MEMORANDUM

November 3, 2004

TO: President Edward Chow, M.D.
and Honorable Members of the Health Commission

THROUGH: Mitchell Katz, M.D.
Director, Department of Public Health

FROM: Gregg Sass
Chief Financial Officer

RE: Revenue and Expenditure Report – 1st Quarter FY 2004-05

This report presents the first quarter financial projections of revenues and expenditures for the Department of Public Health for fiscal year 2004-05. These projections are based on revenue collected and billed, and expenses incurred for the three months of the fiscal year ending September 30, 2004. Projections include a revenue surplus of $6,996,000 and expenditure deficit of $6,817,000. These variances are largely offsetting, and based on this data, the Department of Public Health is projecting to end the year essentially even with a small year-end surplus of $179,000.

The following table summarizes financial results for the year:

Projected FY 2004-05Year-End Surplus/Deficit

	REVENUES			EXPENDITURES			TOTAL
Division	Revised Budget	Current Projection	Surplus/ (Deficit)	Revised Budget	Current Projection	Surplus/ (Deficit)	Surplus/ (Deficit)
Department of Public Health							
SFGH	$ 542,898,000	$ 551,362,000	8,464,000	$ 542,898,000	$ 547,502,000	(4,604,000)	3,860,000
Laguna Honda	154,265,000	152,868,000	(1,397,000)	154,265,000	155,661,000	(1,396,000)	(2,793,000)
Primary Care	42,310,000	42,231,000	(79,000)	42,310,000	42,426,000	(116,000)	(195,000)
Health at Home	8,047,000	8,055,000	8,000	8,047,000	7,870,000	177,000	185,000
Jail Health	21,689,000	21,689,000	-	21,689,000	21,689,000	-	-
Public Health	90,517,000	90,517,000	-	90,517,000	89,517,000	1,000,000	1,000,000
Mental Health	172,013,000	172,013,000	-	172,013,000	174,564,000	(2,551,000)	(2,551,000)
Substance Abuse	65,106,000	65,106,000	-	65,106,000	64,433,000	673,000	673,000
TOTAL DPH	1,096,845,000	1,103,841,000	6,996,000	1,096,845,000	1,103,662,000	(6,817,000)	179,000

The Revised Budget in the table above includes: Annual Appropriation Ordinance for DPH, carry forwards from prior year, Inter Governmental Transfer (IGT) for SB855, Transfer In and Project Related expenses.

San Francisco General Hospital*:* Year-end projections show a surplus of $3,860,000.

Revenues are projected to be $8,464,000 over budget primarily due to:

- $1,198,000 in favorable variances in prior years settlements received during the year;
- ($201,000) unfavorable variance in Capitation/Managed Care Settlement Revenue;
- $7,467,000 in favorable variances in net patient service revenues compared to budget;

Expenditures are projected to be over budget by ($4,604,000) due to unfavorable variances in Personal Services & Fringe Benefits. There are multiple causes of this variance.

- One-time retirement/separation payouts reached $94K in latest pay period for a YTD unbudgeted total of $540K, an increase of 45% or $167K over the same period last year.
- Pay period budgets in September have declined $90K or 1.3% reflecting the staffing reductions that took place. However, a 6% increase in acute inpatient days in September compared to July and August offset a reduction in salaries.
- SFGH is under budget in Perm Salaries by $1.0M, but over in OT, P103, and Holiday Pay by $2.7M.
- Total filled positions at SFGH are 4 positions over the budgeted hiring plan.

In summary the variance in payroll is because of retirement payouts, heavy reliance on overtime and premium pay arrangements due to unfilled requisitions and higher than budgeted census.

Laguna Honda Hospital*:* Year-end projections show a deficit of $2,793,000 million.

Revenues are projected to be $1,397,000 less than budget due to an adjustment to the computation of Distinct Part Skilled Nursing supplemental payments (DPNF). The State MediCal base per diem rates was budgeted higher than what we are experiencing.

Expenditures are projected to be ($1,396,000) more than budgeted primarily due to unfavorable variances in Salaries and Fringe Benefits. This is primarily a result of changes in the laundry worker budget this year. There are 27 laundry workers on the payroll who are not budgeted. Although we have been utilizing these workers in other areas, accommodating these positions has made it impossible to meet our salary savings target.

Primary Care: Year-end projections show a deficit of $195,000.

Revenues are projected to be ($79,000) less than budgeted due to minor differences in budgeted and actual payor mix.

Expenditures are projected to be over budget by $116,000 due to unfavorable variances in Salaries and Fringe Benefits. This includes $79,000 in unbudgeted retirement payouts.

Health at Home: Year-end projections show a surplus of $185,000.

Revenues are projected to be $8,000 greater than budget due to additional net patient service revenues.

Expenditures are projected to be $177,000 under budget due to favorable variances in Salary and Fringe Benefit expenditures.

Jail Health Services: Year-end projections are projected to be on budget.

Public Health: Year-end projections show a surplus of $1,000,000.

Revenues are projected to be on budget.

Expenditures are projected to be $1,000,000 under budget due to:

- ($151,000) in unfavorable variances in Personnel Services & fringe benefit expenditures.
- $800,000 in favorable variances in Non-personal Services resulting from underutilization of contracts;
- $50,000 in net favorable variances in Material and Supplies; and
- $300,000 in favorable variances in Services of Other Departments, which assumes underutilization of Proposition C payments to the Controller's Office in this first year of expanded services.

Mental Health: Year-end projections show a deficit of $2,551,000.

Revenues are projected to be on budget.

Expenditures are projected to be $2,551,000 over budget due to:

- ($2,851,000) in unfavorable variances in Personnel Services and Fringe Benefit expenditures. The Department deleted a large number of filled and vacant positions from the Mental Health budget. Deletion of vacant positions has reduced attrition savings compared to budget.
- $200,000 in favorable variances in Non-Personal Services; and
- $100,000 in favorable variances in Materials and Supplies.

Substance Abuse: Year-end projections show a surplus of $673,000.

Revenues are projected to be on budget.

Expenditures are projected to be under budget $673,000 due to:

- $523,000 in favorable variances in Salary and Fringe Benefit expenditures;
- $100,000 in favorable variances in Non-Personal Services;
- $50,000 in favorable variances in Material and Supplies.

Conclusion

With only three months of the fiscal year on which to base projections, and nine months remaining in the fiscal year, it is difficult to project our year-end position. In addition, the recent failure of propositions J and K and the mid-year budget reductions under consideration will have a significant impact on our expenditures through the balance of the year. We have not adjusted our projections to reflect those changes.