

**DEPARTMENT OF PUBLIC HEALTH
PROPOSED FY 04-05 CONTINGENCY PLAN**

PRESENTED TO THE HEALTH COMMISSION

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Director of Health
May 11, 2004**

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MESSAGE FROM THE DIRECTOR OF HEALTH ON FY 04-05 BUDGET

Introduction

I am presenting the Department of Public Health's FY 04-05 Contingency Plan for consideration and approval by the Health Commission. The Mayor's Finance Office had instructed Departments to develop plans to reduce their General Fund allocations by an additional 15%. For the Health Department, this translated to a \$37.1 million reduction and would have necessitated severe reductions in service. I am pleased to report that the Mayor has approved a plan that avoids the most severe service cuts and reduces our General Fund by \$19.7 million (8.2% of our General Fund). This plan follows, and is in addition to our base budget, which reduced the Department's General Fund 5.5% or \$12.6 million, for a total of \$32.3 million.

The Base Budget

Details of the Base Budget were presented in three hearings by the Health Commission on February 5, March 16 and March 23. The Health Commission approved the submission of the base budget to the Mayor's Office on March 23rd.

The base budget addressed a number of structural, inflationary and regulatory issues that have been increasingly difficult to manage and have caused the Department to exceed its expenditure authority and to seek supplemental appropriations. In order to address these issues, we included over \$19.7 million in increased expenditures. These increases absorbed projected increases in revenues. We also added \$1.5 million to replace lost grants for existing methadone slots and to create new slots. In order to achieve our 5.5% general fund reduction, we were therefore required to identify savings to achieve the \$12.6 million reduction in the General Fund.

We were able to achieve most of the targeted reductions without reductions to services. We absorbed \$8.6 million in administrative reductions and eliminated 98 positions from the administrative budget. However, in order to achieve the full targeted reduction it was necessary to make difficult choices to reduce funding for referral, behavioral health, and other services.

The table on the following page summarizes the initiatives contained in the base budget.

<u>Base Budget Initiatives</u>	<u>FTEs</u>	<u>Amount (in millions)</u>
Cost increases due to structural, inflationary and regulatory issues	15.6	\$19.7
Increased Revenues	7.2	(\$18.3)
Revenue Neutral Initiatives	13.7	(\$ 0.1)
Expand Community Based Alternatives (net of \$1.4 million in funding for methadone slots)	(17.3)	(\$ 0.8)
Administration and Operation reductions	(98.1)	(\$ 8.6)
Referral Services reductions	(3.0)	(\$ 0.3)
Behavioral Health reductions		(\$ 1.0)
Other reductions	(5.0)	(\$3.2)
Total	(86.9)	(\$12.6)

The Contingency Plan

The original instruction from the Mayor’s Budget Office required that the Health Department develop a contingency budget that would reduce our General fund by 15% or \$37.1 million. There was no way to make such a large cut without eliminating vital safety net services. After viewing a number of different options, the Mayor determined that there was no acceptable way to reach a \$37.1 million reduction and reduced our General Fund reduction to under \$20 million. Within this reduction we have worked with the Mayor’s Office to minimize impact on direct services.

The Contingency plan includes \$19.7 million in savings, which represents 8.2% of our General Fund support after the base reductions are taken into account. In addition to these savings, the Department will be returning a surplus of \$5.6 million to the General fund for the current year. This effectively increases the Department’s General Fund contribution to \$25.3 million.

The chart on the following page outlines the base and contingency changes by area and shows what would be left in the Department if the base and contingency were implemented.

	Total Budget				
	FY 03-04 Budget	Structural, Inflationary Regulatory, Revenue & Revenue Neutral Changes	Base Budget Changes	Contingency Reductions	What's Left
<u>Department of Public Health</u>					
San Francisco General Hospital	388,197,433	17,250,718	(5,895,973)	(763,803)	398,788,375
Health at Home	4,109,138	4,800	-	(136,557)	3,977,381
Primary Care	43,682,316	685,154	(1,270,379)	(4,818,651)	38,278,440
Jail Health Services	21,730,183	2,651,233	(79,990)	-	24,301,426
Laguna Honda Hospital	146,683,180	2,761,490	(1,148,548)	(3,249,979)	145,046,143
Public Health	85,322,111	1,568,568	(2,965,310)	(2,762,767)	81,162,602
Mental Health	158,385,407	2,399,134	(2,555,240)	(5,224,982)	153,004,319
Substance Abuse	56,303,179	-	(658,598)	(5,000)	55,639,581
Subtotal	904,412,947	27,321,097	(14,574,038)	(16,961,739)	900,198,267
Grants	89,844,335	-	482,046	-	90,326,381
Projects	6,354,802	-	(177,020)	-	6,177,782
Total DPH	1,000,612,084	27,321,097	(14,269,012)	(16,961,739)	996,702,430
Departmental Revenues	746,916,037	25,191,609	437,039	2,771,024	775,315,709
General Fund	253,696,047	2,129,488	(14,706,051)	(19,732,763)	221,386,721

Department wide proposals are shown in the respective division

The contingency plan presented below is divided into two sections. Section 1 describes initiatives that can be implemented without direct reductions to services. Section 2 is comprised of reductions in services and staff that will impact services.

Each of the initiatives is described below. The accompanying material provides additional information on each of the initiative.

Section 1 – Savings that can be implemented without impact on services:

<u>Description</u>	<u>FTE Reductions</u>	<u>General Fund Savings</u>
<u>Decreased Administrative and Operations positions</u>	36.84	\$2,576,516

We have continued to analyze the administrative cost structure for additional opportunities to decrease costs. Administration and Operations cuts are proposed across the department, primarily in high-level administrators and middle management positions in information systems, finance, human resources and clerical support.

Impact:

Increased administrative and operations workloads for remaining staff and potential delays in completing work. The remaining workforce will be required to work harder.

<u>Description</u>	<u>FTE Reductions</u>	<u>General Fund Savings</u>
<u>Adjust level of salary savings</u>	46.67	\$3,199,512

Adjust level of salary savings equal to the 46.67 vacant positions eliminated in FY 2003-04.

Impact:

We had hoped to decrease our salary savings target for next year. However, we believe we can live with our current level of salary savings especially since we have dealt with a number of structural issues (e.g. Underfunding for jail health) in our base budget.

<u>Reduction in use of pagers and cell phones</u>		\$100,000
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The Mayor's Budget office has mandated a 30% reduction in pagers and cell phones. The department has achieved a reduction of pagers and cell phones at a level above Mayor's requirements

Impact:

Employees will use their own cell phones and limit calls to essential business related communications.

<u>Additional savings from Primary Care Administrative Cuts</u>	1.67	\$444,807
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This reduction reflects a continuation of administrative restructuring begun in base budget.

Impact:

Administrative reductions are not expected to affect delivery of services.

<u>Description</u>	<u>FTE Reductions</u>	<u>General Fund Savings</u>
<u>Increase premiums for Healthy Workers (only affects Federal Gov. not the worker)</u>		\$1,910,687

Premium increases are proposed for the Healthy Workers program to reflect the increased cost of providing services at SFGH and the Clinics. The increased premiums, which are partially funded with Federal reimbursement, will result in an increase in the Managed Care capitation paid to SFGH and the Clinics.

Impact:

Premiums are funded with County, State and Federal monies and will not affect enrollees.

<u>Outsource Laguna Honda Laundry (Oyster Point)</u>	52.40	\$1,755,723
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Creation of a Civil Service laundry at Oyster Point was delayed until lease arrangements with UC were finalized. The cost differential of Oyster Point compared to using an outside laundry is \$1.75 million. Outsourcing will also obviate the need to purchase trucks with an estimated cost of \$365,000, which is not in the operating budget. Total dollar savings related to outsourcing will therefore exceed \$2 million.

Implementing this change will require a Prop J hearing at the Board of Supervisors and an affirmative vote by the Board.

Impact:

None. All potentially displaced laundry employees were currently employed by the Health Department in other jobs. We continue to need laundry workers to collect dirty laundry and distribute clean laundry within Laguna Honda Hospital.

<u>Description</u>	<u>FTE Reductions</u>	<u>General Fund Savings</u>
<u>Redesign of pharmacy benefits for Healthy Workers</u>	(0.42)	\$808,437

Limit enrollee choice to pharmacies paired with our FQHC Primary Care Clinics. This enables us to take advantage of discounted 340b pricing. We will also increase the copay from \$3.00 and \$5.00 per prescription to \$5.00 and \$10.00 consistent with the copay for indigents in the base budget. The Department will fully manage the pharmacy benefits for Healthy Workers. For more information see attached letter to Donna Calame.

Impact:

The number of retail pharmacies available to enrollees will decline. Copays will increase to levels consistent with the levels set for indigent persons in our base budget. These copays are still much lower than most private sector insurance products. No reduction in services.

<u>Subtotal – Section 1</u>	<u>137.16</u>	<u>\$10,795,682</u>
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Section 2 – Savings that will impact services:

AIDS Funding

<u>AIDS Emotional and Practical Support</u>		\$401,811
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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 extensive needs.

<u>SF AIDS Foundation/AIDS Health Project – Emotional Support Services</u>		\$383,179
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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 extensive needs.

<u>Description</u>	<u>FTE Reductions</u>	<u>General Fund Savings</u>
<u>Positive Resources – Reentry to work program for persons with HIV</u>		\$140,000

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 extensive needs.

Mental Health

<u>Integrate Primary Care and Mental Health Clinics</u>	18.58	\$3,772,000
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We will integrate primary care and behavioral health by eliminating four mental health clinics and relocating the clients and staff to four Primary Care Clinics. The clinics were paired based on areas where there was the greatest overlap of clients. This represents a major development in our efforts to consolidate and coordinate Behavioral Health services.

<u>Mental Health Clinic</u>	<u>Primary Care Clinic</u>
Sunset	Ocean Park
Mission Team II	Castro Mission
Mission	Tom Waddel
Older Adult	Curry Senior

<u>Step Down Transition for Clients in the Mission Assertive Community Treatment (ACT) Program</u>	11.91	\$460,390
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We will close the civil service Mission Assertive Community (ACT) facility and reassign the 100 clients to (a) an intensive case management program or (b) one of two existing non-profit ACT programs depending upon their level of need.

Primary Care

<u>Description</u>	<u>FTE Reductions</u>	<u>General Fund Savings</u>
<u>Restructure Primary Care Clinics</u>	26.60	\$2,471,276

Restructure Primary Care Clinics based on zero-based budgeting using industry standards of number of examinations rooms per primary care provider and number of support staff per provider. We will also be closing evening clinic at Castro Mission Health Center and reducing satellite clinics for Tom Waddel Clinic. Existing patient will be absorbed with the existing hours for facilities of Castro Mission and Tom Waddel.

<u>Eliminate middle managers of social workers</u>	6.50	\$440,201
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Eliminate administrative layer and streamline supervision

<u>Eliminate Disability Evaluation Unit</u>	6.54	\$529,280
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We believe that the augmentation in the base for the SSI Pilot Project will be a more effective way to provide this service.

SFGH

<u>Close Dialysis Unit</u>		\$338,943
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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.

<u>Subtotal – Section 2</u>	<u>70.13</u>	<u>\$8,937,080</u>
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<u>Total</u>	<u>207.29</u>	<u>\$19,732,762</u>
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Summary

If all of the initiatives are incorporated into the Mayor's Proposed Budget to be published on June 1, 2004, the departments FY 2004-05 budget would total \$996.7 million. While

this is an absolute reduction of \$3.9 million, we have absorbed structural and inflationary increases totaling \$19.7 million. In addition, the General Fund support is reduced by \$32.3 million.

The following outlines the change between the FY 2003-04 budget and the FY 2004-05 budget.

	Total Budget		
	FY 03-04 Budget	FY 04-05 Budget	Change Increase/(Decrease)
<u>Department of Public Health</u>			
San Francisco General Hospital	388,197,433	398,788,375	10,590,942
Health at Home	4,109,138	3,977,381	(131,757)
Primary Care	43,682,316	38,278,440	(5,403,876)
Jail Health Services	21,730,183	24,301,426	2,571,243
Laguna Honda Hospital	146,683,180	145,046,143	(1,637,037)
Public Health	85,322,111	81,162,602	(4,159,509)
Mental Health	158,385,407	153,004,319	(5,381,088)
Substance Abuse	56,303,179	55,639,581	(663,598)
Subtotal	904,412,947	900,198,267	(4,214,680)
Grants	89,844,335	90,326,381	482,046
Projects	6,354,802	6,177,782	(177,020)
Total DPH	1,000,612,084	996,702,430	(3,909,654)

The change in the General Fund budget is found in the following chart.

	General Fund		
	FY 03-04 Budget	FY 04-05 Budget	Change Increase/(Decrease)
<u>Department of Public Health</u>			
San Francisco General Hospital	80,811,079	73,063,528	(7,747,551)
Health at Home	2,711,754	2,579,997	(131,757)
Primary Care	28,493,745	23,466,024	(5,027,721)
Jail Health Services	20,848,743	23,419,986	2,571,243
Laguna Honda Hospital	31,293,514	28,985,184	(2,308,330)
Public Health	28,631,127	22,163,569	(6,467,558)
Mental Health	28,655,395	18,278,326	(10,377,069)
Substance Abuse	32,250,690	31,439,608	(811,082)
Parking Fee	-	(1,075,020)	(1,075,020)
Carryforward	-	(934,481)	(934,481)
Total	253,696,047	221,386,721	(32,309,326)

Contingency Plan as of May 11, 2004

Div	Priority *	Description	FTE's	Expend Incr/(Decr)	Revenues Incr/(Decr)	General Fund	Comment
DEPARTMENT WIDE							
DEPT1	1	Administrative Reductions	(36.84)	(2,576,516)		(2,576,516)	Administrative position reductions.
DEPT2	1	Adjust salary savings to amount equal to deleted vacant positions	(46.67)	(3,199,512)		(3,199,512)	Adjust salary savings to an amount equal to the vacant positions deleted in FY 2003-04.
DEPT3	1	Turn in Pagers and Cell Phones		(100,000)		(100,000)	Departmental reduction in pager and cell phone usage.
			(83.51)	(5,876,028)	-	(5,876,028)	
GENERAL HOSPITAL							
Before Contingency			2,479.27	401,140,981	322,110,653	79,030,328	
GH1	1	Increase premiums for Healthy Workers (only affects Federal Gov. not the worker)		1,916,236	3,826,923	(1,910,687)	Increase only affects Federal Government reimbursement not the worker.
GH2	1	Redesign of pharmacy benefits for Healthy Workers	0.42	1,301,190	2,109,627	(808,437)	Limit pharmacies to those with 340b pricing, DPH assuming financial risk for drugs, increases copay to \$5.00 and \$10.00.
GH3	2	Closing Dialysis Unit		(2,661,299)	(2,322,356)	(338,943)	Patients will be referred to other non-profit and for profit groups. All patients needing dialysis have Medicaid and none are indigent. Physical plant of existing Dialysis Center is inadequate.
		Total	0.42	556,127	3,614,194	(3,058,067)	
After Contingency			2,479.69	401,697,108	325,724,847	75,972,261	

* The Department will recommend saving priority 2 programs over priority 1 programs if additional funding becomes available.

Contingency Plan as of May 11, 2004

Div	Priority *	Description	FTE's	Expend Incr/(Decr)	Revenues Incr/(Decr)	General Fund	Comment
LAGUNA HONDA							
Before Contingency			1,504.52	148,840,117	116,060,959	32,779,158	
LH1	1	Outsource Oyster Point	(52.40)	(1,755,723)		(1,755,723)	Savings is based on base budget. However, funding Oyster Point will cost an additional \$490,000 so if laundry is not contracted, an additional \$490,000 will need to be added to budget.
After Contingency			1,452.12	147,084,394	116,060,959	31,023,435	
MENTAL HEALTH							
Before Contingency			510.66	159,799,210	134,900,993	24,898,217	
MH1	2	Integrate 5 Adult Mental Health Clinics with Primary Care Clinics	(18.58)	(3,855,333)	(83,333)	(3,772,000)	Integrate 5 Mental Health Clinics with Primary Care Clinics with goal is to minimize service losses through integration.
MH2	2	Step-Down Transition for Clients in the Mission Assertive Community Treatment	(11.91)	(552,057)	(91,667)	(460,390)	Close the Mission Assertive Community Treatment facility and reassign clients.
Subtotal			(30.49)	(4,407,390)	(175,000)	(4,232,390)	
After Contingency			480.17	155,391,820	134,725,993	20,665,827	
PRIMARY CARE							
Before Contingency			442.79	43,249,215	15,480,586	27,768,629	
PC1	1	Increased savings from Primary Care Administrative Cuts	(1.67)	(444,807)		(444,807)	Additional Primary Care Administrative Cuts.
PC2	2	Eliminate middle managers of social workers	(6.50)	(511,379)	(71,178)	(440,201)	Assumes 10 months.
PC3	2	Eliminate Disability Evaluation Unit	(6.54)	(529,280)		(529,280)	We believe that augmentation in the base for the SSI Pilot Project will be a more effective way to do this service.
PC4	2	Restructure Primary Care Clinics	(26.60)	(3,068,268)	(596,992)	(2,471,276)	Restructure Primary Care Clinics based on zero-based budgeting using industry standards.
Subtotal			(41.31)	(4,553,734)	(668,170)	(3,885,564)	
After Contingency			401.48	38,695,481	14,812,416	23,883,065	

Contingency Plan as of May 11, 2004

Div	Priority *	Description	FTE's	Expend Incr/(Decr)	Revenues Incr/(Decr)	General Fund	Comment
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* The Department will recommend saving priority 2 programs over priority 1 programs if additional funding becomes available.

Contingency Plan as of May 11, 2004

Div	Priority *	Description	FTE's	Expend Incr/(Decr)	Revenues Incr/(Decr)	General Fund	Comment
PUBLIC HEALTH							
Before Contingency			804.96	85,524,450	58,999,033	26,525,417	
PH1	2	Shanti - Emotional & Practical Support		(401,811)	-	(401,811)	Reduction in services to 600 unduplicated clients for 34,800 units of service.
PH2	2	SF AIDS Foundation/AIDS Health Project - Emotional Support Services		(383,179)	-	(383,179)	SF AIDS Foundation subcontract to the AIDS Health Project for Emotional & Practical Support Services to 900 unduplicated clients for 7056 hours of services and 128 evaluation hours.
PH3	2	Positive Resources - Reentry to work Program for persons with HIV.		(140,000)	-	(140,000)	Elimination of 2,115 hours of service to 22 unduplicated clients.
		Subtotal	-	(924,990)	-	(924,990)	
After Contingency			804.96	84,599,460	58,999,033	25,600,427	
Total Contingency Cuts			(207.29)	(16,961,738)	2,771,024	(19,732,762)	

* The Department will recommend saving priority 2 programs over priority 1 programs if additional funding becomes available.