	
Sheriff's Roads to Recovery Program	\$100,000	
Eliminate Ozanam Med Supported Detox	\$563,722	
Increase Baker Places Med Supported Detox	(\$450,000)	
Create new methadone maintenance slots and replace lost grants.	(\$272,636)	
Total Substance Abuse savings	\$3,050,130	

2. Reduce mental health day treatment and other mental health services:		Case management will enable us to stay connected to our clients for whom we are now unable to provide a higher level of service.
Eliminate Family Service Agency Day Treatment	\$386,846	
Eliminate RAMS Day Treatment	\$35,150	
Eliminate BVHP Thunderseed Program	447,478	
Reduce Baker Places Robertson Place	\$220,874	
Reduce Conard House Transitional Residential Treatment	\$13,183	
Reduce PPN Outpatient	\$200,000	
Reprogram increased intensive case management	(\$300,000)	
Total Mental Health Savings	\$1,337,203	
3. Change eligibility requirements such that outpatient medications are only provided to persons at less than 300% of poverty.	\$950,000	All counties in California are required to provide medical services on a sliding scale basis under State Welfare and Institution Code Section 17000. However, we are not required to provide these services to patients who are not indigent. Under this scenario we will change our fee structure (requiring Board of Supervisors' approval) to exclude an outpatient pharmacy benefit for those at 300% of the poverty level or greater.
4. Eliminate 50% of our interpreter services and substitute an increased use of AT&T language line and printed sheets in multiple languages.	\$474,671	Not having adequate translation services will affect the quality of care. On the other hand, we will still have more interpreters per patient than any other hospital in San

- Francisco and if forced to cut translation or the services (i.e., medical visits) for which we need the translators, it was more sensible to cut the translators. We will rely more heavily on our bilingual staff to do translation.
5. Eliminate all adult dental services. \$791,357
 Maintain children's dental services and grant-funded services.
 These budget contingencies are likely to be taken only if the State of California cuts are as severe as proposed. One of the State of California cuts is dental services for adults. Given that, it seems justified, but not at all desirable, to also eliminate adult dental services. We continue all children's dentistry as these services really are primarily preventive in nature.
 6. Reduce Ark House Contract -- Ark of Refuge \$335,393
 This has been a successful program in providing transitional housing to LGBTQQ youth. The current site will not be available beyond this Spring. The program has secured a site on Fell Street which can house 9 clients (current facility houses 15).
 7. Eliminate contracts for emotional and practical peer support for persons with HIV/AIDS \$784,990
 To avoid making cuts in medical, mental health, substance abuse, food or

- transportation services for persons with HIV/AIDS we have eliminated these services as they are generally provided to clients with less intensive needs.
8. Eliminate general fund subsidy to Bayview Adult Day Health Center \$55,554 This contract provides enhanced services (1 FTE) to estimated 150 clients. This is a billable Medi-Cal program. We believe this program can continue without this position. We do not subsidize other community adult day health centers.
 9. Eliminate acupuncture services at TWC. \$40,000 We need to provide continued medical, nursing, and behavioral health services and don't have the ability to also continue complementary medical services.
 10. Decrease spending of taxi vouchers by \$25,000. Currently we spend \$150,000 on taxi vouchers and an additional \$50,00 funding the Shanti van to transport our patients. \$25,000 We will prioritize taxi vouchers for our sickest patients. Others will need to rely on friends and family or paratransit.
 11. Reduction of support staff at health centers \$433,325 We are decreasing support staff but maintaining clinical staff.
 12. Reduce Home Health Aides \$221,000 We will have to prioritize the number of hours of home

health aides we are able to provide. We will seek to coordinate with IHSS to provide more service to our clients where possible. We still will have 7 Home Health Aides working at Health at Home.

13. Delete Increased Nursing Model	\$525,919	We have never been able to provide increased nursing model at LHH.
14. Hold positions vacant in MCH	\$125,000	We currently have a large number of vacant positions at MCH. We will keep them open.
15. Close County Jail #7	\$1,346,351	Closing County Jail #7 results in decreased staffing costs for jail medicine.

VI. Contingency Reductions

As difficult as it was to develop the base budget, creating a contingency budget that would cut an additional \$28 million of our general fund was even harder and proved impossible for us at the current time. All opportunities for increasing revenue were already taken as part of the base budget. The constraints detailed in Section IV continue. The only way we could cut an amount this great is to eliminate additional general fund services or close entire facilities.

With great reluctance we propose the following recommendations. We have provided our rationale for each of the reductions, but it must be understood that these cuts can only be “rationalized” in the sense that however harmful, they are less harmful than other potential cuts.

1. Reduction of Prevention	Amount Saved	Rationale
Reduce HIV/AIDS Prevention	\$1,000,000	In the base budget, we consciously made no cuts to prevention. If we have to make cuts beyond the base budget, it will not be possible to
Reduce AAHI	\$9,000	
HEAP	\$10,165	

NICOS	\$60,000	keep prevention funding intact. The City currently spends \$3.3 million of general fund on HIV prevention in addition to CDC HIV/AIDS prevention funding. Because we use the same criteria for awarding general fund and CDC funding, to implement this cut we will need to look at all HIV/AIDS prevention funding. We will develop a process similar to what we do to fund programs to defund programs that will take into account covering the diverse populations of San Francisco and the success of the program in bringing about behavioral change.
Total Prevention Cut	<u>\$1,079,165</u>	

2. Cut all mental health day treatment programs and substitute case management services.

	<u>General Fund Savings</u>
Club House	\$394,272
Remainder of FSA Day Treatment	\$202,813
Progress Rypins Seniors	\$295,813
Chinatown North Beach	\$126,198
Baker WSL	\$1,264,891
Progress Clay	\$195,093
	<u>\$2,479,080</u>
Substitute Additional Case Management Services of \$558,160, which would provide \$278,080 of Medi-Cal revenue.	\$279,080
Total General Fund Savings	<u>\$2,200,000</u>

3. Close one or more DPH Primary Care Community Health Centers.

The Department currently runs 8 community health centers:

Southeast Health Center
Silver Avenue Health Center
Potrero Hill Health Center
Castro-Mission Health Center

Tom Waddell Health Center
Maxine Hall Health Center
Ocean Park Health Center
Chinatown Health Center

In the base budget we made only small non-clinical reductions. We believe that it is impossible to make sizable reductions in our costs and still keep each of the centers operating. The reason is that each center requires a full contingent of staffing to operate safely (a Center Director, a Nurse Manager, a Medical Director, staff physicians or nurse practitioners/physician assistants, nurses, medical evaluation technicians, receptionists, custodians, security, maintenance, medical records, eligibility, and social work). If you eliminate a key person without closing the clinic you run the risk that you will have a staffed clinic but no one to see the patient (if there is no doctor or NP) or no way to earn revenue (if there is no eligibility worker).

The operating costs of the health centers range from \$1.8 million (Potrero Hill) to \$6.2 million (Tom Waddell). The revenues generated by the health centers range from \$1.1 million (Potrero Hill) to \$3.6 million (Tom Waddell). The net cost (cost less revenue) of the health centers ranges from \$0.9 million (Potrero Hill) to \$2.8 million (Castro-Mission).

Besides the operating costs, if a health center were closed, the building and the land could be sold. Some of our health centers are in expensive residential neighborhoods and the land and the building could be worth large sums of money. The exact amount would depend on the health center and the real estate market at the time the center was closed.

It should be noted that DPH also has other hospital-based clinics.

SFGH General Medical Clinic
SFGH Pediatrics Clinic
SFGH Positive Health Care Program
SFGH Family Health Center

Because these clinics are attached to a hospital we receive a higher reimbursement rate. Also, the clinics do not have significant fixed costs because if they were closed the hospital itself would continue to function. For these two reasons it would not be sensible to consider discontinuing these clinics.

We also run two satellite clinics: Balboa Teen Clinic and Hawkins Clinic in Visitation Valley. However, these clinics have very small operating costs.

Finally, we also run North of Market Center collaboratively. Because the Department of Public Health support is only a portion of the funding and governance we have not considered closing it.

If it became necessary to take the contingency cuts we would come back to the Commission for guidance on which clinic we would have to close. Factors that would need to be considered are proximity to other primary care clinic sites (DPH or community-consortium clinics), the physical shape of the center (i.e., how much renovation/rehabilitation the clinic will need to continue to be functional in the future, the net costs of the clinic, and the unique needs of the population served). Needless to say, this would be an extremely hard decision and a tragic loss.

II. SUMMARY OF PROPOSED BUDGET FOR FY 03-04

Baseline Budget

The total proposed budget for FY 03-04 for the Department of Public Health, including grants is \$1,046,265,108. The proposed expenditure budget is a \$2,106,734 increase over the current year budget of \$1,044,158,375.

Operating revenues are projected to increase by \$20 million from \$663 million in FY 02-03 to \$683 million in FY 03-04.

Grant revenues are projected to decrease by \$2.5 million from \$91.2 million in FY02-03 to \$88.7 million in FY 03-04.

If the budget is approved as requested, the FY 02-04 City and County General Fund allocation to the Department of Public Health will decrease by \$17.5 million, from an adjusted base of \$290.2 million in FY 02-03 to \$272.7 million in FY 03-04. This represents a 6% decrease to the current General fund allocation.

The following report provides details for the Department of Public Health's budget. It includes the Mayor's Budget Instructions, proposed revenue, capital and equipment budgets.

The following page provides a department-wide summary of the revenues, expenditures and grant fund request in the proposed budget for FY 03-04.

**Department of Public Health
Revenues, Expenditures and General Fund By Division**

FY 03-04 Budget - Baseline & Program Changes

	Revenues*			Expenditures			General Fund		
	FY 02-03 Budget	FY 03-04 Budget	Increase / (Decrease)	FY 02-03 Budget	FY 03-04 Budget	Increase / (Decrease)	FY 02-03 Budget	FY 03-04 Budget	Increase / (Decrease)
Department of Public Health									
SFGH	284,269,752	297,683,718	13,413,966	379,084,494	381,343,831	2,259,337	94,814,742	83,660,113	(11,154,629)
Home Health	1,480,148	1,446,148	(34,000)	4,535,776	4,457,963	(77,823)	3,055,628	3,011,805	(43,823)
Primary Care	18,231,747	17,775,799	(455,948)	47,989,222	47,065,190	(924,032)	29,757,475	29,289,391	(468,084)
Jail Health Services	1,119,033	1,119,033	0	25,483,402	25,342,366	(141,036)	24,364,369	24,223,333	(141,036)
Laguna Honda Hospital	153,752,521	156,198,081	2,445,560	189,767,299	192,913,514	3,146,215	36,014,778	36,715,433	700,655
Public Health	54,842,090	58,369,172	3,527,082	87,164,884	89,467,720	2,302,836	32,322,794	31,098,548	(1,224,246)
Mental Health	123,422,085	124,094,946	672,861	160,857,214	161,181,585	324,371	37,435,129	37,086,639	(348,490)
Substance Abuse	25,678,786	26,172,970	494,184	58,108,783	55,794,376	(2,314,407)	32,429,997	29,621,406	(2,808,591)
Subtotal	662,796,162	682,859,867	20,063,705	952,991,074	957,566,535	4,575,461	290,194,912	274,706,668	(15,488,244)
Rollover FY 02-03 Surplus	0	2,000,000	2,000,000	0	0	0	0	(2,000,000)	(2,000,000)
Subtotal	662,796,162	684,859,867	22,063,705	952,991,074	957,566,535	4,575,461	290,194,912	272,706,668	(17,488,244)
Grants	91,167,300	88,698,573	(2,468,727)	91,167,300	88,698,573	(2,468,727)	0	0	0
Total DPH	753,963,462	773,558,440	19,594,978	1,044,158,374	1,046,265,108	2,106,734	290,194,912	272,706,668	(17,488,244)

* Revenues per AAO (include work order recovery)

III. MAYOR'S BUDGET INSTRUCTIONS

In November, the Mayor's Budget Office projected a \$170 million shortfall in FY 2003-2004, assuming current spending levels and no new wage increases for city employees. Last week, the projected shortfall was increased to \$350 million. Our current shortfall is based upon several key factors:

- The current year budget was balanced using a mix of one-time and ongoing solutions. The budget was prepared with the assumption that an economic recovery would lead to a revenue rebound to replace one-time solutions in the FY 2003-2004 budget.
- Given recent information, the assumed economic recovery and commensurate increase in revenue to replace these resources in FY 2003-2004 will likely not occur. In fact, continued tax revenue weakness, lead by sales and hotel tax losses, are expected to contribute to unbudgeted revenue losses of \$30 million over the next 18 months.
- On January 10, the Governor submitted a proposed state budget that projects a \$34.6 billion deficit. The spending cuts included in that budget are projected to increase the Citywide shortfall from \$170 million to \$350 million.

The Mayor is taking immediate action to address this shortfall over a span of 18 months, to help mitigate the overall impact of potential reductions in FY 2003-2004. The Mayor is instructing all departments to propose spending reductions for this period that preserves direct public service to the greatest extent possible.

Instruction #1: Prioritize Direct Public Services Over All Other Budget Expenditures.

Departments should exhaust all other revenue generating and expense reduction opportunities before proposing reductions in direct public service.

Instruction #2: Produce a Three-Year Strategic Outlook

Departments should prepare their budgets with their code-required strategic plan as a starting point. This year, our office is requesting that departments replace the budget narrative portion of their submission with a Three-Year Strategic Outlook, in memorandum form, which describes major goals, expenditure changes, and revenue trends the department anticipates through FY 2005-2006.

Instruction #3: Reduce Current Year General Fund Spending by 3%

Departments should reduce General Fund reliance in the current year by 3%. To the extent possible, departments should identify and prioritize reductions that are ongoing in nature to ease required reductions in FY 2003-2004.

Instruction #4: Absorb cost increases for 2003-2004 within a reduced General Fund Base

Departments should reduce General Fund reliance in the current year a total of 6% (3% based on the November instructions and an additional 3% based on the January instructions.)

Instruction #5: Submit a prioritized contingency plan equal to 10% of the General fund

Departments should submit a prioritized contingency plan in 2.5% sections totaling 10% of the General Fund (5% based on the November instructions and an additional 5% based on the January instructions.)

Instruction #6: Submit a list of any proposed layoffs in either the current of budget year

Instruction #7: Plan for acceleration of proposed program reductions into the current Fiscal Year

The Mayor's office will make decisions to implement reductions early, following initial review of departments budgets during the first two weeks of March.

Contractor Services

The base budget does not contain cost of living adjustments (COLAs) to community based agencies that contract with the Department to provide healthcare services, nor to the UC contract. If a COLA is not funded by the Mayor or the Board of Supervisors during the budget deliberations, the Department will work with its contractors to determine the impact on the service delivery system. Contractors will likely need to reduce their services in order to provide for required wage increases to their employees.

IV. GENERAL FUND

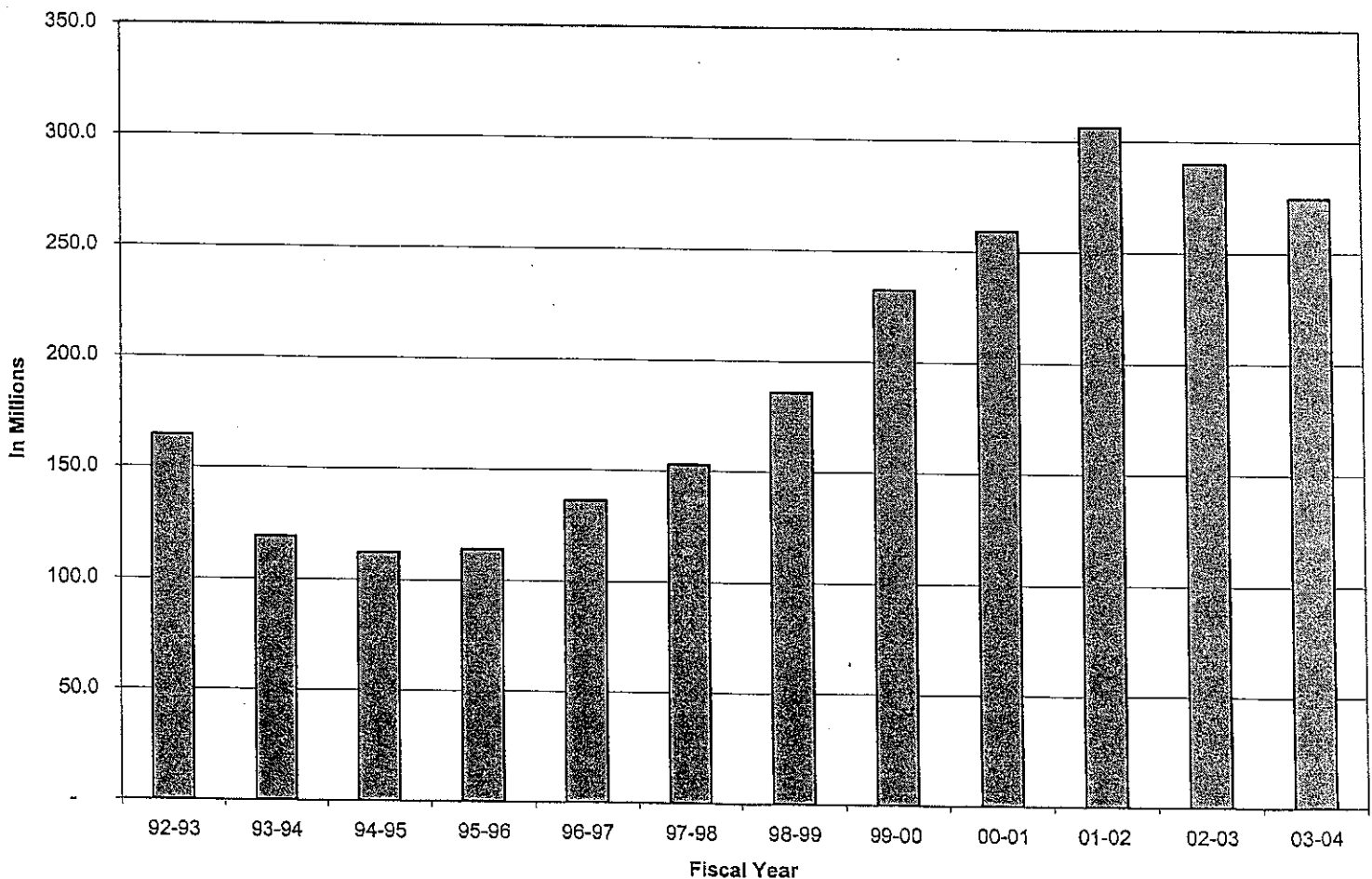
The current year's General Fund subsidy for the Department of Public Health is \$290 million. In the FY 03-04 budget proposal, we request that surplus revenues of \$2 million in the current budget be used to augment the 03-04 general fund reduction of \$15.5 million to balance the Department's budget for FY03-04. If approved, the Department's general fund, after these adjustments will be \$274.7 million in FY 03-04.

History of General Fund Support

The following chart illustrates the increase in general fund support to the Department of Public Health over the past ten years.

General Fund
FY 92-93 actual to FY 03-04 requested

General Fund
(in millions of dollars)



V. REVENUES

Total revenue funds for the Department of Public Health, including operating revenues and grants are projected to increase \$49.6 million from \$617.6 million in FY 01-02 to \$667.2 million in FY 02-03. In the proposed budget, revenues would comprise 66% of our total budget.

Revenue (In Millions)			
	FY02-03	FY 03-04	Variance
Operating Revenues	\$662.8	\$682.9	\$20.1
Grants	91.2	88.7	(2.5)
	\$753.9	\$771.6	\$17.7

Specific revenues Department-wide and by Division are presented in the pages that follow:

**Department of Public Health
FY 03-04 Revenues**

Department of Public Health - Total				
	FY 02-03 Budget	FY 03-04 Budget	Increase/ (Decrease)	Comment
State Funds				
Calif Childrens Svcs / CHDP	5,915,257	6,015,257	100,000	
Comm Mental Health	11,712,684	11,796,866	84,182	
State Alcohol Funds	15,055,410	15,675,982	620,572	
Prop 99 - Tobacco Tax - AB75	5,476,676	5,340,162	(136,514)	
State Mandated Cost	<u>1,385,361</u>	<u>1,585,361</u>	<u>200,000</u>	
Total - Other State	39,545,388	40,413,628	868,240	
Realignment				
Health	85,300,000	85,300,000	-	
Mental Health	59,200,000	59,200,000	-	
Social Services	<u>508,492</u>	<u>508,492</u>	-	
Total - Realignment	145,008,492	145,008,492	-	No Change
Fees & Charges for Svcs				
	9,190,539	9,513,121	322,582	EHS, AIC, EMSA
Capitation Fees/Health Plan				
	13,211,931	14,165,400	953,469	
Bad Debt				
	(26,174,256)	(26,000,000)	174,256	SFGH
Medicare				
	46,165,706	55,907,715	9,742,009	Change in Payor Mix
Medi-Cal				
SB855 Gross	98,224,658	98,224,658	-	
SB855 Net	30,002,628	29,672,342	(330,286)	
SB1255 Gross	-	-	-	
SB1255 Net	19,700,000	19,700,000	-	
MAA/TCM	7,368,783	7,334,275	(34,508)	
GME Gross	-	-	-	
GME Net	1,300,000	1,300,000	-	
Other Revenue	175,508,930	175,592,794	83,864	
Short-Doyle Medi-Cal	<u>44,273,820</u>	<u>44,804,685</u>	<u>530,865</u>	
Total Medi-Cal	376,378,819	376,628,754	249,935	
Insurance & Patient Revenue				
	64,597,725	70,920,447	6,322,722	
Property Rentals				
	1,863,067	1,863,067	-	
Miscellaneous Revenues				
	5,027,649	4,768,142	(259,507)	
Revenue Fr PH & Other City Dept				
	34,820,047	33,510,046	(1,310,001)	
Transfers/Other				
	<u>(98,224,658)</u>	<u>(98,224,658)</u>	-	SB855 IGT payment
Total Operating Revenues				
	\$ 611,410,449	\$ 628,474,154	\$ 17,063,705	
Proposed Housing Funds	-	\$ 3,000,000	\$ 3,000,000	
	\$ 611,410,449	\$ 631,474,154	\$ 20,063,705	
Grants				
	<u>91,748,344</u>	<u>89,279,617</u>	<u>(2,468,727)</u>	
Total	\$ 703,158,793	\$ 720,753,771	\$ 17,594,978	

**Department of Public Health
FY 03-04 Revenues**

		San Francisco General Hospital			
		FY 02-03 Budget	FY 03-04 Budget	Increase/ (Decrease)	Comment
State Funds					
	Calif Childrens Svcs / CHDP	-	-	-	
	Comm Mental Health	-	-	-	
	State Alcohol Funds	-	-	-	
	Prop 99 - Tobacco Tax - AB75	3,422,514	3,286,000	(136,514)	
	State Mandated Cost	-	-	-	
	Total - Other State	3,422,514	3,286,000	(136,514)	
Realignment					
	Health	57,238,500	57,238,500	-	
	Mental Health	3,874,300	3,874,300	-	
	Social Services	-	-	-	
	Total - Realignment	61,112,800	61,112,800	-	
Fees & Charges for Svcs					
	Capitation Fees/Health Plan	11,791,531	12,745,000	953,469	Based on prior year actuals
	Bad Debt	(24,074,256)	(23,900,000)	174,256	Based on prior year actuals
	Medicare	40,700,116	50,442,125	9,742,009	Based on revenue build up; payor mix
Medi-Cal					
	SB855 Gross	98,224,658	98,224,658	-	
	SB855 Net	30,002,628	29,672,342	(330,286)	
	SB1255 Gross	-	-	-	
	SB1255 Net	19,700,000	19,700,000	-	
	MAA/TCM	4,084,508	4,000,000	(84,508)	Based on prior & current year actuals
	GME Gross	-	-	-	
	GME Net	1,300,000	1,300,000	-	
	Other Revenue	56,908,457	55,266,276	(1,642,181)	Based on revenue build up, payor mix, and program initiatives
	Short-Doyle Medi-Cal	5,053,863	5,053,863	-	
	Total Medi-Cal	215,274,114	213,217,139	(2,056,975)	Net Medi-Cal is less SB855 IGT of \$98M
	Insurance & Patient Revenue	56,354,840	62,677,563	6,322,723	Based on revenue build up; payor mix
	Property Rentals	1,824,214	1,824,214	-	
	Miscellaneous Revenues	1,067,204	1,067,204	-	
	Revenue Fr PH & Other City Dept	14,971,333	13,386,332	(1,585,001)	
	Transfers/Other	(98,224,658)	(98,224,658)	-	
	Total Operating Revenues	\$ 284,219,752	\$ 297,633,719	\$ 13,413,967	
	Grants	-	-	-	
	Total	\$ 284,219,752	\$ 297,633,719	\$ 13,413,967	

**Department of Public Health
FY 03-04 Revenues**

		Laguna Honda Hospital			
		FY 02-03 Budget	FY 03-04 Budget	Increase/ (Decrease)	Comment
State Funds					
	Calif Childrens Svcs / CHDP	-	-	-	
	Comm Mental Health	-	-	-	
	State Alcohol Funds	-	-	-	
	Prop 99 - Tobacco Tax - AB75	-	-	-	
	State Mandated Cost	-	-	-	
	Total - Other State	-	-	-	
Realignment					
	Health	-	-	-	
	Mental Health	-	-	-	
	Social Services	-	-	-	
	Total - Realignment	-	-	-	
Fees & Charges for Svcs					
		-	-	-	
Capitation Fees/Health Plan					
		-	-	-	
Bad Debt					
		(900,000)	(900,000)	-	
Medicare					
		3,277,090	3,277,090	-	
Medi-Cal					
	SB855 Gross	-	-	-	
	SB855 Net	-	-	-	
	SB1255 Gross	-	-	-	
	SB1255 Net	-	-	-	
	MAA/TCM	-	-	-	
	GME Gross	-	-	-	
	GME Net	-	-	-	
	Other Revenue	102,614,797	105,060,357	2,445,560	SNF FFP and rate increase
	Short-Doyle Medi-Cal	-	-	-	
	Total Medi-Cal	102,614,797	105,060,357	2,445,560	
Insurance & Patient Revenue					
		7,077,884	7,077,884	-	
Property Rentals					
		-	-	-	
Miscellaneous Revenues					
		325,000	325,000	-	
Revenue Fr PH & Other City Dept					
		81,100	81,100	-	
Transfers/Other					
		-	-	-	
Total Operating Revenues					
		\$ 112,475,871	\$ 114,921,431	\$ 2,445,560	
Grants					
		-	-	-	
Total					
		\$ 112,475,871	\$ 114,921,431	\$ 2,445,560	

**Department of Public Health
FY 03-04 Revenues**

	Health at Home			Comment
	FY 02-03 Budget	FY 03-04 Budget	Increase/ (Decrease)	
State Funds				
Calif Childrens Svcs / CHDP	-	-	-	
Comm Mental Health	-	-	-	
State Alcohol Funds	-	-	-	
Prop 99 - Tobacco Tax - AB75	-	-	-	
State Mandated Cost	-	-	-	
Total - Other State	-	-	-	
Realignment				
Health	-	-	-	
Mental Health	-	-	-	
Social Services	-	-	-	
Total - Realignment	-	-	-	
Fees & Charges for Svcs	-	-	-	
Capitation Fees/Health Plan	-	-	-	
Bad Debt	-	-	-	
Medicare	762,500	762,500	-	No Change
Medi-Cal				
SB855 Gross	-	-	-	
SB855 Net	-	-	-	
SB1255 Gross	-	-	-	
SB1255 Net	-	-	-	
MAA/TCM	-	-	-	
GME Gross	-	-	-	
GME Net	-	-	-	
Other Revenue	595,771	561,771	(34,000)	
Short-Doyle Medi-Cal	-	-	-	
Total Medi-Cal	595,771	561,771	(34,000)	
Insurance & Patient Revenue	30,000	30,000	-	
Property Rentals	-	-	-	
Miscellaneous Revenues	-	-	-	
Revenue Fr PH & Other City/Dept	91,877	91,877	-	
Transfers/Other	-	-	-	
Total Operating Revenues	\$ 1,480,148	\$ 1,446,148	\$ (34,000)	
Grants	-	-	-	
Total	\$ 1,480,148	\$ 1,446,148	\$ (34,000)	

**Department of Public Health
FY 03-04 Revenues**

	Primary Care			Comment
	FY 02-03 Budget	FY 03-04 Budget	Increase/ (Decrease)	
State Funds				
Calif Childrens Svcs / CHDP	-	-	-	
Comm Mental Health	-	-	-	
State Alcohol Funds	-	-	-	
Prop 99 - Tobacco Tax - AB75	-	-	-	
State Mandated Cost	-	-	-	
Total - Other State	-	-	-	
Realignment				
Health	-	-	-	
Mental Health	-	-	-	
Social Services	-	-	-	
Total - Realignment	-	-	-	
Fees & Charges for Svcs	550,000	550,000	-	
Capitation Fees/Health Plan	1,420,400	1,420,400	-	
Bad Debt	(1,200,000)	(1,200,000)	-	
Medicare	825,000	825,000	-	
Medi-Cal				
SB855 Gross	-	-	-	
SB855 Net	-	-	-	
SB1255 Gross	-	-	-	
SB1255 Net	-	-	-	
MAA/TCM	1,400,000	1,400,000	-	
GME Gross	-	-	-	
GME Net	-	-	-	
Other Revenue	6,417,500	5,961,552	(455,948)	Dental M/Cal
Short-Doyle Medi-Cal	-	-	-	
Total Medi-Cal	7,817,500	7,361,552	(455,948)	
Insurance & Patient Revenue	800,001	800,000	(1)	
Property Rentals	-	-	-	
Miscellaneous Revenues	56,000	56,000	-	
Revenue Fr PH & Other City Dept	4,381,802	4,381,802	-	
Transfers/Other	-	-	-	
Total Operating Revenues	\$ 14,650,703	\$ 14,194,754	\$ (455,949)	
Grants	581,044	581,044	-	
Total	\$ 15,231,747	\$ 14,775,798	\$ (455,949)	

Department of Public Health
FY 03-04 Revenues

		Jail Health Services			
		FY 02-03 Budget	FY 03-04 Budget	Increase/ (Decrease)	Comment
State Funds					
	Calif Childrens Svcs / CHDP	-	-	-	
	Comm Mental Health	-	-	-	
	State Alcohol Funds	-	-	-	
	Prop 99 - Tobacco Tax - AB75	-	-	-	
	Prop 36 - S/A Treatment	-	-	-	
	State Mandated Cost	-	-	-	
	Total - Other State	-	-	-	
Realignment					
	Health	-	-	-	
	Mental Health	-	-	-	
	Social Services	-	-	-	
	Total - Realignment	-	-	-	
Fees & Charges for Svcs					
		-	-	-	
Capitation Fees/Health Plan					
		-	-	-	
Bad Debt					
		-	-	-	
Medicare					
		-	-	-	
Medi-Cal					
	SB855 Gross	-	-	-	
	SB855 Net	-	-	-	
	SB1255 Gross	-	-	-	
	SB1255 Net	-	-	-	
	MAA/TCM	-	-	-	
	GME Gross	-	-	-	
	GME Net	-	-	-	
	Other Revenue	-	-	-	
	Short-Doyle Medi-Cal	-	-	-	
	Total Medi-Cal	-	-	-	
Insurance & Patient Revenue					
		-	-	-	
Property Rentals					
		-	-	-	
	Miscellaneous Revenues	25,000	25,000	-	Board of Prisoners Other Counties
	Revenue Fr PH & Other City Dept	1,094,033	1,094,033	-	
	Transfers/Other	-	-	-	
	Total Operating Revenues	\$ 1,119,033	\$ 1,119,033	\$ -	
Grants					
		-	-	-	
	Total	\$ 1,119,033	\$ 1,119,033	\$ -	

**Department of Public Health
FY 03-04 Revenues**

		Public Health			
		FY 02-03 Budget	FY 03-04 Budget	Increase / (Decrease)	Comment
State Funds					
	Calif Childrens Svcs / CHDP	5,915,257	6,015,257	100,000	CCS Admin / State match
	Comm Mental Health	-	-	-	
	State Alcohol Funds	-	-	-	
	Prop 99 - Tobacco Tax - AB75	2,054,162	2,054,162	-	
	State Mandated Cost	-	-	-	
	Total - Other State	<u>7,969,419</u>	<u>8,069,419</u>	100,000	
Realignment					
	Health	28,061,500	28,061,500	-	
	Mental Health	-	-	-	
	Social Services	508,492	508,492	-	
	Total - Realignment	<u>28,569,992</u>	<u>28,569,992</u>	-	
Fees & Charges for Svcs					
		8,640,539	8,963,121	322,582	Enviromental Health Fees and Adult Immunization Clinic
Capitation Fees/Health Plan					
		-	-	-	
Bad Debt					
		-	-	-	
Medicare					
		1,000	1,000	-	
Medi-Cal					
	SB855 Gross	-	-	-	
	SB855 Net	-	-	-	
	SB1255 Gross	-	-	-	
	SB1255 Net	-	-	-	
	MAA/TCM	1,884,275	1,934,275	50,000	TB Clinic based on prior years
	GME Gross	-	-	-	
	GME Net	-	-	-	
	Other Revenue	1,067,168	1,092,168	25,000	TB Clinic based on prior years
	Short-Doyle Medi-Cal	-	-	-	
	Total Medi-Cal	<u>2,951,443</u>	<u>3,026,443</u>	75,000	
Insurance & Patient Revenue					
		65,000	65,000	-	
Property Rentals					
		38,853	38,853	-	
Miscellaneous Revenues					
		1,947,706	1,977,206	29,500	
Revenue From Other City Dept					
		3,024,351	3,024,351	-	
Transfers/Other					
		-	-	-	
	Total Operating Revenues	<u>\$ 53,208,303</u>	<u>\$ 53,735,385</u>	<u>\$ 527,082</u>	
Grants					
		<u>82,537,806</u>	<u>80,341,586</u>	<u>(2,196,220)</u>	
	Total	<u>\$ 135,746,109</u>	<u>\$ 134,076,971</u>	<u>\$ (1,669,138)</u>	

**Department of Public Health
FY 03-04 Revenues**

Community Health Services - Mental Health				
	FY 02-03 Budget	FY 03-04 Budget	Increase/ (Decrease)	Comment
State Funds				
Calif Childrens Svcs / CHDP	-	-	-	
Comm Mental Health	11,712,684	11,796,866	84,182	Expansion of TBS Services
State Alcohol Funds	-	-	-	
Prop 99 - Tobacco Tax - AB75	-	-	-	
State Mandated Cost	1,385,361	1,585,361	200,000	
Total - Other State	13,098,045	13,382,227	284,182	
Realignment				
Health	-	-	-	
Mental Health	55,325,700	55,325,700	-	
Social Services	-	-	-	
Total - Realignment	55,325,700	55,325,700	-	
Fees & Charges for Svcs				
Capitation Fees/Health Plan	-	-	-	
Bad Debt				
Medicare	600,000	600,000	-	
Medi-Cal				
SB855 Gross	-	-	-	
SB855 Net	-	-	-	
SB1255 Gross	-	-	-	
SB1255 Net	-	-	-	
MAA/TCM	-	-	-	
GME Gross	-	-	-	
GME Net	-	-	-	
Other Revenue	7,905,237	7,650,670	(254,567)	
Short-Doyle Medi-Cal	35,732,144	36,200,390	468,246	
Total Medi-Cal	43,637,381	43,851,060	213,679	S/D M/Cal per cost reprot
Insurance & Patient Revenue	270,000	270,000	-	No Change
Property Rentals				
Miscellaneous Revenues	806,739	981,739	175,000	adjustment to actuals
Revenue From Other City Dept	9,684,220	9,684,220	-	
Transfers/Other				
Total Operating Revenues	\$ 123,422,085	\$ 124,094,946	\$ 672,861	
Grants	5,657,458	6,610,760	953,302	
Total	\$ 129,079,543	\$ 130,705,706	\$ 1,626,163	

**Department of Public Health
FY 03-04 Revenues**

		Community Health Services - Substance Abuse			
		FY 02-03 Budget	FY 03-04 Budget	Increase/ (Decrease)	Comment
State Funds					
	Calif Childrens Svcs / CHDP	-	-	-	
	Comm Mental Health	-	-	-	
	State Alcohol Funds	15,055,410	15,675,982	620,572	
	Prop 99 - Tobacco Tax - AB75	-	-	-	
	State Mandated Cost	-	-	-	
	Total - Other State	<u>15,055,410</u>	<u>15,675,982</u>	<u>620,572</u>	
Realignment					
	Health	-	-	-	
	Mental Health	-	-	-	
	Social Services	-	-	-	
	Total - Realignment	<u>-</u>	<u>-</u>	<u>-</u>	
Fees & Charges for Svcs					
		-	-	-	
Capitation Fees/Health Plan					
		-	-	-	
Bad Debt					
		-	-	-	
Medicare					
		-	-	-	
Medi-Cal					
	SB855 Gross	-	-	-	
	SB855 Net	-	-	-	
	SB1255 Gross	-	-	-	
	SB1255 Net	-	-	-	
	MAA/TCM	-	-	-	
	GME Gross	-	-	-	
	GME Net	-	-	-	
	Other Revenue	-	-	-	
	Short-Doyle Medi-Cal	<u>3,487,813</u>	<u>3,550,432</u>	<u>62,619</u>	Drug M/Cal / Methadone
	Total Medi-Cal	<u>3,487,813</u>	<u>3,550,432</u>	<u>62,619</u>	
Insurance & Patient Revenue					
		-	-	-	
Property Rentals					
		-	-	-	
Miscellaneous Revenues					
		800,000	335,993	(464,007)	Misc revenues decline as contractors transition to FFS
Revenue From Other City Dept					
		1,491,331	1,766,331	275,000	
Transfers/Other					
		-	-	-	
Total Operating Revenues					
		\$ 20,834,554	\$ 21,328,738	\$ 494,184	
Grants					
		<u>2,972,036</u>	<u>1,746,227</u>	<u>(1,225,809)</u>	
Total					
		\$ 23,806,590	\$ 23,074,965	\$ (731,625)	

GRANTS

The grant budget for the Department of Public Health for FY 03-04 is \$88.70 million. This is a \$2.47 million decrease from FY 02-03 as follows:

Grant Revenues		
FY 02-03	FY 03-04	Decrease
\$91.17 million	\$88.70 million	\$ 2.47 million

Grant Revenues

Grant revenues for FY 03-04 are decreasing \$2.47 million from FY 02-03. Changes in grant budgets by program are as follows:

Grant Budget by Program			
FY 03-04			
	FY 02-03	FY 03-04	Increase / (Decrease)
AIDS/HIV Services	\$ 60,007,125	\$ 58,166,957	\$ (1,840,168)
Environmental Health	1,639,913	1,346,948	(292,965)
Epidemiology	804,873	2,155,986	1,351,113
Health Education	3,801,211	2,522,467	(1,278,744)
Housing & Urban Health	87,448	599,737	512,289
STD	2,939,395	2,426,938	(512,457)
Administration	18,029	16,483	(1,546)
Maternal and Child Health	7,203,708	7,581,653	377,945
Public Health Lab	390,000	400,000	10,000
TB	5,622,894	5,124,417	(498,477)
Mental Health	5,657,458	6,610,760	953,302
Emergency Medical Services	23,210	-	(23,210)
Substance Abuse	2,972,036	1,746,227	(1,225,809)
Total	\$ 91,167,300	\$ 88,698,573	\$ (2,468,727)

AIDS/HIV Grants

In FY 03-04 the Ryan White Title I CARE grant is expected to be reduced by \$1.7 million. This is slightly less than the \$2.2 million reduction in FY 02-03.

Revenue losses associated with the Ryan White CARE grant are significant in FY 03-04. Department staff will work with the CARE Council to determine priority services and reduce expenditures. The Department's staff will continue to work with the San Francisco Congressional delegation to mitigate further losses in revenues in the future.

Other DPH Grants

Major changes in grant revenues for other DPH programs are as follows:

- Environmental Health – grant revenues are decreasing primarily due to grant reductions and a lost grant shown on the table *Lost Grants*.
- Epidemiology – grant revenues are increasing primarily due to two new bioterrorism grants shown on the table *New Grants*.
- Health Education/Prevention – grant revenues are decreasing primarily due to two lost grants shown on the table *Lost Grants* and the transfer of the breast and cervical cancer program to Primary Care. The breast and cervical cancer grant will be discontinued however these services will be producing revenue in Primary Care in FY 03-04.
- Housing and Urban Health – grant revenues are increasing primarily due to the new SAMHSA grant for supportive housing shown on the table *New Grants*.
- STD – grant revenues are decreasing primarily due to reductions in grant awards offset by a new grant shown on the table *New Grants*.
- Maternal and Child Health – grant revenues are increasing primarily due to a new grant shown on the table *New Grants*.
- TB – grant revenues are decreasing primarily due to reductions in grant awards.
- Mental Health – grant revenues are increasing primarily due to the new grant for the children’s system of care shown on the table *New Grants*.
- Substance Abuse – grant revenues are increasing primarily due to the new grant for treatment on demand and Office Based Opiate Addition Treatment (OBOAT) shown on the table *New Grants*.

New Grants

While total grant revenues for the Department of Public Health are decreasing in FY 03-04 there are \$5.2 million of new grants. New grants for FY 03-04 are:

**New Grants
FY 03-04**

	Program	Amount
Children's System of Care	Mental Health	\$ 1,500,000
Treatment on Demand and OBOAT	Substance Abuse	1,000,000
Preparedness & Response to Bioterrorism	Epidemiology	970,539
Biosurveillance System for Advance Medical Readiness	Epidemiology	33,440
Integrating Behavioral Treatment into Supportive Housing	Housing	599,737
Homeless Addict Vocational & Education Network (HAVEN)	Substance Abuse	497,600
Integration of HIV/AIDS Preventive Services in Family Planning	MCH	186,000
Healthy Eating & Childhood Overweight Prevention	MCH	96,552
STD Outcome Assessment (OASIS)	STD	160,000
Miscellaneous AIDS grants	AIDS	<u>145,424</u>
Total		\$ 5,189,292

The most significant grants are for mental health, substance abuse, epidemiology and supportive housing. A new SAMHSA grant of \$1.5 million is to expand the local system of care for children's mental health. A new SAMHSA grant of \$1.0 million to Community Substance Abuse Services is to fund the continuation of the Office Based Opiate Addiction Treatment (OBOAT) pilot program and the mobile methadone van program. A new State grant of \$970,539 is for the Epidemiology program to develop and implement plans for public health preparedness and response to bioterrorism. A new SAMHSA grant of \$599,737 awarded to the Housing and Urban Health program is to integrate behavioral health treatment into the services provided for recently homeless residents in supportive housing sites. This grant will provide direct behavioral health counseling, case management, off-site substance abuse services.

Lost Grants

The Department of Public Health will be losing a number of grants in FY 03-04. These lost grants are \$4.6 million in FY 03-04. This loss is partially offset by new grants shown above. It is the policy of the Mayor's Office to not backfill grant services with general funds. As a result, services associated with these grants will be cut.

Lost grants in FY 03-04 are shown on the following page.

**Lost Grants
FY 03-04 Budget**

Grant Project	Program	FTE's	Amount	Description
AIDS/HIV Services				
HIV Vaccine Efficacy Trial	AIDS	1.90	(275,702)	To determine if HIV vaccine protects at-risk persons
Environmental Health				
Healthy Home for Healthy Airways	BEHM	0.30	(98,399)	Evaluate effectiveness of in-home environmental education
Substance Abuse				
SAMHSA Medically Managed Detox Program	CSAS	0.85	(475,000)	Effective treatment alternative for patients who do not need medical detox in a hospital setting
Drug Court Partnership Program	CSAS	0.00	(408,875)	Assist persons who violate parole
CSAT-HIV Action Point	CSAS	2.65	(492,317)	Expansion of methadone maintenance treatment HIV antiretroviral medication support
Substance Abuse Community Planning Process	CSAS	0.00	(60,000)	Support community planning process for treatment on demand system
Demand Treatment City Partner	CSAS	0.00	(60,000)	Social marketing campaign to support substance abuse treatment
SF Methadone Maintenance Program	CSAS	0.55	(235,000)	Mobile methadone maintenance for heroin addicts
Residential Treatment for Pregnant Women	CSAS	1.50	(800,000)	Improve lives of pregnant and postpartum substance abusing women
SF Practice Research Collaborative	CSAS	1.65	(400,000)	Comprehensive evaluation plan for substance abuse prevention and treatment services
Drug Abuse Treatment on Demand Impacts	CSAS	0.83	(144,694)	Evaluate drug abuse treatment on demand
Subtotal		8.03	(3,075,886)	
EMSA				
Metropolitan Medical Strike Team	EMSA	0.60	(597,000)	Health system response to bioterrorism
Housing & Urban Health				
Direct Access to Housing	Housing	0.00	(207,500)	Comprehensive on-site support services
Safe House: Home Modification Self-care	Housing	0.00	(92,100)	Injury prevention support for seniors
Subtotal		0.00	(299,600)	
Health Education - Prevention				
Youth Mental Health	Health Ed	3.35	(200,000)	Create model for neighborhood planning for youth
Prevent Intimate Partner Violence	Health Ed	0.55	(40,000)	Develop 5 year strategic plan to reduce intimate partner violence
Subtotal		3.90	(240,000)	
DPH - Department Wide				
		14.73	(4,586,587)	

State Budget

On January 10, 2003, the Governor released his proposed FY 2003-04 State Budget. The budget proposes to bridge a \$34 billion shortfall for the remainder of this fiscal year and FY 03-04.

The total impact of the Governor's budget on DPH is impossible to calculate. However, if adopted, the Governor's proposed budget would reduce revenues to DPH by at least \$11.4 million per year. This assumes that Realignment II would provide at least \$73 million per year for DPH alone to fund the existing cost of the realigned services. Thus, to the extent that Realignment II revenues fall short, the revenue loss to DPH increases. In addition, the Governor's budget would increase the number of uninsured San Franciscans by 5,900, thus increasing the amount of unreimbursed medical care DPH provides.

"Realignment II"

The budget proposes significant changes to funding for certain health services through a new "Realignment II" program. Realignment II would dedicate revenues from three new taxes (a \$1.10 cigarette tax, \$.01 sales tax, and an income tax on high wage earners) to fund the following programs at their current level:

- 15% Medi-Cal Share of Cost
- All of Medi-Cal Long Term Care
- Some mental health services (AB 34/2034 and Children's System of Care)
- Alcohol and Drug Programs (Drug Medi-Cal, drug court, Prop 36, and "non-Medi-Cal alcohol and other drug services)
- A new "Healthy Communities" realignment (which includes Adolescent Family Life Program, Black Infant Health Program, Indian Health Program, Local Health Department MCH Program, Expanded Access to Primary Care, Grants-in-Aid for Clinics Program, Rural Health Services Development Program, Seasonal Agricultural and Migratory Workers Program, County Health Managed Care Program, California Health Care for Indigents Program, Rural Health Services Program, Public Health Subvention)
- Increased county share of various programs currently in realignment, including assumption of 100% of non-federal share of IHSS
- Court Security

The first five of these items directly impact DPH. DPH currently receives approximately \$73 million for the portion of these realigned services that it provides and would, therefore, need the realignment formula to yield at least this amount just for DPH. On the other side of the formula, Realignment II will only be as effective as the revenue estimates are accurate. Under Realignment II, the City assumes the risk of any volatility in the revenue sources, which would mean that just a one percent shortfall in Realignment II revenues would result in a loss of \$670,000 per year to DPH. Further, to the extent that realigned programs that have significant caseload growth, such as In-Home Supportive Services (IHSS), consume large portions of the growth in the Realignment II revenues over time, revenues available for other realigned programs will be insufficient to meet cost of living increases and other increased costs of providing services.

Further complicating the Realignment II calculations are two specific issues related to Laguna Honda. First, is the Governor's proposal to reduce Medi-Cal provider rates by 15 percent. It is our understanding that the revenue estimates under Realignment II would cover the cost of long-term care services *after* implementation of the 15 percent rate reduction. If Laguna Honda were to have to withstand a 15 percent rate reduction, it would lose annual revenues of \$7.074 million per year. Second, Laguna Honda is currently operating at an average daily census of 1,060 residents. However, when Laguna Honda is rebuilt and fully operational in 2009, it will house 1,200 residents. Since the Realignment II formula will likely be based upon a census of 1,060, the revenue sources in Realignment II must contain sufficient growth potential or some other mechanism to fund the cost of these additional residents in the future.

Medi-Cal

In addition to the portions of Realignment II that pertain to Medi-Cal, there are a number of other Medi-Cal proposals that will reduce enrollment, reimbursement and the scope of services under the program.

Eligibility

The Governor's proposals related to Medi-Cal eligibility will result in the loss of Medi-Cal coverage for approximately 5,900 San Franciscans who will then be uninsured. As the City's primary safety net provider, an increase in the number of uninsured San Franciscans would result in an increase in uncompensated care. It is impossible for DPH to estimate the cost of providing care for those who become newly uninsured as a result of the Governor's proposals. However, we can provide some estimate of the number of people that would be impacted.

- In December, the Governor proposed rescinding the 1931(b) Medi-Cal expansion, which would reduce Medi-Cal eligibility for two parent working families from 100 percent of the federal poverty level (FPL) to 61 percent of the federal poverty level (FPL), thus eliminating eligibility for 229,700 parents statewide including approximately 2,900 parents in San Francisco.
- In December, the Governor also proposed reinstating Medi-Cal quarterly status reports, which will reduce the number of Medi-Cal beneficiaries by 193,000 statewide, including an estimated 3,000 in San Franciscans.

Reimbursement

The Governor's budget proposals also reduce reimbursement for Medi-Cal services. It is estimated that these proposals will reduce revenues to DPH by approximately \$10.9 million per year.

- The Governor's budget contains a proposal to reduce provider rates by 5 percent in addition to the 10 percent rate reduction proposed in December, for a total provider rate reduction of 15 percent. It is estimated that this will result in a loss of \$10.5 million per year for DPH.
- The Governor in December proposed a 10 percent rate reduction to mental health managed care, which would result in a loss of approximately \$375,000 per year for DPH.
- Also proposed was the rescission of the Aged and Disabled Expansion Program. This program extended Medi-Cal with no share of cost to the aged and disabled with incomes up to 133 percent of FPL. Rescinding the expansion would result in a Medi-Cal share of cost for the aged and disabled with incomes above the SSI/SSP benefit level of

approximately \$750 per month. However, it is likely that because these beneficiaries are very low income, they will be unable to pay their share of cost and DPH will provide services without this reimbursement.

Scope of Services

The Governor proposes to eliminate 18 optional Medi-Cal benefits, some of which are provided by DPH. It is estimated that limiting the scope of Medi-Cal eligible services will result in reduced revenues to DPH of approximately \$500,000.

The Governor's May Revise of the FY 03-04 budget and/or the legislator may adjust these estimates, which can impact our Department. Once the budget is approved later this summer, a more accurate assessment will be made.

VI. EXPENDITURES

Total expenditures for the Department of Public Health base budget are projected to increase by \$2.1 million from \$1.044 Million in FY 02-03. to \$1.046 million in FY 03-04.

A complete list of expenditures contained in the FY 03-04 budget is listed in the Summary of FY 03-04 Baseline Adjustments. Expenditures by division are as follows:

FY 02-03 Expenditures by Division

Division	EXPENDITURES		
	FY 02-03 Budget	FY 03-04 Budget	Increase / (Decrease)
Department of Public Health			
SFGH	\$ 379,084,494	\$ 381,343,831	\$ 2,259,337
Home Health	\$ 4,535,776	\$ 4,457,953	\$ (77,823)
Primary Care	\$ 47,989,222	\$ 47,065,190	\$ (924,032)
Jail Health Services	\$ 25,483,402	\$ 25,342,366	\$ (141,036)
Laguna Honda Hospital	\$ 189,767,299	\$ 192,913,514	\$ 3,146,215
Public Health	\$ 87,164,884	\$ 89,467,720	\$ 2,302,836
Mental Health	\$ 160,857,214	\$ 161,181,585	\$ 324,371
Substance Abuse	\$ 58,108,783	\$ 55,794,376	\$ (2,314,407)
Subtotal Expenditures	952,991,074	957,566,535	4,575,461
Grant	91,167,300	88,698,573	(2,468,727)
Total Expenditures	\$ 1,044,158,374	\$ 1,046,265,108	\$ 2,106,734

University of California Contract

The proposed budget includes expenditures for the contract with the University of California to provide a wide array of medical care for patients at SFGH. This allocation includes payment for services in the AIDS clinic, Oncology Clinic, Anesthesia, Cardiology, Clinical Laboratory, Emergency Services, Family and Community Medicine, Psychiatry, Pathology, Respiratory Therapy, Substance Abuse Services, among others. The budget is estimated at \$71.5 million, which represents the same amount of funding as in the current year budget plus expenses related to Renal Dialysis and Orthopedic Trauma services.

As stated earlier in this report, the base budget does not contain cost of living increases to contracted programs. If UC provides cost of living increases and/or merit increases to UC employees, then the UCSF and SFGH managers will quantify and prioritize the service impact in the contracted services for next year.

CAPITAL PROJECTS

Capital projects include construction, renovation, large maintenance projects, and routine maintenance of buildings and structures. The Department's Facilities Management staff manages minor projects, whereas the City's Bureau of Architecture staff manages major capital improvement projects. Most projects are contracted out, either by the Department of Public Health, or through the Bureau of Architecture.

The proposed FY 03-04 capital budget is \$5.1 million. This is a \$1.6 million decrease over the current year capital budget of \$6.7 million. This request, once approved by the Health Commission will be forwarded to the City's Capital Improvement Advisory Committee (CIAC). The CIAC will review and prioritize capital improvement projects citywide. In the spring, the Mayor's Office will determine the amount of general funds available to fund citywide capital projects.

LHH Replacement Project

FY 03-04 represents the fourth year of the LHH Replacement Project. As the Commission is aware, this project will be funded from a combination of general obligation bonds and tobacco settlement funds. At this time, the general obligation bonds have not been sold. The plan is to sell the first of these bonds in FY 03-04. All proceeds from the bond sale will be appropriated to the LHH Replacement Project.

In FY 03-04, the Department will budget expenditures of \$187,144,652 from a combination of tobacco settlement funds and general obligation bond proceeds.

Next year's budget for the LHH Replacement will begin the encumbering of contracts for major construction efforts. The budget for FY 03-04 for the LHH Replacement Project is as follows:

Site Preparation		\$6,653,690
South Resident Building		
Utilities, Foundation, & Structural Framing	6,418,652	
Enclosures & Contents	<u>40,668,453</u>	47,087,105
East Clarendon Resident Building		
Utilities, Foundation, & Structural Framing	9,683,693	
Enclosures & Contents	<u>52,842,773</u>	62,526,466
Link Building		
Utilities, Foundation, & Structural Framing	10,445,242	
Enclosures & Contents	<u>51,652,485</u>	62,097,727
Architectural/Engineering		6,237,991
Program Management		1,041,673
Activation		<u>1,500,000</u>
		<u>\$187,144,652</u>

All available tobacco replacement funds and proceeds from general obligation bonds will be deposited into the LHH Replacement Project fund. The expenditure budget for the Replacement Project will be reviewed and approved the Citywide Capital Improvement Committee, and subsequently by the Mayor and the Board of Supervisors.

The following provides a summary of capital improvement projects proposed for FY 03-04. The total amount proposed is \$5.1 million.

Rank	Project Title	2003/04
1	FACILITIES MAINTENANCE - SFGH	1,400,000
2	FACILITIES MAINTENANCE - LHH	900,000
3	FACILITIES MAINTENANCE - HEALTH CENTERS	280,000
4	FACILITIES MAINTENANCE - MENTAL HEALTH CLINICS	90,000
5	FACILITIES MAINTENANCE - GROVE STREET	50,000
6	SFGH 3M RADIOGRAPHIC EQUIPMENT REPLACEMENT	460,000
7	WORKER'S COMP CLINIC	100,000
8	LHH ELECTRICAL DISTRIBUTION PANELS	300,000
9	POTRERO HILL HEALTH CENTER EXPANSION	75,000
10	SFGH PFI FOR JCAHO	300,000
11	LHH ELEVATOR UPGRADES #1, #2, #3, #4	480,000
12	PCC 1M CLINIC PARTIAL REMODEL	75,000
13	REDESIGN CT SCAN ROOMS AT SFGH	590,000
	TOTAL	5,100,000

EQUIPMENT

Equipment is defined as items having a unit cost over \$5,000 and a useful life of three years. The FY 03-04 equipment request for the Department of Public Health is \$2.9 million. This request is \$54,000 less than the equipment budget that was funded in this fiscal year. The list of equipment is presented with priority ranking.

Consistent with the strategic plan, the Department has requested an adequate budget to purchase the most high need items. The following chart provides a summary of the Department's equipment budget over the past five years.

DPH History of Equipment Budget

	FY 97-98	FY 98-99	FY 99-00	FY 00-01	FY-01-02	FY-02-03	FY03-04 Proposed
Equipment	\$6.4 million	\$7.7 million	\$1.8 million	\$5.5 million	\$4.7 million	\$3.0 million	\$2.9 million

Equipment Purchase

The FY 02-03 budget requests \$2.9 million for equipment purchases. This includes:

• San Francisco General Hospital	\$2,093,000
• Laguna Honda Hospital	703,000
• Public Health Programs	<u>150,000</u>
Total	\$2,946,000

Detail of equipment items requested for FY03-04 is provided on the following table:

DPH EQUIPMENT LIST FOR FY 03-04

Division	Item	Qty.	Estimated Cost
SFGH	Wireless Workstation & Handheld Devices	1	662,585
SFGH	Ortho Clinic Replacement	1	375,900
SFGH	Wireless Workstations & Servers for Emergency D	1	117,790
SFGH	Wireless Workstations for Operating Room	5	34,207
SFGH	Sterrad Sterilizer	1	115,553
SFGH	Fazer Laser Registration	1	19,530
SFGH	Fluoroscan	1	67,270
SFGH	Anesthesia Machine	2	99,679
LHH	Defibrillator	4	34,400
LHH	Humphrey Lens Analyzer (Ophthalmology)	1	8,382
LHH	Bladder Scanner	3	43,943
LHH	Hearing Aid Analyzer	1	6,603
LHH	Electronic Staff Training and Tracking System	3	72,000
LHH	Electroencephalography Machine (EEG)	1	28,345
LHH	Patient Lifting Device	25	110,269
LHH	Podiatry Client Chair	1	6,745
LHH	Non-Invasive BP Device	20	100,000
LHH	Functional Training Machine	1	5,763
PH	Recollect Search System	1	26,200
PH	Cisco Systems Network Switch	1	15,000
PH	Hewlett Packard Server	1	10,000
SFGH	Anesthesia Machine	4	199,358
LHH	Hi Low & Prone Guerneys	10	53,637
PH	Industrial Scanner	1	19,395
PH	Cisco Systems Network Switch	1	30,000
LHH	Computed Radiography	1	233,000
PH	Digital Microfiche Scanner/Printer	1	10,933
PH	Image Capture System	1	37,975
SFGH	Anesthesia Gas Monitors	15	147,761
SFGH	Hush-Slush Machine	1	25,226
SFGH	Philips Telemetry monitor upgrades	1	33,009
SFGH	Adult Pediatric Ventilator	6	194,651
DPH Total			\$2,945,109