MESSAGE FROM THE DIRECTOR OF HEALTH ON FY 2008-09 BUDGET

Introduction

In this first budget report to the Health Commission, we are presenting detail on several important components of the overall budget that we will ultimately submit to the Mayor's Office. These include the structural, regulatory and inflationary issues that must be addressed as unavoidable costs of doing business, together with the increases to revenues that serve to offset these expenses. As the budget process continues, some of these items may change. We will provide updates as they are identified at subsequent Health Commission meetings.

Budget Process

At its meeting on November 13, the Health Commission approved a set of principles to guide development of the budget for the Department:

1. The Department shall develop a budget to include revenue increases to the maximum extent possible.
2. The Department shall first target budget cuts to programs and services that do not impact vulnerable populations.
3. Reductions will be guided by the DPH Strategic Plan goal that "Services, program and facilities are cost-effective and resources are maximized."
4. The Department will make no cuts to primary prevention, defined as measures provided to individuals to prevent the onset of a targeted condition, because the current investment in primary prevention is very small.
5. The Department will include funding to address increases in the cost of doing business for our community partners, and increases in salaries of Department employees mandated by labor agreements, even if that funding necessitates a reduction in services to finance the increased cost.
6. The Department will maintain or increase supporting housing opportunities even in the face of budget cuts because of our belief that ultimately this strategy is very cost-effective.
7. The Department will not propose budget reductions that would jeopardize licensure and accreditation of our hospitals.
8. The Department, when making service cuts, will try to mitigate them by substituting a less expensive level of service for the same population.
9. The Department may propose cuts to non-essential operations even if those reductions were restored in previous budgets.
10. Costs for Jail Health Services are the responsibility of the Sheriff's Department and the City and County as a whole and will not be funded by the health department.

11. The Department shall ensure that fee-based programs will have fees set to recover costs.

The Integration Steering Committee consists of senior administrative and clinical leadership from the Department's delivery system. This leadership group has continued to function as the Executive Budget Planning Committee for the department. Guided by the principles adopted by our Health Commission, the Committee is working collaboratively to identify and develop initiatives that work to the benefit of the entire Health Department and its clients.

The mission of the Integration Steering Committee is to

1. Place clients first,
2. Promote the good of the entire Department,
3. Maximize resources by aligning with the Department's mission and vision, and
4. Communicate effectively about the Department's role and function.

Mayor's Budget Instructions

The Mayor's Budget Office released is projecting a $229 million City-Wide General Fund shortfall for FY 2008-09 and an additional deficit for FY 2009-10.

General revenues are projected to grow by $119 million or 5%. Ninety-three percent of additional revenue growth above 5% will be deposited in the Rainy Day Reserve and very little will be available for General Fund spending. The growth is offset by a $110 million projected loss of one-time sources that were used to balance the FY 2007-08 budget. The result is a General Fund revenue growth of only $9 million.

The $9 million growth in revenues is offset by a $238 million increase in expenditures resulting from:

- Voter approved mandated spending requirements - $72 million.
- Previously anticipated MOU cost increase and position annualizations - $111 million. This includes in new police officers, nurses and park maintenance staff.
- Health, dental, pension and other benefits increases - $22 million.
- Other operating costs - $34 million.

The budget instructions are as follows:

- Submit budget savings equal to 8% of the current General Fund support. This is a $28.1 million reduction for DPH. The 8% reduction may include up to 3% in one-time savings -$10.5 million.
- Submit additional contingency savings of 5% -$16.16 million.

- Prioritize operating efficiencies, (i.e. reductions in administrative staffing and overhead costs) over reductions in core services.
- Consider cost increases facing non-profit contractors. Funds may need to be reallocated within the base budget to supplement funding for contracts with agencies that would otherwise be unable to continue service delivery, or to reduce contracted units of service.
- Work with the Mayor's Budget Office on mid-year cuts to help address next year's shortfall.
- Request one-time funding for efficiency measures that result in long-term General Fund savings or revenue enhancement.
- No budget submission can exceed the department target.
- Additional instructions may be issued by the Mayor's Budget Office when the impact of the State's $14.5 billion shortfall on City services is known.

There is a City-Wide hiring freeze on all non-essential positions. With the announcement of that freeze, approved, vacant positions dated prior to July 1 were deleted. This action deleted 203 DPH requisitions, and reinstatement will require additional justification and re-evaluation by the Mayor's Budget Office.

Status of the 2007-08 Health Department Budget

We enter the 2008-09 budget process with a $15M projected deficit comprised of a $25M over-expenditure offset by $10M in surplus revenues. Surplus revenues are comprised of $9M in prior year settlements, which are one-time in nature and do not contribute to additional revenue growth in the 2008-09 budget. Overspending, on the other hand, is largely comprised of unfunded structural costs that do carry forward into the budget year. For the first time in many years, the Department is not projecting a revenue surplus that exceeds our structural deficits and returns a net surplus to the General Fund. In the past, year over year revenue growth has enabled the Department to budget significant increases in budgeted revenues in the following year. This year we do not have that luxury.

Increased Revenues

Increased revenue provides funding to absorb structural, regulatory and inflationary costs and contributes funding to offset other budget issues. Consistent with the first budget principle which states: *The Department shall develop a budget to include revenue increases to the maximum extent possible*, we are carefully evaluating all opportunities to grow our revenues. Consistent with the last principle which states: *The Department shall ensure that fee-based programs will have fees set to recover costs*, we are proposing significant increases to our fee based programs to fully recover the costs of those programs.

While we continue to explore opportunities to increase revenues further, we are not projecting significant growth our hospitals or elsewhere in the Department at this time. As we enter the third year of the Medicaid 1115 Waiver at San Francisco General Hospital, Medi-Cal revenue and disproportionate care payments through the Safety Net

Care Pool are flat for 2007-08 and 2008-09. In previous years, our ability to convert more patients to MediCal has been a primary source of growth. Under the Medicaid waiver, this strategy is not effective and additional Medi-Cal volume is offset by reduced funding for the uninsured via the Safety Net Care Pool.

Following are the initiatives identified at this time.

Baseline Revenue – LHH (A1 – page 6.17)	$2,889,194
Baseline Revenue – SFGH (A2 – page 6.21)	1,574,000
Net Revenue From Annualization of 2007-08 Initiatives – SFGH (A3 – page 6.23)	509,622
Net Revenue From Annualization of 2007-08 Initiatives – HAH (A4 – page 6.25)	56,284
Net Revenue From Annualization of 2007-08 Initiatives – PC (A5 – page 6.27)	168,397
Adult Immunization Clinic – PHP (A6 – page 6.29)	100,000
Laboratory Fee Shortfall – PHP (A7 – page 6.33)	(35,000)
Add new environmental inspection fee per state law and fees to fully cover costs – PHP (A8 – page 6.35)	1,885,531
Removal of one-time Short Doyle Medi-Cal Revenues – CBHS MH (A9 – page 6.39)	(1,000,000)
Total Revenues	$6,148,028

Revenue Neutral Programs

One fortuitous aspect of our ability to generate revenue is that in a few cases we are able to create new services, which are funded entirely through revenues linked to the services. In addition, consistent with the tenth budget principle which states: *Costs for Jail Health Services are the responsibility of the Sheriff's Department and the City and County as a whole and will not be funded by the health department In this budget we propose to include the following initiatives*, we have assumed structural and inflationary costs of managing jail health will be revenue neutral with increased work orders.

Following are the initiatives identified at this time.

	Expenditure	Revenue	General Fund
Emergency Medicine Residency Program – SFGH (B1 – page 6.41)	289,019	289,019	0
Expansion of Cardiac Catheterization Lab and Elimination of Nuclear Medicine Services – SFGH (B2 – page 6.45)	310,708	313,224	(2,516)
Increase collections by adding out-patient follow-up staff – SFGH (B3 – page 6.49)	189,572	189,572	0
Jail Health Admin Office Rent Increase (paid by Sheriff) – JH (B4 – page 6.53)	19,584	19,584	0
Additional Pods in County Jail #7 (paid by Sheriff) – JH (B5 – page 6.55)	989,661	989,661	0
Temporary Salary and Nurses (paid by Sheriff) – JH (B6 – page 6.57)	651,483	651,483	0
Restore Jail Health salaries that were cut during 2007-08 to balance work order (paid by Sheriff) – JH (B7 – page 6.59)	682,858	682,858	0
Total Revenue Neutral	$3,132,285	$3,134,801	($2,516)

Financing the unavoidable costs of doing business

Before we can begin to address the requirement to decrease our General Fund, we must first take into account unavoidable increases in the cost of doing business that result from regulatory, inflationary and structural issues. These are discussed below and shown in greater detail on the attached spreadsheets.

Regulatory

The Healthcare industry is among the most heavily regulated sectors of the economy. Federal, and State agencies, and licensing agencies such as JCAHO increasingly require our institutions and other public health services to incur additional costs. These costs include increased levels of clinical staff, management oversight and increased cost of monitoring and reporting on compliance. For the 2008-09 fiscal year, we will be required to add pharmacy staffing at SFGH and LHH, clinical resources at SFGH, Environmental Services staff at LHH, and staffing for quality and compliance monitoring. (update this last sentence according to the items on the list)

Following are the initiatives identified at this time.

Environmental Services Staffing – LHH (C1 – page 6.61)	$246,002
Nutrition Chefs – LHH (C2 – page 6.63)	123,728
Nutrition Dietitians – LHH (C3 – page 6.65)	120,612
Rehabilitation Fall Risk Management – LHH (C4 – page 6.67)	167,522
Licensing Fees – LHH (C5 – page 6.69)	300,000
Licensing Fee – CBHS SA (C6 – page 6.71)	75,000
Telemetry Nurse Ratio Changes – SFGH (C7 – page 6.73)	915,647
Pharmacy Staffing – SFGH (C8 – page 6.75)	1,080,039
SureMed (Omnicell) Pharmacy Lease – SFGH (C9 – page 6.79)	170,000
Total Regulatory	$3,198,550

Inflationary Increases

For the 2007-08 fiscal year, we are anticipating increases in costs of pharmaceuticals and rents and leases. We also appreciate that our community partners and UC also incur increased costs due to inflation. We are working collaboratively with our community partners to fully assess the effects of inflation on their services. In the meantime, we have included a 2% contractor COLA as a placeholder pending a full assessment of that cost. This is consistent with the fifth budget principle which states: *The Department will include funding to address increases in the cost of doing business for our community partners, and increases in salaries of Department employees mandated by labor agreements, even if that funding necessitates a reduction in services to finance the increased cost.*

Following are the initiatives identified at this time.

Pharmacy Inflation – Dept Wide (D1 – page 6.83)	$1,693,906
UCSF Non Clinician COLA – SFGH (D2 – page 6.85)	2,239,301
CBO Cost of doing business including UCSF (D3 – page 6.87)	4,804,990
Annual rent and operating cost increase for Direct Access to Housing master leases – HUH (D4 – page 6.89)	193,888
Rent Increases at CBHS Clinic Sites– CBHS MH (D5, page 6.91)	347,673
Co-op Housing Unit rent increases – CBHS MH (D6, page 6.93)	520,000
Rent increase at Fox Plaza – Environ. Health (D7, page 6.95)	285,741
Total Inflationary	$10,085,499

Structural Budget Issues

There are a number of issues that are resulting in overspending for the current year. As detailed in our financial reports to the Health Commission, we were not funded for over $15M in structural needs last year, due to a lack of revenue growth and available General Fund. The continued high patient volume at San Francisco General Hospital which exceeds budgeted census by 4.2%, has resulted in increased costs of nurse staffing. The cost of materials and supplies (which includes chargeable and non-chargeable medical and pharmaceutical supplies, and food costs not funded in the current year) are similarly projected to exceed budget next year at both hospitals. In addition, the high volume at SFGH has increased the need to find alternative placements for patients who cannot return to the community, and the costs of those placements continue to grow beyond our budgeted spending authority. We are currently looking at structural budget issues exceeding $20M. We are working hard to find ways to reduce these costs.

Following are the items we are bringing forward at this time which represent the more significant structural needs of the Department and also include the annualization of items budgeted for a partial year in 2007-08 and requiring additional funding for 2008-09.

Materials and Supplies – LHH (E1 – page 6.97)	1,750,000
Personnel Costs Associated With Increase in Census – SFGH (E2 – page 6.99)	5,021,843
Materials and Supplies – SFGH (E3 – page 6.101)	3,618,805
Annualization of 3rd Mobile Methadone Vans's Operating Costs – CBHS SA (E4 – page 6.103)	125,000
Community Programs Placement Unit – CBHS MH (E5 – page 6.105)	3,000,000
Annualization of 81 Senior Housing Units Programs – HUH (E6 – page 6.109)	503,672
Total Structural	$14,019,320

Reductions in Spending

As discussed previously, we have been asked to provide an 8% reduction plan totaling $28.1M. We have not as yet identified reductions of this magnitude and are continuing to explore opportunities to reduce our reliance on General Fund. Many of the initiatives proposed in previous years have been rejected and restored by the Mayor and Board of Supervisors, such that it has become difficult to identify reduction initiatives that have not already been rejected. As announced at our last Health Commission meeting, we are planning to close the Workers Compensation Clinic later this year and project that closure will reduce costs for 2008-09 by $736,453 (page 6.111). We do not anticipate that the closure will result in any layoffs as there are vacant positions in the department that can accommodate the staff of the Clinic.

New Funding Requests

We are looking carefully at a few small new initiatives, but because we cannot yet reach our 8% reduction target, it is unclear if we will be able to propose these increases in spending.

Summary

At this stage of the process, we have identified the amount of funding supported by revenue growth and the offsetting cost of regulatory and inflationary costs that are unavoidable. The table below summarizes those items, and identifies the revenues that remain available to offset other budgetary concerns, which we also summarize below.

Revenue Increases	$6,148,028
Revenue Neutral	2,516
Total Revenue	$6,150,544
Regulatory	3,198,550
Inflationary	10,085,499
Structural (many issues are unresolved)	$14,019,320
Reductions (Workers Compensation Clinic)	(736,453)
Total Regulatory, Inflationary, Structural, Reductions	$25,566,916
Grand Total Revenue, Revenue Neutral, Regulatory, Inflationary, Structural	$20,416,372
8% General Fund Target	28,116,186
Total General Fund reduction needed (additional work is being done)	$48,532,558
Other Budget Items	
Expired Grants	TBD
Reductions	TBD
New Funding	TBD

Next Steps

We are working hard to bring the budget into balance. We will bring a full budget presentation to the Health Commission as soon as we can.

DEPARTMENT OF PUBLIC HEALTH
FY 2008-09 BASE BUDGET
January 15, 2008

Item	Div	Description	FTE's Change	Position Change (Annual Number)	Expend Incr/(Decr)	Revenues Incr/(Decr)	General Fund	Comment
REVENUE								
A1	LHH	Baseline Revenue				2,889,194	(2,889,194)	Projected Patient Service revenue based on an estimated increase in Medi-Cal per-diem rates effective 8/1/08 of 2.42% (the same as 2007) and an estimated DPNF Supplemental FFP ceiling increase of 4% based on increased allowable expenditures on Cost Reports.
A2	GH	Baseline Revenue				1,574,000	(1,574,000)	Based on across the board 10% charge increase, offset partially by capitation revenue being below budget
A3	GH	Annualization of FY 07/08 SFGH Initiatives	-	-	(51,923)	457,700	(509,622)	New program initiatives approved for FY 2007-08 were budgeted for 9 months and will be annualized to 12 months in the FY 2007-08 budget. The positions were annualized in the FY 08-09 base budget.
A4	HAH	Annualization of FY 0708 Health At Home Initiative	-	-	3,333	59,617	(56,284)	Program initiatives approved for FY 2007-08 were budgeted for 9 months and will be annualized to 12 months in the FY 2007-08 budget. The positions were annualized in the FY 08-09 base budget.
A5	PC& CHN-HUH	Annualization of FY 07/08 Primary Care Initiatives	-	-	-	168,397	(168,397)	Program initiatives approved for FY 2007-08 were budgeted for 9 months and will be annualized to 12 months in the FY 2007-08 budget. The positions were annualized in the FY 08-09 base budget.
A6	PHP - AIC	Adult Immunization Clinic	0.96	1.61	338,362	438,362	(100,000)	The increase in revenue are based on expected growth in client visits, as well as fee increase and marketing, outreach and advertising efforts. Additional personnel, vaccine and other operating costs are coved by AIC revenues
A7	PHP - Lab	Laboratory Fees				(35,000)	35,000	Decreased revenues for HIV testing due to increased onsite rapid testing
A8	PHP - Environ. Services	Environmental Services fee increases				1,885,531	(1,885,531)	Establishment of new food inspection fee for Skilled Nursing Facilities per State law. increase inspection fee in the following area to level that fully covers costs: Food, Water, Message, Cannabis, Code Enforcement, Water Quality
A9	CBHS-MH	Removal of One-Time Short Doyle Medi-Cal Revenues				(1,000,000)	1,000,000	Over the past two Fiscal Years, the MediCal budget has been increased to address structural issues. CBHS was able to absorb the increase of $1.2m in FY06-07 into the baseline through increased revenue generation, rate increases, etc., but based on an analysis of FY07-08, the current year increase of $1.0m is not sustainable. Therefore, the Dept. is requesting an offset to this revenue increase with General Fund monies.
	TOTAL REVENUE		**0.96**	**1.61**	**289,772**	**6,437,801**	**(6,148,028)**	
REVENUE NEUTRAL								
B1	GH	Emergency Medicine Residency Program	6.00	12.00	289,019	289,019	-	This request will support a four year Emergency Medicine Residency Program recently approved by the ACGME. The first year of the Program is FY 08-09, starting July 1, 2008, and the request for the first year is ongoing funding for 6 R1's (Resident year 1). Year 2 (FY 09-10) will request ongoing funding for 6 R2's, then subsequent years will request funding for 6 R3's and 6 R4's. Eventually in FY 11-12 there will be 24 residents training in the program. This program will greatly improve recruitment and retention of attending physicians and improve on the long wait times.
B2	GH	Expansion of Cardiac Catheterization Lab and Elimination of Nuclear Medicine Services	3.60	4.80	310,708	313,224	(2,516)	Expansion of the Cardiac Catheterization lab from 60 hours per week to 24 hours per day, 7 days per week. The expansion of the Cardiac Catheterization lab will provide an essential treatment for STEMI patients (most common type of heart attack). The recognized standard of care within the community is to provide treatment within 90 minutes of onset of symptoms. Currently, patients who have cardiac conditions requiring treatment when the Cardiac Catheterization lab is closed are transferred to other hospitals. The delay in treatment can result in the loss of heart muscle function, disability and may lead to death. In addition, nuclear medicine services will be eliminated.

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Item	Div	Description	FTE's Change	Position Change (Annual Number)	Expend Incr/(Decr)	Revenues Incr/(Decr)	General Fund	Comment
B3	GH	Increase collections by adding outpatient follow-up staff	2.25	3.00	189,572	189,572	-	A consulting engagement to assess the revenue opportunities for the DPH was recently completed by Phase 2 Consulting Group. While Phase 2 concluded that the DPH revenue cycle processes and procedures are among the most complete and effective as compared with other large public health systems with whom Phase 2 Consulting has worked with, they recommended that based on the large number of outstanding outpatient balances, opportunity exists to add additional resources (2-4 full time equivalents) to address the more timely follow-up of outstanding outpatient accounts
B4	JH	Administration Building Rent Increase			19,584	19,584	-	Increase in rent at Brannan and 650 5th street, assumes funding by the Sheriff's Office
B5	JH	Additional Pods in County Jail #7	7.50	7.50	989,661	989,661	-	The Sheriff's department decided to open the new pods at County Jail #7 due to overcrowding at county jails 1 and 2 since inmates were sleeping on the floor. The first pod for 60 inmates was opened in October 2007 and a second pod for another 60 inmates was opened in November 2007. With the addition of 120 inmates in a separate facility staffing requirements would be 3.5 FTEs RN's, 1.5 FTE LVN's, 0.50 FTE Nurse Practitioner, 1.0 FTE Pharmacy Technician, and 1.0 FTE Porter. This is the minimum staff needed to provide 24 hours/7day per week medical care. Funding for FY 2007-08 is requested in Sheriff's supplemental and it needs to be continued into FY 2008-09.
B6	JH	Temporary Salary and Nurses	4.00	4.00	651,483	651,483	-	The MOU with the Staff and per Diem Nurses mandates the levels of direct care by RN's to community standards of care. Temporary Salaries and Benefits are not adequately funded to cover non-productive RN time (vacation, education leave, sick leave, holiday time off, etc). When a RN is off work for these reasons a Per Diem Temporary Nurse is called in so that mandated staffing levels are met. In FY 07-08 Jail Health projects a $1.9m negative variance in Temp salaries Nurses. Funding for FY 2007-08 requested from MOU reserve and it needs to be rolled over in the base.
B7	JH	Restore Jail Health salaries that were cut during FY 07-08 to balance work order			682,258	682,258	-	The cost of annualization of the FY 2006-07 MOU increases was not funded in 07-08 and an increase in salary savings was used to balance the work order with the Sheriff's Department.
	TOTAL REVENUE NEUTRAL		**23.35**	**31.30**	**3,132,285**	**3,134,801**	**(2,516)**	
REGULATORY								
C1	LHH	LHH EVS Staffing for Regulatory Compliance	3.75	5.00	246,002		246,002	Porters and a Supervisor to meet the immediate regulatory issues identified by DHS surveyors in CY 2004 thru 2006.
C2	LHH	LHH Nutrition Chefs Regulatory Requirement	1.50	2.00	123,728		123,728	Adds chefs needed for LHH Nutrition Services to address gaps identified by DHS surveyors in quality control, training, ability to provide bilingual menu/information to residents, and ability to provide more ethnic foods.
C3	LHH	LHH Nutrition Dietitians Regulatory Requirement	1.50	2.00	120,612		120,612	In response to regulatory deficiencies, this initiative adds 1 Dietician and 1 Diet tech to maintain compliance with the required Dietary assessments entered into the MDS/RAP which is CMS's required Assessment tool for reimbursement.
C4	LHH	LHH Rehabilitation Fall Risk Management	1.50	2.00	197,741	30,219	167,522	Adds therapists as part of an expanded fall risk assessment program. Avoids costs for falls which are medical care "errors" that can not be reimbursed under new Medicare rules. Costs will be partially offset by revenues from additional visits.

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Item	Div	Description	FTE's Change	Position Change (Annual Number)	Expend Incr/(Decr)	Revenues Incr/(Decr)	General Fund	Comment
C5	LHH	LHH Licensing Fees			300,000		300,000	The California State Licensing and Certification Program instituted changes in fee collection rates and procedures in 2007 that are designed to cover all costs of annual licensure surveys and complaint investigations. The mix in fees for LHH acute and skilled nursing beds for 2007-2008 was approximately $285,000. Fees for licensure of acute beds more than doubled and fees for skilled nursing beds increased by approximately 20% over those imposed in the previous fiscal year. This initiative includes an estimate for fee increases to be imposed in Fiscal Year 2008-2009.
C6	CBHS-SA	Licensing Fee			75,000		75,000	The California State Licensing and Certification Program instituted changes in fee collection rates and procedures in 2007 that are designed to cover all costs of annual licensure surveys and complaint investigations. The mix in fees for LHH acute and skilled nursing beds for 2007-2008 was approximately $285,000. Fees for licensure of acute beds more than doubled and fees for skilled nursing beds increased by approximately 20% over those imposed in the previous fiscal year. This initiative includes an estimate for fee increases imposed in Fiscal Year 2008-2009.
C7	GH	Telemetry Nurse Ratio Changes	5.75	7.66	915,647	-	915,647	The Department of Health Services mandates a change from 1:5 to a 1:4 or fewer nurse to patient ratio for the telemetry services beginning January 1, 2008. These additional RN positions will allow SFGH to be in compliance with the new Title 22 regulation.
C8	GH	SFGH Pharmacy Staffing	7.50	10.00	1,080,039	-	1,080,039	Recent surveys by DHS, CMS and the Joint Commission have focused on medication use and pharmacy services. Several deficiency citations resulted from this focus. Last fiscal year, we requested and received funding for new FTE's who will provide compliant pharmacy services to the ED, Operating Rooms and adverse drug event follow-up. The new FTE's in this request will address new Joint Commission requirements for anticoagulant use in all care settings, State and CMS regulatory changes for review of drug therapy for patients in skilled nursing locations, improve controlled substances accountability and monitoring, augmenting pharmacist services in the Operating Room with a pharmacy technician to help with record keeping and drug distribution requirements, and assure the availability of City and County staff in the Inpatient pharmacy to address preparation, distribution and oversight for administration of al IV admixtures
C9	GH	SureMed (Omnicell) Pharmacy Lease	-	-	170,000	-	170,000	Medication storage, control and accountability continue to be areas of intense scrutiny by the Joint Commission, State Licensing and Accreditation, and Boards of Pharmacy and Nursing. Most, but not all, patient care areas of SFGH utilize automated drug dispensing cabinets to provide the security and accountability required by these organizations. The hospital has leased automated drug dispensing cabinets for over 10 years and there are currently approximately 40 units operational throughout the hospital. Full compliance to Joint Commission medication management standards and State licensing and Title 22 regulations will require adding automated drug dispensing cabinets to inpatient medicine areas and to outpatient areas that currently do not have them, such as the General Medicine Clinic, Family Health Center, Subspecialty clinics, Women's clinic and the Pediatric Clinic.
	TOTAL REGULATORY		**21.50**	**28.66**	**3,228,769**	**30,219**	**3,198,550**	
INFLATIONARY								
D1	Dept. Wide	Pharmacy Inflation			1,964,786	270,880	1,693,906	The FY 2008-09 inflation rate for pharmaceuticals is estimated at 6%. Although the Industry wide projected rate of 12% is projected, since DPH uses federal programs and substitution of generic equivalents for patented agents as they become available, a lower inflation rate is used. LHH's $338.6k increases is offset by $270.88k of Medicare and MediCal revenues, GH $1.2789M, Jail Health $122.756k, MH $295k

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Item	Div	Description	FTE's Change	Position Change (Annual Number)	Expend Incr/(Decr)	Revenues Incr/(Decr)	General Fund	Comment
D2	GH	UCSF Staff COLA			2,239,301		2,239,301	This request is to add funding to the UCSF Affiliation Agreement for amounts contractually obligated to the UCSF staff based on anticipated increases in the MOUs. This amount does not include any increases in physician compensation.
D3	Dept. Wide	CBO Cost of doing business including UCSF			4,804,990		4,804,990	2% cost of doing business including UC
D4	PHP-HUH	Annual DAH Master Lease and Operating Cost Increases			193,888		193,888	Increased annual lease payments, utilities, maintenance and repair for the six DAH master lease buildings
D5	CBHS-MH	Rent Increases at CBHS Clinic Sites			347,673		347,673	As a result of lease negotiations, as well as CPI adjustments, additional funding is required in FY08-09 to support the cost of these clinics.
D6	CBHS-MH	Master Leased Cooperative Apartments Shortfall			520,000		520,000	Conard House master leases co-op housing units that provide beds for 66 mentally ill clients, and additionally supports 80 beds in two residential hotels. Due to a lawsuit that was settled in the building owner's favor, co-op sites are considered to be commercial property and are therefore not subject to rent control, while at the same time the tenants do have rent control rights. The result is that the rents are being raised by the owners to market rate, which represents in some cases a 200 percent increase, or a total projected shortfall of $520k, and even if they did have income, the tenants are not required to increase their contribution.
D7	Environmental Health	Increase in rent at Fox Plaza			285,741		285,741	The monthly rent for Fox Plaza will increase in late FY 2008-09 from $49k to $70k. In addition the cost of parking will increase. Although Real Estate looked for rental space in other buildings it was more expensive.
	TOTAL INFLATIONARY		**-**	**-**	**10,356,379**	**270,880**	**10,085,499**	
	TOTAL REVENUE, REVENUE NEUTRAL, REGULATORY, INFLATIONARY		**45.81**	**61.57**	**17,007,205**	**9,873,701**	**7,133,505**	
STRUCTURAL								
E1	LHH	LHH Materials and Supplies Structural Fix			1,750,000		1,750,000	Funding for Materials and Supplies based on current year budget variances, in all cost centers, that have arisen because of operational changes and inflation.
E2	GH	Structural Salary Fix SFGH	47.48	47.48	5,021,843		5,021,843	This request adjusts the budget for the increase in acute census experience in FY 2007-08. In addition it increases staffing to effectively provide patient safety for falls prevention, suicide prevention, therapeutic medical tubing and AWOL risk. Joint Commission and CMS regulations require a reduction in use of physical restraints, which necessitates increased staffing.
E3	GH	Structural M&S SFGH			3,618,805		3,618,805	This request will fund current spending on materials and supplies, including pharmaceuticals. Additional funding was received in FY 07-08 to accommodate the increase in budgeted beds. This amount would have remedied part of the budget; however, this increase was offset by higher pharmaceutical costs. The increase in pharmaceutical costs is due to higher than projected use of costly new drugs used to treat cancers and bleeding disorders. Also, purchasing practices have been improved to assure compliance with all regulations, which has led to increases in costs.
E4	CBHS-SA	Annualization of 3rd Mobile Methadone Van's Operating Costs			125,000		125,000	This proposal annualizes the FY07-08 General Fund allocation of $375,000 for operation of a third Methadone Van. Annualization will allow for continued methadone maintenance treatment of 150 heroin users.

DEPARTMENT OF PUBLIC HEALTH
FY 2008-09 BASE BUDGET
January 15, 2008

Item	Div	Description	FTE's Change	Position Change (Annual Number)	Expend Incr/(Decr)	Revenues Incr/(Decr)	General Fund	Comment
E5	CBHS-MH	Community Programs Placement Unit Shortfall			3,000,000		3,000,000	To reduce the census of clients in high cost hospital settings, the Placement Team has significantly increased referrals from psychiatric inpatient units to long term care (locked) facilities, as well as to Residential Care Facilities (RCFs). Additionally, the efforts of the Placement Unit, which initially focused on moving clients only from psychiatric inpatient units has expanded to include clients in SFGH's medical units, Laguna Honda Hospital, and clients in SFGH as a result of the Chronic Inebriate Program. Actual shortfall is $ 7,529,115 in FY 08-09 but with cost efficiency and one time savings the deficit is reduced to $ 3,000,000
E6	PHP-HUH	Annualization of 81 Senior Housing Units			503,672		503,672	Housing and Urban Health negotiated 81 units in 3 new construction projects targeted toward homeless and frail elderly living on the streets and shelters, and those being discharged from higher levels of care, including Laguna Honda Hospital. Partial funding was included in FY 07-08 to ensure services would be available to residents during rent up and initial program operation. The funding request for FY 08/09 annualizes that funding for all three projects and maintains our commitment to the capital funding partners.
	TOTAL STRUCTURAL		**47.48**	**47.48**	**14,019,320**	**-**	**14,019,320**	
	TOTAL REVENUE, REVENUE NEUTRAL, REGULATORY, INFLATIONARY, STRUCTURAL AND REDUCTIONS		**93.29**	**109.05**	**31,026,526**	**9,873,701**	**21,152,825**	
BUDGET REDUCTIONS								
F1	GH	Workers Comp Clinic Closure - Annual value	(8.12)	(8.12)	(1,408,916)	(672,463)	(736,453)	The Workers' Compensation Clinic at SFGH is designated by the Department of Human Resources Workers' Compensation Division as a medical provider for CCSF employees who are obtaining medical care under Workers' Compensation Insurance. The clinic provides treatment to CCSF employees who sustain work-related illness or injury. It is proposed to discontinue the Workers' Compensation Clinic as a designated treatment provider.
	TOTAL REDUCTIONS		(8.12)	(8.12)	(1,408,916)	(672,463)	(736,453)	
	GRAND TOTAL REVENUE, REVENUE NEUTRAL, REGULATORY, INFLATIONARY, STRUCTURAL, AND REDUCTIONS		**85.17**	**100.93**	**29,617,610**	**9,201,238**	**20,416,372**	