




**Edwin M. Lee,
Mayor**

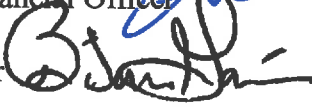
**Greg Wagner,
Chief Financial Officer**

MEMORANDUM

January 27, 2016

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

FROM: Greg Wagner, Chief Financial Officer 

THROUGH: Barbara Garcia, Director 

RE: **FY 2016-17 and 2017-18 Proposed Budget – First Hearing**

Scheduled for the February 2 Commission meeting is the first hearing on the Department of Public Health's proposed budget for FY2016-17 and 2017-18 (FY 16-18). A second hearing is planned for the February 16 Commission meeting, followed by periodic updates throughout the budget process. Subject matter to be addressed at the two February hearings includes:

February 2

- Review of financial outlook, budget instructions and General Fund targets
- Discussion of goals and strategies for FY 16-18 budget
- Baseline revenue initiatives, including the impacts of the Medi-Cal 2020 Section 1115 Waiver
- DPH proposal to meet budget and revenue targets

February 16

- Additional initiatives to realign and re-allocate funding to achieve key departmental priorities
- Revenue-neutral and regulatory initiatives
- Update on Electronic Health Records initiative

Mayor's Budget Instructions

In December the Mayor's Office issued its five-year financial outlook for the City, forecasting that the economy and the City's budget is expected to expand. General Fund revenues are expected to increase by 9.5% based on a Controller's Office economic forecast of continued economic growth (although at a slower pace than has occurred over the past two years). However, expenditures are forecast to grow by 21%, largely driven by new voter mandates and increased payments required to fund the City's contribution to the employee retirement system. If these trends continue, the financial projects indicated that the deficit would grow as large as \$538.4 million by FY 19-20 without corrective action.

The City's economic forecast does not assume an economic downturn during the 5-year financial planning horizon. However, the Mayor's Office and Controller note that the economy has experienced 76 months of continuous expansion dating back to July, 2009, while the average period between economic recessions since 1900 is only 46 months. This suggests that it is a realistic possibility that another economic downturn could occur within the next four years, significantly altering the City's financial outlook.

The Mayor's Office has instructed departments to reduce general fund support, compared to the baseline projection, by 1.5% in FY 16-17 and an additional 1.5% in FY 17-18, while minimizing service impacts. For DPH that translates into target of \$9.6 million and \$19.2 million respectively. In addition, the Mayor's deficit assumes growth in hospital operating revenues of \$6.7 million and \$17 million, respectively.

DPH has the largest operating budget of any City department and is the largest recipient of discretionary General Fund allocations, with a FY 15-16 budget of \$672.2 million in General Fund support. In the base budget for the Department, the Mayor's Office has already assumed significant increases for labor contract wage increases, employee benefit cost growth, pharmaceutical price inflation and other factors totaling approximately \$49 million in FY 16-17 and \$96 million in FY 17-18—an amount of growth considerably larger than the required 1.5% target reductions. Consequently, while DPH is required to take actions to reduce its General Fund allocation per the Mayor's Office instructions, these targets do not represent a reduction in total of General Fund support to the Department compared to the current fiscal year. The targets are more appropriately viewed as an instruction to offset a portion of anticipated year-over-year growth in General Fund support.

DPH Budget Priorities for FY 16-18

The proposed DPH budget will be focused on aggressively continuing the major, multi-year strategic initiatives that began in the years prior to implementation of the Affordable Care Act. As the Health Commission is aware, these initiatives include: the creation and continued development of the San Francisco Health Network into a functionally integrated delivery system; a once-in a generation overhaul of the Department's information technology infrastructure and systems; the opening of the new Zuckerberg San Francisco General Hospital; and rebuilding the Public Health Division.

We will present greater detail on specific initiatives at the February 16 Commission meeting, proposed high-level priorities are as follows:

- **Development of a unified Electronic Health Records (EHR) system.** As discussed in Health Commission meetings throughout the year, during the upcoming two-year budget funding for implementation of the unified EHR system will be a top priority.
- **Implementation of Medicaid 1115 Waivers.** Beginning in FY 15-16 the State will enter into its new Medicaid Section 1115 Waiver, called Medi-Cal 2020. In addition, the State received approval in August, 2015 to implement the new Drug Medi-Cal Organized Delivery System Waiver.
- **Continued Implementation and Refinement of Prior Years' Initiatives for SFHN and DPH Service Improvement.** A focus of the proposed budget will be to refine and

continue efforts begun in previous years, including development of a centralized patient call center, support for ambulatory care and behavioral health programs and human resources staffing to accelerate hiring and reduce financial liability for all DPH divisions.

- **Strengthening Public Health Division Infrastructure and Operations.** A key strategic priority for DPH is to continue supporting in PHD's efforts to eliminate silos, promote service integration, eliminate permitting backlogs, and is deploy Lean quality management to eliminate waste in all work.

In addition to the initiatives included in the February budget submission, the Department continues to work with the Mayor's Office and other City agencies on key policy issues and partnerships including the creation of a Department on Homelessness, planning for the closure of the seismically unsafe jail at the Hall of Justice, the Getting to Zero initiative and Vision Zero initiative.

Budget Initiatives for February 2 Hearing

At the February 2 Commission hearing, staff will present a set of initiatives that meet the Department's revenue and General Fund savings targets for FY 16-18.

	FY 16-17	FY 17-18	Two-Year Total
General Fund Reduction Target	\$ (9,580,977)	\$ (19,161,955)	\$ (28,742,932)
Balancing Solutions To Meet Target			
Revenue Increases	\$ 20,824,282	\$ 16,018,758	\$ 36,843,040
Less Revenue Growth Assumed in Deficit	\$ (6,720,577)	\$ (17,020,716)	\$ (23,741,293)
Salary Adjustments	\$ 7,500,000	\$ 7,500,000	\$ 15,000,000
Total Solutions	\$ 21,603,705	\$ 6,498,042	\$ 28,101,747
Net Balancing - Above/(Below) Target	\$ 12,022,728	\$ (12,663,913)	\$ (641,185)

DPH Revenue Changes

Zuckerberg San Francisco General Hospital (ZSFG) continues to see changes in federal and state funding as reimbursement policies change under the Affordable Care Act (ACA) and Medi-Cal 2020 Waiver. As expected, under the new waiver total funding available to county providers will decrease over time. This reduction is driven in part by the fact that as more individuals are covered by insurance, federal funding to compensate for shortfalls from care to uninsured are being reduced. When the ACA was adopted, a component of the financing plan for insurance program expansion was a planned reduction in federal DSH funds to States, which have historically been used to offset the cost of caring for uninsured and underinsured individuals. Under the Global Payment Program, which replaces Disproportionate Share Hospital and Safety Net Care Pool funds under the prior waiver, total allocations available to counties are reduced over time based on the schedule of federal DSH reductions to the State of California. As a result, San Francisco's share of these funds declines over time. In addition, under the new PRIME program (which replaces the DSRIP program under the prior waiver), San Francisco's maximum allocation is reduced by \$7 million per year. Because of these two factors, the Department projects a decrease in waiver revenues of \$14.8 million and \$28.1 million in FY 16-17 and 17-18, respectively. These amounts assume DPH will be able to draw down 90 percent of its

maximum PRIME allocation and 75 percent of its maximum GPP allocation. These reductions are partially offset by projected increases in fee-for-service budgeted revenue at ZSFG.

Under Section 12.6 of the Administrative Provisions of the Annual Appropriation Ordinance, the Controller is authorized to reserve surplus transfer payments, indigent health revenues, and Realignment funding to offset future reductions or audit adjustments associated with the Affordable Care Act and funding allocations for indigent health services. This provision was designed to smooth the impact of volatile state and federal revenues across fiscal years. In FY 14-15, funds were reserved under this section in anticipation of reductions to capitation rates for the Medi-Cal Expansion population and the associated AB 85 rate-range program. Those reductions were implemented in July, 2015, creating a revenue shortfall compared to the adopted budget. The proposed budget for FY16-18 assumes \$35.4 million in funds will be redirected from the reserve to offset these shortfalls.

Laguna Honda Hospital projects \$7.7 million in annual growth in patient revenues, due to increased Medi-Cal per diems and reimbursement under the Distinct Part Nursing Facility supplemental reimbursement program, which draws federal revenues to partially compensate for Medi-Cal shortfalls. In addition, Mental Health projects \$6 million per year in increased revenues Short Doyle due to increased volume of insured visits.

Expenditure Initiatives

Salary Adjustments. Over the last several years, DPH has added a significant number of positions to its budget for various initiatives. However, actual personnel spending has been below budgeted levels, partly due to delays in hiring as human resources efforts have focused on hiring required to staff the new ZSFG. The Department finished FY 14-15 with surpluses of \$16 million in salaries and \$11.4 million in fringe benefits. As a result, the Department has re-evaluated its budgeted personnel costs and attrition assumptions to determine what level of salary budget is required to allow continued aggressive hiring, but also minimize excess appropriation. One hundred ten new positions have been budgeted over the past five years in Primary Care to improve patient access and reduce wait times, which remains a goal for the Department. However, the actual rate of expenditure growth has not matched budget, resulting in a year end surplus of \$6.2 million in salaries and fringe benefits for FY 14-15, and a second quarter projection of \$4.8 million in savings for FY 15-16. In addition, in the adopted two-year budget for FY 15-16 and 16-17, Primary Care is scheduled to receive an additional \$3.5 million in salaries and benefits in FY 16-17, which would increase the surplus in the coming year. In FY 14-15, the Public Health Division ended the year with \$7.1 million in unspent personnel budget, Mental Health with \$2.7 million, and Substance Abuse with \$2.5 million. Conversely, Laguna Honda Hospital, Jail Health, and Health at Home have had to struggle to manage within budget. The proposed initiative would add additional salary savings in divisions with surpluses and redistribute a portion of the savings, resulting in a net General Fund savings of \$7.5 million per year. No existing employees or budget positions will be affected by this change, nor do we anticipate any changes to our existing hiring processes. The Department forecasts that it will be able to continue proactive hiring efforts while still remaining within budget.

DPH Pharmacy and Other Inflationary Costs. DPH continues to experience high rates of pharmacy cost inflation, consistent with other health care providers. In addition, the budget must

account for regular annual cost increases for purchases of goods and services. Because these increases have been assumed in the Mayor's Office's deficit projection, DPH is not expected to balance around them, but they are noted on the Health Commission's budget documents as it is a significant proposed change to spending authority.

SUMMARY OF CONTRACT REQUEST TO THE HEALTH COMMISSION

Contractor	<u>JTC Medical Physics</u>	Division/Section:	<u>DPH/SFHN</u>
Address	<u>5013 Tarpan Court</u> <u>Elk Grove, CA 95757</u>	Deputy Director	<u>Roland Pickens</u>
Contact	<u>Jonathan Caldwell,</u> <u>Medical Physicist (Owner)</u>	DPH Administrator:	<u>David Sostarich</u>
		Program Manager:	<u>Brian Moser</u> Phone <u>206-3122</u>
		Contract Analyst:	<u>Arlene Lee</u> Phone <u>554-2938</u>

Request for approval of a new contract with JTC Medical Physics, in the amount of \$729,820, to secure qualified medical physicist services for the Department of Public Health for the term of February 1, 2016 to January 31, 2021.

Profit Non-Profit LBE RFQ – Number: 38-2013 Date: 1/13/2014
 New Renewal Mod Sole Source

Number of years DPH has been doing business with this organization: 4+

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<i>ANNUAL AMOUNT OF CONTRACT (estimate)</i>		\$729,820	\$729,820
Agency Funds		-\$0-	-\$0-
Contract FTE		N/A	N/A

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Nuclear Medicine (4 Audits/yr)			1	\$6,000
Spect Camera			1	\$1,800
Ultrasound ACR			12	\$500
Special Units			6	\$350
General Consulting			20	\$200
Travel Costs (Milage and Time)			21	\$550
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	<u>Elk Grove, CA 95757</u>	DPH Administrator:	<u>David Sostarich</u>
Contact	<u>Jonathan Caldwell,</u>	Program Manager:	<u>Brian Moser</u> Phone <u>206-3122</u>
	<u>Medical Physicist (Owner)</u>	Contract Analyst:	<u>Arlene Lee</u> Phone <u>554-2938</u>

Request for approval of a new contract with JTC Medical Physics, in the amount of \$729,820, to secure qualified medical physicist services for the Department of Public Health for the term of February 1, 2016 to January 31, 2021.

Profit Non-Profit LBE RFQ – Number: 38-2013 Date: 1/13/2014
 New Renewal Mod Sole Source

Number of years DPH has been doing business with this organization: 4+

<u>CONTRACT INFORMATION:</u>	<u>Prior Transaction</u> (new)	<u>Proposed Transaction</u> 2/1/2016 – 1/31/2021	<u>Annualized Difference</u>
Funding Sources:			
General Fund		\$651,625	\$651,625
TOTAL DPH REVENUES			
12% Contingency Amount		\$78,195	\$78,195
CONTRACT TOTAL		\$729,820	\$729,820
<i>ANNUAL AMOUNT OF CONTRACT (estimate)</i>		<i>\$729,820</i>	<i>\$729,820</i>
Agency Funds		-\$0-	-\$0-
Contract FTE		N/A	N/A

<u>PROPOSED:</u> Mode(s) of Service & Unit of Service Definition	<u>No. of Clients</u>		<u>Number of Units</u> Hours	<u>Unit Cost</u>
	<u>N/A</u>	<u>Duplicated</u>		
	<u>N/A</u>	<u>Unduplicated</u>		
Radiographic/Flourosopic Units			46	\$250
Digital Radiographic			27	\$325
CATH Lab/Specials/Interventional (per tube)			14	\$350
CT Units - non ACR Accreditation Testing			12	\$800
CT Units - ACR Accreditation Testing			8	\$1,300
Mammogrphy -Full Field Digital			10	\$1,300
Mammography - Digital Breast Tomosynthesis			3	\$1,600
Mammography - Stereotactic Breast Biopsy			2	\$800
Mammography - Review Workstation			6	\$300
Mammogrphy - Repair evaluations			10	\$1,000
MRI Unit (per magnet)			5	\$2,280
Nuclear Medicine (4 Audits/yr)			1	\$6,000
Spect Camera			1	\$1,800
Ultrasound ACR			12	\$500
Special Units			6	\$350
General Consulting			20	\$200
Travel Costs (Milage and Time)			21	\$550
Additional Equipment to be serviced at LHH or other SFHN facilities			As-Needed	\$5,600
Emergency/Unscheduled Repairs			As-Needed	\$5,500

SUMMARY OF CONTRACT REQUEST TO THE HEALTH COMMISSION

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Profit
 Non-Profit
 LBE
 RFQ – Number: 38-2013 Date: 1/13/2014
 New
 Renewal
 Mod
 Sole Source

Number of years DPH has been doing business with this organization: 4+

<u>CONTRACT INFORMATION:</u>	<u>Prior Transaction</u>	<u>Proposed Transaction</u>	<u>Annualized</u>
	(new)	2/1/2016 – 1/31/2021	<u>Difference</u>
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Agency Funds		-\$0-	-\$0-
Contract FTE		N/A	N/A

<u>PROPOSED:</u>	<u>No. of Clients</u>		<u>Number</u>	<u>Unit</u>
	<u>N/A</u>	<u>Duplicated</u>		
<u>Mode(s) of Service & Unit of Service Definition</u>	<u>N/A</u>	<u>Unduplicated</u>	<u>of</u>	<u>Cost</u>
			<u>Units</u>	
			<u>Hours</u>	
<u>Radiographic/Flourosopic Units</u>			46	\$250
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<u>Nuclear Medicine (4 Audits/yr)</u>			1	\$6,000
<u>Spect Camera</u>			1	\$1,800
<u>Ultrasound ACR</u>			12	\$500
<u>Special Units</u>			6	\$350
<u>General Consulting</u>			20	\$200
<u>Travel Costs (Milage and Time)</u>			21	\$550
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<u>Emergency/Unscheduled Repairs</u>			As-Needed	\$5,500

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Contract FTE		N/A	N/A

<u>PROPOSED:</u>	<u>No. of Clients</u>		<u>Number</u>	<u>Unit</u>
	<u>N/A</u>	<u>Duplicated</u>		
<u>Mode(s) of Service & Unit of Service Definition</u>	<u>N/A</u>	<u>Unduplicated</u>	<u>of</u>	<u>Cost</u>
			<u>Units</u>	
			<u>Hours</u>	
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Emergency/Unscheduled Repairs			As-Needed	\$5,500

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SAN FRANCISCO DEPARTMENT OF PUBLIC HEALTH
 FY 16-18 PROPOSED BUDGET - Health Commission Meeting February 2, 2016

Div	Item	Description	FY 16-17				17-18								
			FTE Change	Expend Incr/(Decr)	Revenues Incr/(Decr)	Net GF (Cost)/ Savings	FTE Change	Expend Incr/(Decr)	Revenues Incr/(Decr)	Net GF (Cost)/ Savings					
REVENUES															
GH	A1	ZSFGH Baseline Revenues and Medi-Cal 1115 Waiver Changes	-	(20,118,288)	(12,994,006)	7,124,282	-	(29,221,014)	(26,902,256)	2,318,758					Adjustments ZSFGH revenue streams and reserves based on formula changes in the Medi-Cal 1115 Waiver as well as projections related to Medi-Cal, Capitation, Medicare and other patient revenues.
LHH	A2	LHH Baseline Revenues	-	-	7,700,000	7,700,000	-	-	7,700,000	7,700,000					Projected Skilled Nursing Facility Revenue based on expected 2% rate increase.
AC/MIH	A3	Mental Health Short Doyle Medi-Cal Baseline	-	-	6,000,000	6,000,000	-	-	6,000,000	6,000,000					The budget for Short Doyle Medi-Cal revenues are being adjusted to reflect actual revenues received. Actual revenues are higher than budget primarily due to newly eligible Medi-Cal clients that have enrolled under the Affordable Care Act.
TOTAL REVENUE			-	(20,118,288)	705,994	20,824,282	-	(29,221,014)	(13,202,256)	16,018,758					
SAVINGS PROPOSALS															
DPH	B1	Salary Savings Adjustments	-	(7,500,000)	-	7,500,000	-	(7,500,000)	-	7,500,000					Adjustments to attrition and step adjustment savings of \$9.5 million of salary savings will be added to Primary Care, Mental Health, Substance Use Disorders and Public Health divisions. \$2 million of the savings will offset structural shortfalls in LHH, Health at Home and Jail Health for net savings of \$7.5 million. These changes reflect the department's actual spending pattern and will not impact the department's current hiring process for any of its divisions.
TOTAL SAVINGS			-	(7,500,000)	-	7,500,000	-	(7,500,000)	-	7,500,000					
INFLATIONARY (Does not affect target)															
	D1	Pharmacy and Other Inflationary Costs	-	-	-	-	-	3,197,664	-	(3,197,664)					Increased expenditure authority related to pharmaceuticals, food, as well as housing and laundry contracts to reflect inflation on the price of these critical supplies and services.
TOTAL INFLATIONARY			-	-	-	-	3,197,664	-	(3,197,664)						

2015-16 and 2016-17 Program Change Request

DIVISION:

DPH – department wide Population Health SF Health Network Wide
 San Francisco General Hospital Laguna Honda Hospital Ambulatory Care

PROGRAM / INITIATIVE TITLE: **SFGH Baseline Revenues**

TARGETED CLIENTS: n/a

PROGRAM CONTACT NAME/PHONE: **Valerie Inouye 206-3599**

2015-16 FTE Change	2016-17 FTE Cumulative Change	FY 2015-16 Net General Fund Impact	FY 2016-17 Cumulative Net General Fund Impact
-	-	\$7,124,282	\$2,318,758

PROGRAM DESCRIPTION: (Brief description of Program Change)

To adjust the SFGH baseline revenues due to current managed care projections, funding changes outlined in a new Medi-cal Waiver, and updated estimates of Meaningful Use revenues.

JUSTIFICATION:

CMS has approved a five year renewal of California's Section 1115 Medicaid Waiver, which is being called Medi-Cal 2020. The waiver features four new programs that aim to improve care for the state's Medi-cal and remaining uninsured patients:

- Public Hospital Redesign and Incentives in Medi-Cal (PRIME), a pay-for performance delivery system transformation and alignment program, and the successor to California's DSRIP.
- Global Payment Program (GPP), an innovative payment reform program for services to the uninsured. The GPP coverts existing DSH and SNCP uncompensated care funding to a system focused on value and improved care delivery.
- Whole Person Care, a pilot program to provide more integrated care to the highest-risk and most vulnerable patients
- Dental Transformation Initiative, an incentive program to increase the frequency and quality of dental care provided to children.

The amounts of funding for the PRIME and GPP are known at this time, and the budget is being revised for the new amounts of funding. The Whole Person Care and Dental Initiatives require an application to participate, and the timing of those applications and details of these programs is still to be finalized.

Overall, Medi-Cal Waiver changes for PRIME and GPP are expected to reduce revenues by \$14.78 million in FY 16-17 and increases to \$28.10 million in FY 17-18. These figures reflect the net value of adjustments made to both revenues and Intergovernmental Transfers (IGT).

Despite continuing enrollment growth, capitated revenues are projected to decline year-over-year due to a 29.3 percent reduction in the capitated rate for Medi-Cal Expansion enrollees. However, revenue was reserved in prior years to offset these future shortfalls. The initiatives proposes use of prior year reserves of \$19.1 million in FY 16-17 and \$15.8 in FY 17-18.

At the same time, SFGH projects revenue growth due to changes in fee for service and capitation revenue for managed care, including Healthy Workers. The net effect of these two revenue streams is \$3 million of revenue growth in FY 16-17, increasing to \$15.5 million in FY 17-18.

Finally, estimates of funding under the Meaningful Use program are also being revised to reduce revenues by \$680,000 and \$892,900, based on actual expected payments.

IMPACT ON CLIENTS: (unit of service and/or number of clients affected)

n/a

EXPENSE AND REVENUE IMPACT: (for both fiscal years)

The net impact is general fund savings of \$7.1 million in FY 16-17 reducing to \$2.3 million in year 2.

IMPACT ON DEPARTMENT'S WORKFORCE:

None

INITIATIVE TITLE: SFGH Baseline Revenues

Description		FY 2016-17	FY 2017-18
Sources:			
	Medi-Cal Waiver (GPP and PRIME)	\$ (34,895,288)	\$ (57,318,014)
	Use of Prior Year Reserves	\$ 19,600,000	\$ 15,811,426
	Healthy Workers Capitation	\$ 2,000,000	\$ 2,000,000
	Fee For Service Revenues	\$ 8,354,510	\$ 11,735,046
	Managed Care Captiated Revenues	\$ (7,373,228)	\$ 1,762,139
	Meaningful Use	\$ (680,000)	\$ (892,853)
Subtotal Sources		\$ (12,994,006)	\$ (26,902,256)
Uses:			
	Salary and Benefits	\$ -	\$ -
	Medi-Cal Waiver - IGT	\$ (20,118,288)	\$ (29,221,014)
Subtotal Uses		\$ (20,118,288)	\$ (29,221,014)
Net General Fund Subsidy Required (savings)/cost (Uses less Sources)		\$ (7,124,282)	\$ (2,318,758)
Total FTE's		0.00	0.00

New Positions (List positions by Class, Title and FTE)

<u>Class</u>	<u>Title</u>	<u>FTE</u> ¹	<u>FTE</u>
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Operating Expenses

Index Code Character/Subobject Code

\$ - \$ -

Facilities Maintenance, and Equipment (List by each item by count and amount)

2016-17 and 2017-18 Program Change Request

DIVISION:

- DPH – department wide Population Health SF Health Network Wide /
 San Francisco General Hospital X Laguna Honda Hospital Managed Care
 Ambulatory Care _____

PROGRAM / INITIATIVE TITLE: **LHH Baseline Revenue**

TARGETED CLIENTS:

PROGRAM CONTACT NAME/PHONE: **Chia Yu Ma/759-3325**

2016-17 FTE Change	2017-18 FTE Cumulative Change	FY 2016-17 Net General Fund Impact	FY 2017-18 Cumulative Net General Fund Impact
n/a	n/a	\$7,700,000	\$7,700,000

PROGRAM DESCRIPTION: (brief description of proposed change)

Laguna Honda Hospital's baseline revenues will increase by \$8,093,622

JUSTIFICATION:

The projected increase in SNF inpatient revenue in FY16-17 will be offset by the decrease in outpatient revenue based on the current year trend. The revenue increase is attributed to a 2% rate increase projected for year 1.

IMPACT ON CLIENTS: (units of service and/or number of clients affected, if applicable)

None.

EXPENSE AND REVENUE IMPACT: (for both fiscal years)

Revenue increase of \$7,700,000 to offset existing general costs.

IMPACT ON DEPARTMENT'S WORKFORCE :

No impact.

**ATTACHMENT B
SUMMARY OF PROGRAM COST**

INITIATIVE TITLE: Laguna Honda Baseline Revenues

Sources:	Description	FY 2016-17	FY 2017-18
	Net Patient Revenue	7,700,000	7,700,000
Subtotal Sources		\$ 7,700,000	\$ 7,700,000
Uses:		\$ -	\$ -
Subtotal Uses		\$ -	\$ -
Net General Fund Subsidy Required (savings)/cost (Uses less Sources)		\$ (7,700,000)	\$ (7,700,000)
Total FTE's		0.00	0.00

New Positions (List positions by Class, Title and FTE)

<u>Class</u>	<u>Title</u>	FTE	FY 16-17	FTE	FY 17-18
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Operating Expenses

Index Code	Character/Subobject Code	<u>FY 16-17</u>	<u>FY 17-18</u>
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Facilities Maintenance, and Equipment (List by each item by count and amount)

2016-17 and 2017-18 Program Change Request

DIVISION:

- DPH – department wide Population Health SF Health Network Wide
 San Francisco General Hospital Laguna Honda Hospital X Ambulatory Care – MH

PROGRAM / INITIATIVE TITLE: Mental Health Short-Doyle Medi-Cal

TARGETED CLIENTS: n/a

PROGRAM CONTACT NAME/PHONE: Anne Okubo 554-2610

2016-17 FTE Change	2017-18 FTE Cumulative Change	FY 2016-17 Net General Fund Impact	FY 2017-18 Cumulative Net General Fund Impact
n/a	n/a	\$6,000,000	\$6,000,000

PROGRAM DESCRIPTION: (brief description of proposed change)

Baseline adjustments to Short Doyle Medi-Cal revenues to reflect actuals and projected increases.

JUSTIFICATION:

The budget for Short Doyle Medi-Cal revenues are being adjusted to reflect actual revenues received. Actual revenues are higher than budget primarily due to newly eligible Medi-Cal clients that have enrolled under the Affordable Care Act.

IMPACT ON CLIENTS: (units of service and/or number of clients affected, if applicable)

None.

EXPENSE AND REVENUE IMPACT: (for both fiscal years)

Revenue increase of \$6,000,000.

IMPACT ON DEPARTMENT'S WORKFORCE :

None.

INITIATIVE TITLE: Short Doyle Medi-Cal Baseline Adjustments

Description		FY 2016-17	FY 2017-18
Sources:			
	Short Doyle Baseline Revenues	\$ 6,000,000	\$ 6,000,000
Subtotal Sources		\$ 6,000,000	\$ 6,000,000
Uses:			
	Salary and Benefits		
	Operating Expense		
Subtotal Uses			
Net General Fund Subsidy Required (savings)/cost (Uses less Sources)		\$ 6,000,000	\$ 6,000,000
Total FTE's			

New Positions (List positions by Class, Title and FTE)

<u>Class</u>	<u>Title</u>	<u>FTE</u> ¹	<u>FTE</u>
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2016-17 and 2017-18 Program Change Request

DIVISION:

- X DPH – department wide Population Health SF Health Network Wide /
 San Francisco General Hospital Laguna Honda Hospital Managed Care
 Ambulatory Care: Primary Care

PROGRAM / INITIATIVE TITLE: **Salary Savings Adjustments**

TARGETED CLIENTS: n/a

PROGRAM CONTACT NAME/PHONE: **Jenny Louie 554-2610**

2016-17 FTE Change	2017-18 FTE Cumulative Change	FY 2016-17 Net General Fund Impact	FY 2017-18 Cumulative Net General Fund Impact
n/a	n/a	(\$7,500,000)	(\$7,500,000)

PROGRAM DESCRIPTION: (brief description of proposed change)

For the FY 16-18 budget, DPH will realign its salary and fringe benefits budget to be consistent with current projections.

JUSTIFICATION:

The department continues to right size its budget for all divisions and cost centers. Throughout the year DPH finance and program staff review payroll projections and as part of the budget development process, determines appropriate spending levels for the upcoming two year budget cycle. DPH divisions ended FY 14-15 with significant unspent salary and fringe budget, and FY15-16 projections are consistent with that trend. The adjustments proposed use our most recent projects and hiring plans will result in \$4.5 million of savings in Primary Care (including \$3.5 million in growth between FY 15-16 and 16-17 added in last year's adopted budget), \$2.5 million in the Public Health Division, \$1.2 million in Mental Health and \$0.9 million in Substance Abuse. At the same time, Laguna Honda, Jail Health and Health at Home are projected to have modest salary overruns and will receive positive adjustments of \$1 million, \$600,000 and \$400,000 respectively.

IMPACT ON CLIENTS: (units of service and/or number of clients affected, if applicable)

None.

EXPENSE AND REVENUE IMPACT: (for both fiscal years)

This change will net total savings of \$7.5 million of salary and fringe savings for the department.

IMPACT ON DEPARTMENT'S WORKFORCE :

The department will load attrition and step adjustment savings – there will be no changes to any of the department's positions. These changes reflect the department's actual spending pattern and will not impact the department's current hiring process for any of its divisions.

INITIATIVE TITLE: DPH Salary Savings

Sources:		Description	FY 2016-17	FY 2017-18
	Revenues		\$ -	\$ -
Subtotal Sources			\$ -	\$ -
Uses:	Salary and Benefits		\$ (7,500,000)	\$ (7,500,000)
	Operating Expense		\$ -	\$ -
Subtotal Uses			\$ (7,500,000)	\$ (7,500,000)
Net General Fund Subsidy Required (savings)/cost (Uses less Sources)			\$ (7,500,000)	\$ (7,500,000)
Total FTE's			0.00	0.00

New Positions (List positions by Class, Title and FTE)

<u>Class</u>	<u>Title</u>	<u>FTE¹</u>	<u>FTE</u>
9993M_Z	Attrition Savings - Miscellaneous - Primary Care	(3,213,701)	(3,176,931)
9993M_Z	Attrition Savings - Miscellaneous Public Health	(2,079,192)	(2,057,825)
9993M_Z	Attrition Savings - Mental Health	(865,221)	(855,693)
9993M_Z	Attrition Savings - Substance Use Disorders	(639,371)	(632,777)
9993N_Z	Attrition Savings - Jail Health	444,684	439,272
9993M_Z	Attrition Savings - Health at Home	281,674	278,759
9993M_Z	Attrition Savings - Laguna Honda	685,881	677,943
Total Salary		(5,385,245)	(5,327,253)
Fringe		39.3% (2,114,755)	0 (2,172,747)
Total Salary and Fringe		(7,500,000)	(7,500,000)

Operating Expenses

Index Code Character/Subject Code

\$ - \$ -

Facilities Maintenance, and Equipment (List by each item by count and amount)

2016-17 and 2017-18 Program Change Request

DIVISION:

- DPH – department wide
- San Francisco General Hospital
- Ambulatory Care
- Population Health
- Laguna Honda Hospital
- SF Health Network Wide / Managed Care

PROGRAM / INITIATIVE TITLE: DPH Pharmacy and Other Inflationary Costs

TARGETED CLIENTS:

PROGRAM CONTACT NAME/PHONE: Jenny Louie/554-2610

2016-17 FTE Change	2017-18 FTE Cumulative Change	FY 2016-17 Net General Fund Impact	FY 2017-18 Cumulative Net General Fund Impact
n/a	n/a	n/a	\$3,917,664

PROGRAM DESCRIPTION: (brief description of proposed change)

This initiative requests annual inflationary adjustments for expenses critical to network operation. The department projects costs increases of 6% for pharmaceuticals, 3% for food and 3.2% for laundry & linen costs. In addition, this initiative also includes contracted increases to housing programs at DPH.

JUSTIFICATION:

These adjustments are critical to ensuring that DPH is able to continue to provide services and treatments to its patients in a financial sustainable manner.

Pharmacy: Drugs continue to be the primary treatment modality for the prevention, mitigation or cure of disease. Drug therapy cost increases have exceeded the inflationary rate for other goods and services for the past decade, and increases in the utilization of novel therapeutic agents are expected to continue into year 2016-17 and 2017-18. Projected nation-wide increases in drug expenditures are 4-10% across all settings. At DPH, continued participation in drug manufacturer patient assistance programs, tight drug formulary control, and aggressive use of lower cost generic drugs will help offset increases in expense due to volume. At the same time, the development and increased use of specialty drugs which affect a smaller number of drugs, but tend to be higher. The net result of factors that will increase and decrease drug costs at DPH are projected to lead to an overall increase in the cost of pharmaceuticals for the department of 6% in FY 2017-18.

Food and Laundry: In addition, while DPH continues to leverage discounts for its food purchase, it expects a 3% increase in food costs in next fiscal year. Finally, laundry and linen costs will rise by 3.2%.

Master Lease Housing: The Department of Public Health’s Housing and Urban Health (HUH) section currently oversees 36 supportive housing sites totaling 1,707 units through its Direct Access to Housing Program (DAH). As the Department master leases seven of the DAH sites and is therefore responsible for funding annual rent increases and property management cost increases as indicated in its contracts for each site. Projected annual increases for FY 17-18 total \$196,059

IMPACT ON CLIENTS: (units of service and/or number of clients affected, if applicable)

None.

EXPENSE AND REVENUE IMPACT: (for both fiscal years)

Expenditure increase of \$3.92 million in FY 17-18.

IMPACT ON DEPARTMENT'S WORKFORCE :

None.

**ATTACHMENT B
SUMMARY OF PROGRAM COST**

INITIATIVE TITLE: DPH Pharmaceuticals and Materials and Supplies Inflation

Sources:	Description	FY 2016-17	FY 2017-18
		\$ -	\$ -
Subtotal Sources		\$ -	\$ -
Uses:			
	Operating Expenses	\$ -	\$ 3,917,664
Subtotal Uses		\$ -	\$ 3,917,664
Net General Fund Subsidy Required (savings)/cost (Uses less Sources)		\$ -	\$ 3,917,664
Total FTE's		0.00	0.00

New Positions (List positions by Class, Title and FTE)

<u>Class</u>	<u>Title</u>	FTE	FY 16-17	FTE	FY 17-18
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Operating Expenses

Index Code	Character/Subobject Code	FY 16-17	FY 17-18
HGH1HUN40061	040/04461 Pharmaceutical Supplies - SFGH	-	1,768,624
HLH448803	040/04461 Pharmaceutical Supplies - LHH	-	710,058
HJAILHLTH-GF	040/04461 Pharmaceutical Supplies - Jail Health	-	154,517
HCHAPADMINGF	040/04461 Pharmaceutical Supplies - Primary Care	-	32,582
HCHAPSPY--GF	040/04461 Pharmaceutical Supplies - Primary Care SPY	-	10,363
HMHMCC730515	040/04461 Pharmaceutical Supplies - CBHS	-	676,473
HLH448811	040/04699 Food (LHH)	-	124,136
HGH1HUN40061	040/04699 Food (SFGH)	-	133,925
HLH449439	021/040 Laundry Services & Linen (LHH)	-	59,016
HGH1HUN40061	021/040 Laundry Services & Linen (SFGH)	-	51,910
HCHSHHOUSGGF	021/030011 DAH master leases	-	196,059

Facilities Maintenance, and Equipment (List by each item by count and amount)

