



Edwin M. Lee,
Mayor

Greg Wagner,
Chief Financial Officer

MEMORANDUM

May 26, 2014

TO: President Ed Chow and Honorable Members of the Health Commission

THROUGH: Barbara Garcia, Director, Department of Public Health

FROM: Greg Wagner, Chief Financial Officer

RE: Revenue and Expenditure Report – 3rd Quarter FY 2013-14

This report presents the third quarter financial projections of revenues and expenditures for the Department of Public Health for fiscal year 2013-14. These figures are based on revenue collected and billed, and expenses incurred for the fiscal year beginning July 1, 2013. At the end of the third quarter the department projects a general fund surplus of \$34.2 million. This projected surplus is largely driven by net favorable variances in state and federal reimbursements and savings compared to budget in salary and fringe benefits.

Third Quarter Projected FY 2013-14 Surplus/(Deficit)

Division	REVENUES			EXPENDITURES			TOTAL
	Revised Budget	Current Projection	Surplus/ (Deficit)	Revised Budget	Current Projection	Surplus/ (Deficit)	Surplus/ (Deficit)
Department of Public Health							
SFGH	\$ 1,121,087,000	\$ 1,100,262,000	\$ (20,805,000)	\$ 1,121,087,000	\$ 1,081,004,000	\$ 40,083,000	\$ 19,258,000
Laguna Honda	216,886,101	242,424,255	25,738,154	216,886,101	216,573,246	112,855	25,851,009
Primary Care	85,851,000	81,541,000	(4,310,000)	85,851,000	81,621,000	4,230,000	(80,000)
Health at Home	6,886,000	6,887,000	1,000	6,886,000	7,209,000	(323,000)	(322,000)
Jail Health	31,794,000	31,794,000	-	31,794,000	32,788,000	(994,000)	(994,000)
Public Health	170,501,808	168,141,808	(2,360,000)	170,501,808	170,441,808	60,000	(2,300,000)
Mental Health	292,106,852	287,106,852	(5,000,000)	292,106,852	294,006,852	(1,900,000)	(6,900,000)
Substance Abuse	77,660,645	77,080,645	(580,000)	77,660,645	77,380,645	280,000	(300,000)
TOTAL DPH	\$ 2,002,553,406	\$ 1,995,237,560	\$ (7,315,846)	\$ 2,002,553,406	\$ 1,961,024,551	\$ 41,528,855	\$ 34,213,009

Expenditures are projected to be below budget by \$41.5 million, and revenues are projected to be below budget by \$41.5 million. These projections assume the department will have \$32.2 million in unused budgetary authority for participation in intergovernmental transfer programs, which results in a \$32.2 million revenue shortfall and a corresponding \$32.2 million expenditure savings. Without these variances, the department would project a \$24.9 million revenue surplus and a \$9.3 expenditure savings.

Major variances include:

Major Third Quarter Variances from Budget (Millions)		
\$	35.8	SB 208 supplemental reimbursement for SPD costs
\$	(31.9)	DSH/SNCP estimated allocation
\$	19.9	Capitation
\$	16.6	Salary and Fringe Savings
\$	(15.5)	LIHP FQHC service IGT contribution
\$	13.3	Accelerated payment of DP/NF supplemental
\$	(9.3)	State Realignment take-back
\$	8.0	State reversal of Laguna Honda Medi-Cal rate reduction
\$	(5.0)	Short Doyle Medi-Cal revenues
\$	2.3	Other
\$	<u>34.2</u>	Total

San Francisco General Hospital: SFGH projects a surplus of \$5.4 million compared to budget.

Revenues are \$20.8 million below budget. Significant variances include:

- \$32.2 million in unfavorable variance due to \$32.2 million in unused budgeted intergovernmental transfer (IGT) authority, which is equally offset by expenditure savings since the department will not need to contribute the non-federal share for these programs.
- \$31.9 million unfavorable variance in DSH/SNCP funding resulting from a revised estimate of county allocations.
- \$35.8 million favorable variance from SB 208 revenues to supplement managed care reimbursements for seniors and persons with disabilities. The department has received two years' worth of payments under this program in FY 13-14.
- \$19.9 million favorable variance in capitation revenues, primarily due to the conversion of Low Income Health Program enrollees to Medi-Cal Managed Care
- \$9.3 million unfavorable variance in State Realignment revenues, reflecting the state budget initiative recoup county realignment payments in anticipation of expanded insurance under the Affordable Care Act. An additional \$7.6 million shortfall in general fund public health realignment revenues are reflected in the Controller's 9-month financial report, but are not included in this report.
- \$15.1 million favorable variance in patient service revenues, due largely to a \$9.0 million positive final settlement of the FY 2005-06 Medi-Cal waiver.

Expenditures are below budget by \$40.1 million. Expenditure variances include:

- \$24.0 million favorable variance in operating transfers out. This savings is largely due to the county not making \$32.2 million in budgeted intergovernmental transfers and is equally offset by the revenue shortfall discussed above.
- \$16.6 million favorable variance in salary and fringe benefits, due to lower than budgeted patient census and delays in hiring positions not backfilled with per diem or overtime staffing, such as information technology, clerical, and interpreter positions.

Laguna Honda Hospital: First quarter projections show a surplus of \$25.9 million due to:

- In 2011, the state legislated a reduction to Medi-Cal skilled nursing facility rates to ten percent below FY 2008-09 levels. In fall of 2013, the governor signed legislation

rescinding this rate reduction going forward. As a result, Laguna Honda Hospital expects to receive \$8 million in revenues above budget.

- In December of 2013, the State changed its policies regarding interim payments of distinct part nursing facility supplemental funds. In the past these payments were based on the most recent audited cost report. Now, Laguna Honda will be allowed to receive an estimated payment based on its most recent submitted but un-audited cost reports, which will have more recent and accurate cost data. As a result, the hospital expects to receive more accurate reimbursements, increasing revenues by \$13.3 million for FY 13-14.

The Controller's 9-Month Budget Status report also reports a \$12 million construction settlement agreement. That revenue is not included in this financial statement as the funds are administered by the Controller's Office and the Department of Public Works.

Primary Care: Primary Care is projected to end the year with a \$0.1 million deficit. As in prior years, primary care projects substantial savings in salary and fringe benefits (\$4.2 million) offset by revenues below budget of \$4.3 million.

Health at Home: Health at home projects a \$0.3 million year end deficit due to unfavorable variance in personnel costs.

Jail Health Services: Jail Health shows a deficit of \$1.0 million due to unfavorable variance in personnel costs. The Sheriff has closed portions of certain jail facilities due to declining jail census, which has reduced the projected deficit for Jail Health compared to the second quarter financial statement.

Public Health: Public Health projects a deficit of \$2.3 million, due primarily to budgeted revenue from sale of real estate that is unlikely to occur before the end of the fiscal year.

Mental Health: Mental Health projects a \$6.9 million deficit due to:

- A \$5.0 million unfavorable variance in Short-Doyle revenues due to uncertainties associated with delays in claims submission and claims processing by the State.
- \$1.9 million unfavorable variance in personnel costs due to a historical shortfall in the salary and fringe benefit budgets for the division.

Substance Abuse: Substance Abuse projects a \$0.3 million shortfall due to lower than expected Substance Abuse Prevention and Treatment block grant allocation.

Conclusion and Comments

The Department of Public Health continues to see improved financial performance versus budget compared to prior years, largely due to the initiative by the Mayor's Office to correct the department's historical structural deficit. The projected surplus has been included in the Controller's Nine Month Budget Status Report and will be applied to reduce the projected General Fund deficit for fiscal years 2014-15 and 2015-16.

