DEPARTMENT OF PUBLIC HEALTH
PROPOSED FY 05-06 BASE BUDGET

PRESENTED TO THE HEALTH COMMISSION

Mitchell Katz, M.D.
Director of Health
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ITEM 4

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MESSAGE FROM THE DIRECTOR OF HEALTH ON FY 05-06 BUDGET

Introduction

On January 18th, I presented the first part of the Department of Public Health's budget for FY 05-06, which included a review of the projected inflationary increases, increases due to structural problems, revenue neutral initiatives, and increased revenues.

As I have reported to the Commission, following the January 18th meeting, the Mayor's Office of Finance gave us our budget target. Specifically, the Mayor's Office has asked us to absorb any increases to our general fund above 13 million dollars. In other words, we will have to make necessary cuts so that our need for General Fund dollars does not increase by more than 13 million dollars. Said in a more positive way, our general fund will be increased from $262.2 million (our FY 04-05 allocation) to $275.7 million (including $25.7 million Jail Health workorder).

We have also been asked to propose $10 million in contingency General Fund reductions. Even if implemented, the result would be an increase in the General Fund of $3 million dollars. This compares favorably to last year when we had to make an absolute decrease in our General fund amount of $22.2 million. Finally, we have been advised that we can utilize approximately $10 million towards one-time efficiency investments in infrastructure that will provide long-term savings to the Department.

This presentation provides the Commission with updates on regulatory issues, inflationary increases, structural problems, revenue neutral initiatives and revenue. Following the update, we propose base cuts to our budget to decrease our need for additional General Fund dollars to 13 million. In addition we propose further cuts to meet the 10 million dollar contingency cut. Finally we will show a plan for using 12.7 million dollars of one time capital.

Update of Regulatory, Inflationary, Structural, and Revenue Neutral issues, and Revenue Projections

The list of inflation, structural, and revenue neutral issues that was presented on January 18th totaled $44,664,103. Our estimate of increased revenue was $18,189,776, resulting in a net increase in needed General Fund dollars of $26,474,327. We have made a number of additions and revisions to this list for a net increase of $308,967 in regulatory, inflationary, structural and revenue neutral issues and have revised revenue projections downward by $884,725 for a new net increase of $27,668,019.

Following is a list of the new and revised initiatives that have an impact on General Fund. Detailed information on all new and revised initiatives is included in the appendix to this report. Each initiative is references to its location in the spreadsheet.

Initiative	General Fund Change
Regulatory Issues	
Implementation of state-mandated nursing ratios from 6 patients to 1 nurse to 5 patients to 1 nurse (addition A1)	$1,501,598
Increase of staffing at LHH as required by CA Department of Health Services	$450,856
Subtotal Change in Regulatory Issues	**$1,952,454**
Inflationary Issues	
Update PUC work orders (revision B2)	$458,937
Compensate for pharmaceutical inflation with drug formulary modifications at SFGH (revision B4)	($800,000)
Request alternative funding for Direct Access to Housing Master Lease Rent Increases	($41,800)
Compensate for pharmaceutical inflation at Jail Health with formulary modifications (revision B6)	($110,000)
Subtotal Change in Inflationary Issues	**($492,863)**
Structural Issues	
Increase salary savings at MCH to reflect actual experience (addition C1)	($150,000)
Change from use of as-needed interpreters to fully benefited positions as agreed to in interpreters grievance settlement (revise C12)	$137,215
Adjust Acute Psych Nurse staffing to reflect current census and adjust staffing at Urgent Care Clinic (addition C13)	($935,149)
Increase funding for UCSF Contract for Radiology (addition C14)	$2,218,337

Initiative	General Fund Change
Structural Issues (continued)	
Restore TCM Billing Clerk that was inadvertently not restored when PHNs were restored (addition C15)	$52,442
Revise workers compensation savings to reflect budget projections by Human Resources (revised C16)	($1,138,823)
Request alternative funding for Direct Access to Housing Structural Problems	($489,454)
Revise estimate for Primary Care doctors (revised C19)	($146,799)
Maternal Child Adolescent Health (MCAH)/Family Planning Backfill at MCH (addition C22)	$49,766
Underfunding of LHH security services (addition C23)	$603,170
Underfunding of LHH workorder with City Attorney (addition C24)	$70,000
Subtotal Change in Structural Issues	**$270,705**
Revenue Neutral	
Add 30 beds of skilled nursing capacity (new D5)	($850,000)
Revise positions for LHH Ancillary Reorganization (revised D8)	$15,121
Adjust PC staffing (revised D9)	($137,394)
Expansion of primary care job physical examination services in primary care (addition D10)	($34,582)
SSI/MediCal Enhancement to enhance the Disability Access Evaluation Unit at CBHS-MH (addition D15)	($291,128)

Initiative	General Fund Change
Revenue Neutral (continued)	
Provide access to podiatry services at PC (addition D22)	($93,346)
Move viral load, gonorrhea, chlymydia testing to the SF Public Health Lab (addition D24)	($30,000)
Subtotal Change in Revenue Neutral	**($1,421,329)**
Total Regulatory, Inflationary, Structural and Revenue Neutral	**$308,967**
Increased Revenues	
Revenue estimate for SFGH (revise E3)	($558,225)
Reversal of LHH admission policy (addition E5)	$1,700,000
Revenue increase for PC Nurse Practitioner Productivity (addition E6)	($100,000)
Revenue increase for LHH Psychologists billing (addition E11)	($110,000)
EHS water revenue (addition E14)	($3,000)
Increase of parking fee due to MUNI Fastpass increase (addition E15)	($44,050)
Subtotal Change in Increased Revenues	**$884,725**
Total Change in Regulatory, Inflationary, Structural, Revenue Neutral and Increased Revenue	**$1,193,692**
Grand Total of Regulatory, Inflationary, Structural, Revenue Neutral and Increased Revenue	**$27,668,019**

Development of General Fund Eliminations / Reductions

After accounting for our structural, inflationary, regulatory, revenue neutral issues and offsetting increases in revenue we must identify an additional $14.7 million to reduce our need for additional General Funds to $13 million.

Technical notes about the base budget

In order to allow for a full review of proposed service cuts by the Board of Supervisors, all service reductions are budgeted for a ten-month period to begin on September 1 of 2005, unless otherwise noted.

No dollars in the budget are currently allocated to paying cost of living adjustments to our contractors. As with the case of our Department, these agencies are also experiencing unavoidable increases in the cost of doing business. The Department has approximately $210 million dollars of contracts with service providers (including the UC affiliation agreement). (If we were to grant a COLA, the cost would be $2.1 million per 1% COLA.)

Process

This year we assigned reduction targets to each division of the Department. We took several factors into account in setting targets, including the total amount of General Fund assigned to each division, the extent of reductions made last year and mid year, the ability to separate programs into discreet components that could be cut, and the principles from our Strategic Plan.

As was the case last year, we attempted to minimize the cuts to parts of the Department that bring in a large proportion of revenue. The reason is that if you cut these areas you will magnify the service loss and the employee cuts because you will lose revenue when you cut the programs. This principle is especially true at SFGH and LHH, which together account for 55% of our budget. At these two facilities, based upon our 04-05 budget, 78% of the cost of the services we provide are reimbursed by third-party payors (Medicare, Medicaid, private insurance).

Institution	Total Budget	General Fund	Revenues	% that GF represents of Total Budget
SFGH	$423.2 M	$88.9 M	$334.3 M	21%
LHH	$153.6 M	$36.9 M	$116.7 M	24%

At best, reduction or elimination of a clinical service or reduction of budgeted census at either of these institutions only results in a general fund savings of 22 cents on the dollar. This is a best case result, because when we decrease services we must then spread the

fixed costs of the hospital (utilities, maintenance and administration) across a smaller base; further decreasing or even eliminating savings. In some cases we may actually increase our need for general fund. For this reason we have not proposed any decreases in the census of SFGH or LHH.

Principles Used in Identifying Cuts

As I am sure the Commission appreciates, it is impossible for us to make such substantial cuts without proposing serious programmatic eliminations. Our effort to balance the 2004-05 budget and make additional reductions mid-year is illustrative of this. We were able to balance the 2004-05 budget with minimal service cuts. We made $20.44 million in cuts and deleted 112.98 FTEs, (excluding cuts associated with outsourcing the LHH laundry that were not implemented). 88% of the reductions were administrative. Service cuts were limited to $3.7 million, and 3 FTEs.

At mid-year, we were not able to identify significant additional administrative reductions. $3.39 million of the $3.45 million in mid-year reductions were comprised of service reductions.

In this budget, we are proposing some additional reductions to administration, but the bulk of our cuts are in the service areas. This is very difficult for us. We understand the fragile nature of our integrated service delivery system and fully appreciate how reductions in service in one setting will put pressure elsewhere in the system of care.

As we have in past years, we used 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 - focus 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.

Antibiotic Infusion and Therapy Services (SFGH)

(Accounted for in budget neutral section)

As we presented in our January 18th presentation to the Commission under the Revenue Neutral proposals, we plan to establish an oral antibiotic therapy program at

SFGH as a safe and more cost effective alternative to intravenous antibiotic therapy for those patients for whom an oral therapy exists

State Hospital Bed Conversion (CBHS-MH)	$101,028

Convert one state hospital bed to a lower level of care.

Total General Fund Expand Community-Based Alternative Reduction	**$101,028**

2. Target populations receiving services – focus resources to those most in need and who lack other options

   In following this principle, we have focused on making administrative and or operations cuts instead of service cuts whenever possible. Administration and operation cuts will be made across the department and will include high-level administrators, middle managers, and clerical staff. Our goal is to make these cuts without impacting service levels.

Administrative Cuts (Department wide)	$896,444
Workers Compensation Clinic closure (SFGH)	$936,360

Close Worker's Comp Clinic at SFGH, allowing DHR to find lower cost case management services.

Operating Staff Reductions (LHH)	$467,717
Reduction in Contracted Services, Materials, and Supplies (LHH)	$205,142
Jail Health Services Operating Reductions	$156,975

Reductions in professional and specialized services, materials and supplies and other operating expenditures.

Consolidate Client Services Reimbursement Mechanism (CBHS-MH)	$100,000

Change the contractual reimbursement methodology for client wrap-around services

Work Re-entry and Employment Program - Positive Resources Center (AIDS)	$110,351

To avoid making cuts in medical, mental health, substance abuse, food, or transportation services for persons with HIV/AIDS we have eliminated these services because they are not core health services and other rehabilitation service providers can provide them.

Reduction of UCSF Contract (LHH)	$196,000

Discontinue Nurse Practitioners agreement with UCSF. We are not currently utilizing UCSF Nurse Practitioners.

Reduction of funding for the Sheriff's Department Post Release Education Program (PREP)	$50,000

Although this is an important program for the Sheriff, it is not a core public health service.

Reduction of funding for the Sheriff's Department Roads to Recovery Program	$83,333

Although this is an important program for the Sheriff, it is not a core public health service.

Total General Fund Focus Resources Reduction	**$3,202,322**

3. Strengthen and promote prevention

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

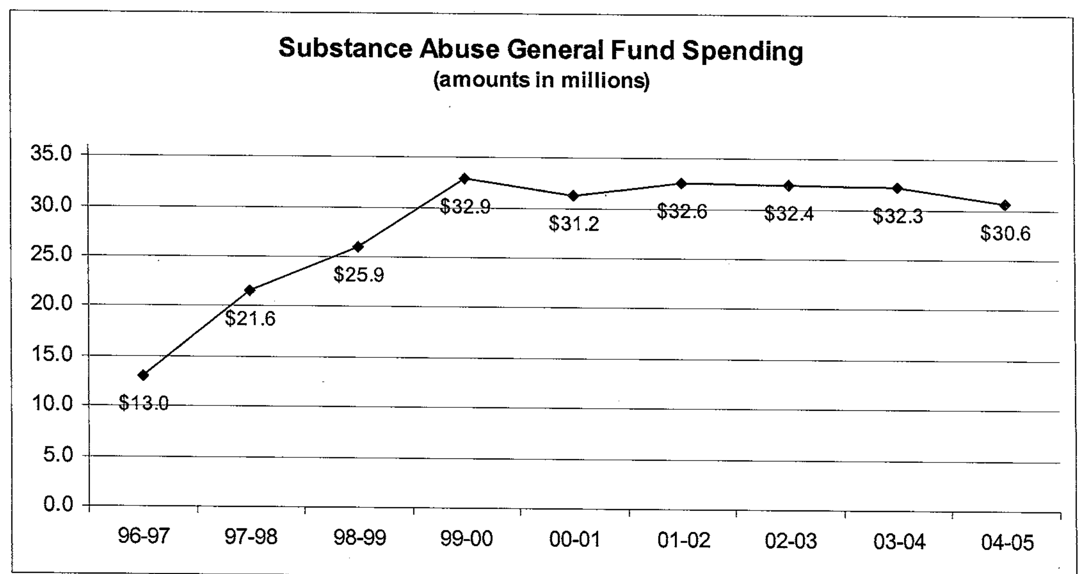
4. Use data to reorganize, reprioritize, or eliminate services based on priorities, performance measures, and the Strategic Plan

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:

A. Behavioral Health Cuts

Substance Abuse Services

Substance Abuse services are supported by $30.6 million of General Fund. This is due to a substantial increase in substance abuse funding from FY 1996-97 to FY 1999-00. During more recent years when the City's budget has been tight, we have successfully avoided cuts to substance abuse. The decrease from FY 03-04 to FY 04-05 was primarily due to identification of alternative funding sources and efficiencies.



At this point it is impossible to reach our General Fund target without making at least modest reduction in our substance abuse services. In determining how to implement these cuts it is important to look at how our current General fund is spent.

The chart on the following page summarizes the funding for substance abuse programs by modality.

Substance Abuse Treatment Modality	Existing General Fund
24 Hour Drop-in, Prevention, Outreach	2,956,751
Adult Outpatient Services	3,808,049
Outpatient Services - Special Populations, Youth & Families	5,088,296
Acupuncture	173,469
Criminal Justice	1,141,497
Residential Treatment	9,244,770
Residential Detoxification and Medical Detoxification	2,867,582
Methadone Detox and Maintenance	3,298,526
Substance Abuse match to Mental Health programs	369,140
Other (e.g. access and transportation)	1,644,542
Total	30,592,622

Of the existing programs, the strongest evidence of efficacy is for methadone/buprenorphine treatment. We also feel that detoxification, 24-hour drop-in, and outreach engagement are essential in caring for people who are inebriated or intoxicated and need immediate care.

We wanted to maintain our capacity/cultural competency in caring for youth, women, elders, gay, lesbian, bisexual, transgender persons, the incarcerated, and those who have been sexually assaulted.

Therefore we are reluctantly proposing cuts to three modalities: accupuncture, adult outpatient services, and adult residential treatment.

1. Cuts to Acupuncture

Reduction of funding for Bayview Hunters Point Foundation Acupuncture	$124,063
Reduction of funding for New Leaf Acupuncture	$20,494

Acupuncture is a useful engagement strategy for substance abuse treatment. Although there are many people who believe that acupuncture helped them to decrease their substance use, when acupuncture has been evaluated using rigorous scientific design (randomized controlled trials) it has not been found to be effective. (Attachment #1).

2. Cuts to Outpatient Substance Abuse Services

<u>Rebid Substance Abuse Adult Outpatient Substance Abuse services</u> $1,904,024

We are proposing to reduce funding to adult outpatient programs by 60%, from $3.80 million to $1.52 million annually. This will be accomplished via a rebidding process, which will enable the Department to identify and continue contracting with providers who are most efficient and effective in terms of outcome measures, and provide culturally competent services. At an average cost of $18,869 per outpatient static slot per year, a decrease of funding of $2.28 million would represent a loss of 127 static slots. However we may be able to minimize this loss by choosing the most cost-effective substance treatment programs. The cost per static slot currently ranges from $14,026 to $27,420. A list of the adult outpatient contracts that will be reduced is attached. (Attachment #2)

<u>Create 125 new Methadone Maintenance Slots</u> ($176,484)

Although cuts to adult outpatient service will be difficult, we believe that cuts in this area will be less harmful than other potential cuts for the following reasons.

1) Methadone maintenance has been found to be more effective than an enriched outpatient detoxification program (outpatient individual and group, substance abuse counseling and psychotherapy). (Attachment #3) Of the clients entering adult outpatient substance abuse programs in FY 03-04 , 22% reported heroin or other opiates as either their first or second drug of choice, indicating that these clients would likely do better in a methadone maintenance program. Because methadone maintenance is much less expensive than outpatient treatment, we will compensate for the loss of substance abuse outpatient slots by increasing by 125 the methadone maintenance slots available ($176k per year after revenue.)

2) We can refer clients to AA/NA meetings. Twelve Step groups are effective in enabling individuals to decrease substance abuse. The results of a recent evaluation of treatment programs for dual diagnosed patients are helpful in the regard. (Attachment # 4) Clients were randomized to one of three groups:

1) A social model residential program integrating mental health and substance use;

2) A social model outpatient program; or
3) A control group.

At 9 months there were no differences between the three groups on substance abuse or mental health indices. However, subjects who attended AA meetings beyond participation in the 3 groups of the study had decreased substance use and improvements in mental health symptoms.

Twelve step groups can be expanded to meet the demand at no cost to the City. One limitation of 12 step programs is they may not work as well for special populations and we therefore will maintain outpatient programs for youth, women, elders, LGBT, Spanish speakers, stimulant users, the sexually assaulted and the incarcerated. A list of the special population outpatient contracts is attached. (Attachment #5)

3. Residential Substance Abuse Services

Modify the design of residential substance abuse Treatment — $1,120,500 ($2,241,000 annually)

Seventy percent of the clients who enter our residential substance treatment programs are homeless. A recent study in New York (Attachment #6) compared the outcomes of homeless mentally ill and substance-abusing individuals randomized to two conditions: Housing First or housing contingent on treatment and sobriety. The study found that persons given Housing First were more likely to be housed over a 2-year follow-up period. Of note, although Housing First clients were less likely to receive substance treatment, substance use and psychotic symptoms were the same in the two groups. The average cost of a residential adult bed is $30,545 per year. The average cost of a supportive housing bed ranges from $12,000 to $18,000 per year depending on the size of the program.

The Department will issue an RFP to request a combination of proposals to include (a) the continuation of residential treatment slots, (b) the implementation of supportive housing slots, or (c) a redesign of existing residential treatment models from therapeutic and clinically intensive models to recovery models that have an emphasis on peer activities, such as 12-step, Secular Organization for Sobriety (S.O. S.) and Rational Recovery curriculum.

We currently fund 332 beds. (See Attachment #7) The

actual number of beds in FY05-06 will remain at 332 beds, but the mix of beds will be determined following the RFP process. In implementing this cut we would work with existing providers to see if they could convert their programs.

Total General Fund Substance Abuse Reduction **$2,992,597**

B. Mental Health Services

Reduce funding to Under Utilized contracts (CBHS-MH) $173,961

Reduce funding to underutilized contracts for contractors who have not met their contractual obligation over the last two years. This will be based on the review of cost reports for 03-04, 04-05 and current year expenditure.

Conversion of residential mental health treatment programs to supportive housing $1,080,553

Community Behavioral Health Services (CBHS) provides a continuum of services to treat mentally ill individuals. The services range from the most intensive and most expensive acute inpatient beds, to Napa State Hospital to Long Term Care beds, to acute diversion units, to residential treatment to day treatment to the least expensive outpatient and vocational/outreach/peer support/self-help programs.

During this difficult budget period, CBHS has had to evaluate its continuum of care to determine which reductions would impact the least number of people, and would maximize the remaining dollars to see the greatest number of people. The most expensive and intensive services are acute inpatient beds, followed by Napa State Hospital beds, followed by Long Term Care beds. Neither the acute inpatient beds (private fee-for-service hospitals) or Napa can be reduced further than proposed already to achieve cost savings, and the Long Term Care budget is already in deficit, so reductions would not contribute to General Fund savings. The next most expensive treatment modalities, that serve the fewest number of clients, are residential treatment and day treatment. Residential Treatment is a valuable treatment modality in the system of care for mentally ill and dually disordered individuals, and is often the reason that clients are able to move from higher to lower levels of care, which is a goal of mental health service delivery. Day Treatment services are an intensive and very structured form of treatment.

CBHS funds a total of 143 Residential Treatment slots, of which 78 of the slots also receive day treatment services as a component of the residential treatment program. The only remaining day treatment programs for adults and older adults are linked to residential day treatment programs, and a dual diagnosis program funded using substance abuse General Fund and Short Doyle MediCal. The rest of the stand-alone programs have been reduced in prior year budget reductions. These residential and day treatment services are provided by the following three non-profit agencies: Baker Places, Conard House and Progress Foundation. The residential treatment programs, many of which have a specific focus, serve a variety of mentally ill individuals, with a treatment episode ranging from 2 months to 4 months.

Since residential treatment is one of the most expensive forms of treatment, especially when day treatment is included, and because fewer individuals are served as part of the regular programming, CBHS is proposing to reprogram funding from residential and day treatment programs to supportive housing. This would preserve some level of services, and additionally would preserve housing slots. The average monthly cost of residential treatment ranges from $3,500 to $8,000 with day treatment), and the average monthly cost of supportive housing ranges from $1,000 to $1,500. The primary goal of supportive housing is to promote residential stability for a population that has a history of chronic homelessness coupled with high rates of mental illness and substance abuse. Support services are provided on a voluntary basis with the emphasis placed on creative and persistent tenant engagement, community building, improved health, and greater financial stability. Of note, over 50% of the clients entering residential treatment are homeless indicating a major need for housing on a permanent basis.

To realize its target in the FY05-06 baseline, CBHS must reduce a total amount of $1,080,553 in General Fund through this initiative. This results in our needing to decrease our residential bed by 79. The Department will offer all of these agencies the opportunity to convert their facilities to supportive housing facilities. If an insufficient number of beds are converted voluntarily, an RFP will be let to determine which residential programs continue and what new housing bed are opened.

Attachment #8 shows detail on the residential programs that would be subject to this change. The two residential programs that are not being considered for reduction are Progress Foundation's Clay Street (due to its emphasis on taking clients out of IMD's) and Ashbury House that serves families. The target date for conversion is January 1, 2006.

Total Mental Health General Fund Reduction **$1,254,514**

C. Housing

In order to maintain all of our existing housing sites our only cut to housing is to the SRO Collaborative.

SRO Collaborative Contract Reduction (HUH) $658,333

The SRO Collaboratives provide community outreach and education regarding fire prevention, community stabilization and health and well being in SRO buildings in Chinatown, North Beach, Tenderloin and Mission districts. These are important services but not direct treatment.

D. HIV/AIDS

Reduce Peer Advocacy/Treatment Advocacy Services/Case Management and Practical Support (AIDS) $996,272

The HIV Health Services Planning Council, which has the responsibility for Ryan White CARE funding, decided to eliminate/reduce services in the integrated case management services which includes case management, treatment advocacy, peer advocacy, and nutritional counseling. The reduction of these General Fund supported programs for FY 05/06 is consistent with that approach.

To protect medical, mental health, housing and substance abuse services, we will decrease case management treatment advocacy, nutritional counseling and practical support.

E. Pharmacy

Institute copay for all persons without GA (free insulin, antibiotics, antipsychotic, and AIDS medication due to ADAP). All others $5 and $10 prescription copay. $1,521,500

Subtotal Community Based Alternatives, Focus Resources, Behavioral Health, Housing, Health at Home and HIV/AIDS Reductions	**$10,726,567**
Use of one-time rollover funds	**$3,941,452**

The Mayor's Office, in recognition that the savings proposed on an annual basis is greater than the partial year impact for FY 05-06, has agreed that we will be able to use these one-time dollars to convert our budget savings to a full year.

Total Community Based Alternatives, Focus Resources, Behavioral Health, Housing, Health at Home and HIV/AIDS Reductions, and use of one-time rollover funds	**$14,556,991**
Net Growth in General Fund	**$13,000,000**

Contingency Plan

In order to facilitate decision-making by the Commission the reductions in the Contingency Plan are valued at 12 months. (The reductions in the base budget are primarily for a 10 month period except where indicated other wise.)

UC Crisis Resolution Team (CBHS-MH)	$236,222

Some capacity can be absorbed by non-contract component of program, as well as the Community Programs Placement Unit, and other Dept. linkage services.

Close Dialysis Unit (SFGH)	$406,732

Facility housing unit is not licensable by JCAHO. Inpatient dialysis services will be retained while outpatients will be referred to other providers. All clients receiving dialysis have Medicaid and therefore are eligible for services at other dialysis units.

Reduction of funding for outpatient substance abuse treatment for special populations	$3,044,028

We currently fund 307 static slots of outpatient substance abuse services for special populations at a cost of $5.08 million (average of $19,266 per static slot). We propose cutting 60% of this budget. This would result in a loss of 185 slots on an annual basis. Fewer slots would be lost if the rebid produced lower costs.

Rebid adult outpatient Substance Abuse Services	$1,000,000

Reduction of another 57 static slots of outpatient treatment. (Fewer slots would be lost if the rebid achieves efficiencies.)

Conversion of residential mental health treatment programs to supportive housing	$959,658

In the base we converted 54 residential mental health treatment beds to supportive housing. This proposal consists of converting the remaining 63 beds.

Deletion of PHN Chronic Care Service and Skilled Home Care Services (HAH)	$1,862,930

The strongest evidence for efficacy of home nursing programs is for perinatal services. Therefore we are proposing no cuts in this area. Unfortunately this will mean decreased home visits to adults.

Reduction to HIV Prevention Services	$1,400,000

Reduce contractual services with various HIV Prevention Services to various behavioral risk populations. Contractors will be identified after the RFP process.

Reduction to Outpatient Mental Health Services	$600,000

Reductions to non-profit contractors of between $25k to $75k for outpatient services, based on size of contract and impact of mid-year reductions; reduction of 2.5 FTE spread across civil service programs.

Subtotal	**$9,509,570**

There are two alternatives for reaching the contingency budget target.

Close a Health Center and sell building	$2,000,000
If we were to pursue this option we would put together a taskforce to evaluate which health center would be least disruptive to close. Factors that would be considered would include proximity to other health care facilities, productively of clinic, value of building, etc.	
Total General Fund Contingency with Selling Health Center	**$11,509,570**
Operate all Health Centers 80% of the time	$2,666,667
Under this proposal we would take our 8 primary care health centers (excluding North of Market/Curry Center which is a collaborative operation with a nonprofit) and group them into two teams. Each team would have enough staff to run the health centers approximately 80% of the time (each center closes approximately one day a week.) The teams are necessary in order to maintain fulltime jobs. Otherwise there would be potential bumping as long time fulltime employees from primary care opt to bump employees in other parts of the department in order to regain fulltime employment. Implementation of this proposal is complicated and we would need to do further work on the operational details.	
Total General Fund Contingency with reducing hours of Health Centers	**$11,776,237**

Next Steps

This has been the most challenging budget process in this third consecutive year of shortfalls in funding. The initiatives presented above represent our best efforts to meet budget targets and unfortunately leave little room for modification. We are scheduled to make our initial presentation to the Budget and Finance Committee of the Board of Supervisors in two days, on Thursday, March 31, and will be presenting this plan, in its current form at that time.

Included in your package is a draft resolution for your consideration. The resolution does not require that you approve the budget, but rather that you approve the submission of the budget to the Mayor. Although your options in revising the budget are limited, and items cannot be removed from the list, you may consider moving items from the base budget to the contingency plan, and vice versa. There are also two options for you to consider relative to primary care.

The second meeting of the Health Commission on the FY 2005-06 proposed budget will be on will be on Thursday, April 7, 2005. At that time we will request approval of a resolution submitting the budget and contingency plan to the Mayor's Office.