

MESSAGE FROM THE DIRECTOR OF HEALTH ON FY 08-09 BASE BUDGET

Introduction

We are presenting a balanced budget that meets the combined General Fund reduction target of \$46.1M (\$28.1M + \$18.0 M). Following is a summary of progress on the budget proposal since the last meeting.

	Previous GF Impact 4/1	Updated GF Impact 4/15	Change
Revenue / Revenue Neutral	\$18,205,930	\$28,841,826	\$10,635,896
Regulatory	\$2,476,607	\$2,476,607	\$0
Inflationary	5,538,703	5,538,703	0
Structural	<u>18,135,252</u>	<u>19,133,179</u>	<u>997,927</u>
Subtotal	\$26,150,562	\$27,148,489	\$997,927
Healthy San Francisco	<u>(\$3,619,201)</u>	<u>(\$3,619,201)</u>	<u>\$0</u>
Increase to Expenses	\$22,531,361	\$23,529,288	\$997,927
Reductions - Approved	\$22,863,338	\$22,911,711	\$48,373
Reductions - Pending	<u>14,767,432</u>	<u>16,315,186</u>	<u>1,547,754</u>
Decrease to Expenses	<u>\$37,630,770</u>	<u>\$39,226,897</u>	<u>\$1,596,127</u>
General Fund Reduction	\$33,305,339	\$44,539,435	\$11,234,096
General Fund Target	<u>46,116,186</u>	<u>46,116,186</u>	<u>0</u>
Difference	(\$12,810,847)	(\$1,576,751)	\$11,234,096
Mid Year Cuts – 07/08	<u>1,689,718</u>	<u>1,689,718</u>	<u>0</u>
General Fund Target Balance	(\$11,121,129)	\$112,967	\$11,234,096

Revisions made since the April 1 presentation

The following section focuses on revisions to our April 1 presentation to the Health Commission.

Revenue and Revenue Neutral

We have increased our revenue and revenue neutral budget an additional \$10,635,896 from \$18,205,930 to \$28,841,826. We have concluded our third quarter review of SFGH and Clinic financial results and are finalizing the other division reports. We have determined that improvements in payor mix enable us to recognize additional revenues. We included a \$3.5 million increase in our previous presentation which we are revising upward to \$12 million, for a net increase of \$8.5 million. We are also including \$2,135,896 in new grant funding for the coming year that will reduce AIDS GF.

SFGH Baseline Revenue Increase (A2, page 8.19)	General Fund \$8,500,000
New Grant Funding to fund AIDS GF services (A15, page 8.21)	<u>2,135,896</u>
Total	<u>\$10,635,896</u>

Structural

Last week we were notified that the Sheriff workorder to provide security services to the Department would exceed budget by \$997,927 (E11, page 8.23). We have therefore projected a workorder increase to fund that additional cost for next year.

Reductions Approved by the Health Commission

We increased the Shape Up San Francisco reduction \$48,373 which assumes an effective date of July 1 rather than September 1.

Reductions Pending Health Commission Approval

New items presented on April 1

We presented two new items at the last meeting which are also included in this update, elimination of the contractor cost of doing business adjustment (which we have deleted from the Inflationary section), and an initiative to limit the sliding scale to 300% FPL. As these items were not approved, they are still technically pending your approval.

HIV and Behavioral Health General Fund Reductions

We have consolidated the HIV and Behavioral Health reduction initiatives and have applied a consistent methodology in distributing the combined reduction. We are including an updated analysis of the Behavioral Health / AIDS across the board reduction.

We are also provided an updated Planning Counsel priority listing reflecting changes in the composition of Ryan White funding and General Fund. This updated listing removes \$4.0 million of Ryan White funding and replaces it with General Fund. The previous listing had assumed that a \$4.9 million augmentation of Ryan White funding would be available for the budget year, however the Controller has determined that \$4.0 million of that funding must instead be used to fund current year services and \$4.0 million of Board addbacks must be restored. This restoration of General Fund is required under the terms set by the Board of Supervisors.

New Cuts in Response to the Additional Reduction Target

Outsourcing security services to replace the Sheriff workorder

As noted in the structural initiative above, we are experiencing significant increases in the cost of security services provided by the Sheriff and must increase our workorder to cover those costs. Increases are driven in part by staffing shortages that have required significant backfill with overtime at high hourly rates. We are therefore proposing to issue an RFP to contract with a private security service as an alternative to funding the workorder. This will eliminate the high overtime cost and produce estimated savings of \$984,474. We are working with the Sheriff to minimize the impact of layoffs, and have agreed to continue to staff services at LHH and our Clinics with institutional police. The use of contracted security will be limited to SFGH.

Mayor's Directives to reduce travel spending and offer voluntary work furloughs

We have included two new items that address the recent directive from the mayor to reduce certain operating costs. We have estimated \$22,350 in savings from a 15% reduction in travel spending and believe we can achieve that by limiting out of town travel and requiring management employees to access education reimbursement available through their MOU to defray eligible expenses. We have also estimated \$500,000 in savings from a voluntary work furlough and believe this is achievable assuming modest participation by management employees.

Reorganization of Finance department staffing

We are proposing to replace three existing accounting staff with three higher level staff. Two of the three existing positions are in the clerical/secretarial range and are not essential to the operation of the department. The incumbent in the third position will be retiring in June. We propose to add a Deputy Finance Officer for Laguna Honda Hospital to be funded 80% from the LHH bond proceeds and 20% from general fund. This position is essential as LHH moves into the new buildings to manage finances, track purchases and movement of furniture, fixture and equipment and monitor staffing during and after the transition. The other two FTE's will supplement existing accounting staff at SFGH and LHH. This reorganization will produce savings of \$40,930.

	General Fund
Contract out security services at SFGH (F36, page 8.29)	\$984,474
15% reduction in travel expenses (F37, page 8.31)	22,350
Voluntary work furlough (F38, page 8.33)	500,000
Finance Department reorganization (F39, page 8.35)	40,930
Total	<u>\$1,547,754</u>

Other Issues

Included with this report is a memo from Gene O'Connell detailing the status of discussions with the UCSF Dean's office. The memo addresses operational efficiencies and service reductions necessary to balance the cost and services under the Affiliation Agreement. The 2% cost of doing business increase included \$853,271 for the UC Affiliation Agreement. That funding would have partially addressed a larger continuing shortfall that requires these reductions.

We will include service reductions in Beilenson hearing before the Board of Supervisors scheduled for June 17.

Conclusion

We believe we have now met the reduction initiatives pursuant to the Mayor's Budget instructions and must deliver our budget to the Mayor later this month. This is the last scheduled hearing before the Health Commission and we seek the Commissioner's acceptance of this budget prior to submission.

HIV HEALTH SERVICES
General Fund FY-2007-08 Programmatic Allocations
(Sorted by New Priority of HIV Health Services Planning Council)
As Passed by HHSPC on 03/24/08

HRSA Service Category	HHSPC Priority	TOTAL General Fund Award for FY-2007-08	Moving onto \$900,000 Available RWPA Funds
Ambulatory/ Outpatient Medical Care	1	\$1,341,985	\$832,241
Pharmaceuticals	2	0	
Mental Health Services	3	\$847,705	\$67,759
Medical Case Management	4	\$596,205	
Dental/ Oral Health Care	5	\$28,810	
Home Health Care	6	\$401,089	
Hospice	7	\$50,393	
Outpatient Substance Abuse	8	\$54,877	
SUB-TOTAL CORE SERVICES		\$3,321,064	\$900,000
Housing: Emergency Housing	9	\$57,780	
Housing: Transitional Housing	10	\$98,947	
<i>Housing: Residential Programs & Subsidies *</i>	11	\$4,023,976	
Food/ Delivered Meals	12	\$518,257	
Medical Detox	13	\$130,158	
<i>Complementary Therapies *</i>	14	\$657,414	
<i>Rehabilitation Services *</i>	15	\$177,365	
Psycho-Social Support	16	\$347,418	
Outreach	17	\$258,625	
Residential Mental Health	18	\$89,371	
Facility-based Health Care	19	\$140,169	
Non-Medical Case Mgmt. (Housing)	20	\$384,021	
Legal Services	21	\$256,735	
Non-Medical Case Mgmt. (Non-Housing)	22	\$1,069,106	
Referral for Health Care/ Supportive Services	23	\$394,514	
Emergency Financial Asst.	24	\$249,544	
Res. Substance Abuse/ Non-Medical Detox	25	\$2,867,511	
Early Intervention Services	26	\$63,705	
SUB-TOTAL SUPPORT SERVICES		\$11,784,615	\$0
TOTAL		\$15,105,680	\$900,000
<i>* HRSA Non-Allowable Service Category</i>			

8.4



Gavin Newsom
Mayor

To: Mitch Katz, MD, Director of Health

From: Gene O'Connell, Chief Executive Officer, SFGH

Date: April 3, 2008

Re: Operational Efficiencies and Service Reductions

Over the years, the UCSF Affiliation Agreement has not been fully funded and increase costs have been absorbed by the services. This year, the amount of money does not cover the spectrum of services. Associate Dean Sue Carlisle MD and the Service Chiefs have worked diligently with SFGH staff to identify operational efficiencies and the necessary reductions in services in order to meet the existing dollar limits of the Affiliation Agreement.

OPERATIONAL EFFICIENCIES: Consolidations and duties assigned to other staff

- * Transfer inpatient phlebotomy services to inpatient nursing
- * Decrease MD and increase NP duties in the Skilled Nursing Unit
- * Holter monitoring duties transferred to other staff
- * On call inpatient Acute Dialysis nurses, decrease night hours, still open 6:30am-6:30pm
- * Sputum induction services redesigned
- * Reduce physician coverage in the ISIS clinic on Wednesdays and Sundays and have patients seen by Nurse practitioner with surgical consult available when needed

SERVICE REDUCTIONS /ELIMINATION

- * Eliminate Infertility Services- 65-70 cases
- * General Plastic clinic for Trauma patients – close one session out of three per week, resulting in longer waits – 411 cases
- * Eliminate Psychosocial Medicine Clinic- 708 clients non-acute mentally ill patients who are referred by primary care. Through funding from HSF, primary care will move to a model of care within the primary care clinic with mental health team to reduce psychosocial impediments to care.

