

James M. Illig
President

Sonia E. Melara, MSW
Vice President

Edward A. Chow, M.D.
Commissioner

Margine A. Sako
Commissioner

David J. Sanchez, Jr., Ph.D.
Commissioner

Steven Tierney, Ed.D.
Commissioner

Catherine M. Waters, R.N., Ph.D.
Commissioner

HEALTH COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

Gavin C. Newsom, Mayor

Department of Public Health



Mitchell H. Katz, M.D.
Director of Health

James M. Soos
Acting Executive Secretary

TEL (415) 554-2666
FAX (415) 554-2665

Web Site: <http://www.sfdph.org>

MINUTES

HEALTH COMMISSION FINANCE COMMITTEE

Tuesday, February 3, 2009

2:00 p.m.

101 Grove Street, Room 302

San Francisco, CA 94102

Commissioner Steven Tierney, Ed.D., Chair
Commissioner Edward A. Chow, M.D., Member
Commissioner Sonia E. Melara, MSW, Member
Commissioner James M. Illig, Ex Officio

1) CALL TO ORDER

Commissioner Chow called the meeting to order at 2:04 p.m.

Present: Commissioner Sonia Melara
Commissioner Edward Chow
Commissioner James Illig

Absent: Commissioner Steven Tierney (excused)

2) APPROVAL OF THE JANUARY 20, 2009 FINANCE COMMITTEE MINUTES

Action Taken: The Committee approved the minutes of the January 20, 2009 Finance Committee with the following changes: Commissioner Chow was absent and Commissioner Melara was present.

3) CONTRACT UPDATE AND APPROVAL

Jacque Hale presented the February 2009 contract update.

Contractor	Sect.	Services	Funding Source	Mod-ification	Total Contract Amount	Term
Central City Hospitality House	CBHS	6th Street Drop-in Center	General Fund, Prop. 63	\$891,070	\$2,933,168	7/1/06-12/31/12
Crestwood Behavioral Health Services	CBHS	Mental health recovery-based locked facility, Skilled Nursing Facility, and Institute for Mental Disease	General Fund	\$9,170,518	\$48,787,156	10/1/08-6/30/13
Family Service Agency of San Francisco	CBHS	mental health outpatient, intensive case management services and aftercare in residential care facilities	General Fund, MediCal	\$6,599,770	\$40,010,256	7/1/03-12/31/09
Fort Help LLC	CBHS	Counseling and maintaining heroin and other opiate users with Methadone and other opiate replacement therapies	MediCal	\$320,000	\$1,717,333	9/1/08-6/30/13
Golden Bear Associates	CBHS	technical assistance to CBHS Child, Youth, and Families System of Care	General Fund, grants	\$150,520	\$647,254	7/1/04-12/31/09
Harm Reduction Coalition	CBHS	Injection drug use overdose prevention and response trainings	General Fund	\$34,542	\$326,164	1/1/09-12/31/12
Homeless Prenatal Program	CBHS	substance abuse outreach, counseling and support services	General Fund	\$124,741	\$1,099,430	7/1/03-12/31/09
Hyde Street Community Services	CBHS	Mental health services, including crisis intervention, and partial day services	General Fund, grants, Prop. 63	\$2,906,390	\$17,080,911	7/1/03-12/31/09
Rise Institute	CBHS	Mental health afterschool program through the Family Mosaic Project	MediCal, grant, Prop. 63	\$112,250	\$915,500	7/1/03-12/31/09
Tenderloin Health	CBHS	Mental health individual and group counseling	General Fund	\$98,000	\$818,253	7/1/03-6/30/09
Philips Healthcare	SFGH	Software license and maintenance for ICIP system with CareVue upgrade.	General Fund		\$760,000	1/1/09-12/31/13

Comments:

- Commissioners Chow and Illig asked for clarification regarding the Crestwood contract, specifically what the modification was for and whether this provider was over budget. Ms. Hale responded that the modification would fund the contract through the rest of the contract term. Ms. Okubo added that it is possible that this provider is over budget and that they would bring the history of this contract to the Commission at the next meeting.
- Commissioner Chow requested that contracts be classified as annual renewals and not modifications for clarity purposes when this is the case. Ms. Hale added that all contracts on the current report were renewals except Philips due to the necessity to adjust the boilerplate.
- Commissioner Illig reminded the group that contracts must be brought to the Commission before going to the Board of Supervisors for approval.
- Mr. Sass requested that a review of what data should be included in the contract report be added to the next Finance Committee agenda.

Action Taken: The Committee approved the contracts report with the exception of Crestwood.

4) 2nd QUARTER FINANCIAL REPORT

Gregg Sass, CFO, presented the 2nd quarter financial report:

This report presents the second quarter financial projections of revenues and expenditures for the Department of Public Health for fiscal year 2008-09. These projections are based on revenue collected and billed, and expenses incurred for the first six months of the fiscal year ending December 31, 2008. Projections include a revenue surplus of \$10.579 million and expenditure surplus of \$0.929 million for an overall surplus of \$11.508 million. Financial projections include the mid-year reductions of \$12.172 million and additional revenues of \$2.055 million also included in our mid-year General Fund reduction plan.

The following table summarizes projected financial results for the year based on second quarter results:

Projected FY 2008-09 Year-End Surplus/Deficit

Division	REVENUES			EXPENDITURES			TOTAL
	Revised Budget	Current Projection	Surplus/ (Deficit)	Revised Budget	Current Projection	Surplus/ (Deficit)	Surplus/ (Deficit)
Department of Public Health							
SFGH	\$ 751,751,000	\$ 763,875,000	\$ 12,124,000	\$ 751,751,000	\$ 759,202,000	\$ (7,451,000)	\$ 4,673,000
Laguna Honda	171,825,000	175,282,000	3,457,000	171,825,000	175,282,000	(3,457,000)	-
Primary Care	63,312,000	62,512,000	(800,000)	63,312,000	61,497,000	1,815,000	1,015,000
Health at Home	8,861,000	8,861,000	-	8,861,000	8,286,000	575,000	575,000
Jail Health	29,107,000	29,366,000	259,000	29,107,000	28,874,000	233,000	492,000
Public Health	134,937,000	133,887,000	(1,050,000)	134,937,000	130,895,000	4,042,000	2,992,000
Mental Health	267,249,000	263,838,000	(3,411,000)	267,249,000	264,153,000	3,096,000	(315,000)
Substance Abuse	75,692,000	75,692,000	-	75,692,000	73,616,000	2,076,000	2,076,000
TOTAL DPH	\$ 1,502,734,000	\$ 1,513,313,000	\$ 10,579,000	\$ 1,502,734,000	\$ 1,501,805,000	\$ 929,000	\$ 11,508,000

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

San Francisco General Hospital: Year-end projections show a surplus of \$4.673 million.

Revenues are projected to be \$12.1 million more than budget. This is comprised of a \$10.293 million favorable variance in net patient service revenue (\$13.9 million surplus in patient service revenue reduced by \$1.7 million shortfall in the Safety Net Care Pool). This includes additional projected revenue consistent with our final close out for 2007-08. We are also projecting a 100% loss of State Tobacco Tax revenues that were budgeted at \$1.121 million but cut from the State Budget and a \$1 million favorable variance in MAA TCM revenue.

The average daily census in the acute medical / surgical units through December of this year exceeds the budgeted census by 4.8%. The average daily census in the acute psychiatry units are 11.7% less than budget. This has also been considered in the revenue projections.

Expenditures are projected to be over budget by \$7.5 million. This is due to unfavorable variances in Personal Services and Fringe Benefits. This projection is based on our most recent analysis of personnel expenditures reduced by \$3.3 million in mid year reductions taken in August and January. The unfavorable variance in our salary projections are partly a result of under-funding of structural costs. The final approved budget did not include \$3.8 million in requested funding for structural needs that occurred in 2007- 08.

Laguna Honda Hospital: Year-end projections show no deficit.

Revenues are projected to be \$3.5 million more than budget. In November we were notified of increases to our Medi-Cal per diem rates that became effective August 1. While these rates are subject to a 10% reduction from August to February and a 5% reduction for the balance of the year as approved in the State budget, the net increase in payments produces a favorable variance compared to budget. Revenue projections are net of a \$0.4 million mid-year reduction associated with closure of the Adult Day Health Center.

Expenditures are projected to be \$3.5 million more than budget due to unfavorable variances in Personal Services. This projection is based on our most recent analysis of personnel expenditures reduced by \$0.4 million in mid year reductions taken in January.

The unfavorable variance in our salary projections are partly a result of under-funding of structural costs. The final approved budget did not include \$2.336 million in requested funding for structural needs that occurred in 2007- 08.

Primary Care: Year-end projections project a surplus of \$1.015 million.

Revenue is projected to \$0.8 million under budget. The budget included projected \$0.8 million in FQHC funding for primary care services provided for clients in respite beds, but we have not been able to secure that funding.

Expenditures for Salaries and Fringe Benefits are projected to be 1.981 less than budget, based on a projection of our most recent year-to-date payroll.

Health at Home: Year-end projections show a surplus of \$0.575 million comprised of favorable variances in Salaries and Benefits and savings from mid year reductions taken in August. In a first round of mid year cuts taken in August, the Mayor reserved \$0.300 million in personnel expenditures which accounts for most of this variance. In addition, projections are reduced \$0.231 million for a mid year cut to the medical high utilizer program.

Jail Health Services: Year-end projections show a surplus of \$0.492 million comprised of \$0.2M in mid year reductions and a \$0.2M favorable variances in ADAP reimbursements.

Public Health: We are projecting a \$2.992 million surplus in this division.

Revenues are less than budget by \$1.0 million to adjust for State budget cuts to CCS revenues that are offset by equivalent expenditure savings.

Expenditures are projected to be \$4.0 million less than budgeted. Salary and fringe benefits are projected to be \$0.9 million less than budget and is associated with reductions in spending in response to the CCS revenue cut. Savings in Non-Personal Services reflects deferral of \$1.5 million in HUH scattered site housing costs to 2009/10. We are also projecting 1.6 million in savings from mid year cuts.

Mental Health:

We are projecting a \$0.315 million deficit in Mental Health.

Revenues are projected to be \$3.4 million under budget. This is comprised of a \$3 million shortfall for Short-Doyle Medi-Cal, consistent with prior year results, and \$0.4 million in reduced revenue from mid-year cuts.

Expenditures are projected to be \$3.1 million less than budget. Salary and fringe benefits are \$0.935 million over budget. This is offset by mid-year cuts to contracts and personnel services totaling \$3.8 million and savings in non-personnel services. Non-Personnel Services are \$240,000 under budget reflecting savings for late start up of an adult diversion unit. We are also projecting \$3.791 million in savings from mid year cuts.

The unfavorable variance in salary projections is due to under-funding of structural costs. The final approved budget did not include \$2.8 million in requested funding for salary and fringe. The hiring freeze has offset a portion of this leaving a remaining unfavorable variance of \$0.935 million.

Substance Abuse:

Expenditures are projected to be \$2.1 million under budget related to savings from mid-year cuts.

Conclusion: While the Department is projecting an overall surplus of \$11.5 million, primarily associated with mid year reductions taken in January, the two hospitals are projected to be overspent. As discussed above, this is directly related to structural issues that were not funded in the current year budget. The under-funding of expenses anticipated favorable revenue results which could support a supplemental appropriation. We are working with the Controller and Mayor's Budget Office on a non-general fund, revenue supplemental appropriation to address overspending.

Commissioner Comment:

- Commissioner Illig stated that it looks like the structural overspend is corrected by midyear through increased revenues and that this is an ongoing occurrence. Mr. Sass confirmed that this has historically been the case, but that there are many issues causing revenue from being documented.
- Commissioner Illig asked why DPH asks for supplemental structural amounts when DPH generally has revenue to cover these items. Particularly since any money left over goes back to the General Fund? Mr. Sass responded that it is important to document what our actual expenses are. Dr. Katz added that you have to take in to account the hiring freeze as well in

regards to the demonstrated increased revenues. Commissioner Chow agreed it is important to demonstrate the actual cost of running the hospital and not overspending.

- Commissioner Illig asked if the primary care amount includes Healthy San Francisco funding. Mr. Sass stated that some HSF money does get included in this item.
- Mr. Sass added that DPH was asked to balance the DPH budget and then contribute 25% to the city deficit. DPH was able to contribute \$11m to the city deficit.

Public Comment:

- Dick Hodges, Clinic Consortium, asked what the budget is for Healthy San Francisco. Mr. Sass responded that all services provided in HSF are reflected in the budget of the facility that provides the service and contract payments are reflected in the public health budget. Mr. Sass added that it is difficult to quantify this budget as it is built in to the DPH budget.
- Jeff Mori, Asian American Recovery Services, stated that AARS is taking cuts same as all other providers and added that it looks like cuts are devastating to the department. He asked what will be left over and how this will affect the providers in future years.

5) **BUDGET PRINCIPLES FOR 2009 AND BEYOND**

Dr. Katz presented the draft budget principles as proposed by himself and Commissioners Illig, Tierney, Melara and Sako.

A. Proposed by Dr. Katz:

1. In proposing cuts, the Department will look for opportunities to provide a similar level of service at a lower cost (this is different from the principle about substituting a service; this could be just a less costly model of the same service).
2. In proposing cuts, the Department will take into account the ease or difficulty of growing services back.
3. In proposing cuts, the Department will take into account the availability of the same or alternative services for the same population by other providers.
4. In proposing cuts, the Department will focus on its core functions: the core functions of the Department of Health are to assure a primary care home for every uninsured and underinsured person, to provide emergency care for accidents and diseases that are life-threatening, to control infectious diseases, and to provide accurate public health education messages. Other valuable services such as behavioral health programming, housing, skilled nursing care, diagnostics, medical specialty care, home health care should be treated as specialty care that is the need for the care should be defined by the interaction between the primary provider and the patient. Use of these resources should be managed by the primary providers, thereby minimizing duplication and ensuring equity of service delivery.

B. Proposed by Commissioner Illig:

1. To add to Dr. Katz's principle: "In proposing cuts, the Department will focus on its core functions. The core functions of the Department of Public Health are...*and to assure the healthcare safety net for low income, vulnerable persons.*
2. The Dept. will identify those most likely from history or condition to need institutional care, and maintain community-based services and support for those persons to avoid higher-end costs.

3. In consolidating medical and mental health services, the Dept. will develop primary care teams for severely mentally ill persons that include psychiatric and social work professionals working with medical staff to manage chronic conditions in community settings.
4. The Dept. will minimize cuts to leveraged services whose General Funds draw down MediCal, state and federal funding, grants, etc.
5. The Dept. will identify savings from service efficiencies and coordination, consolidation of functions and structures, and administrative streamlining.
6. Budget principles and reductions will apply across the board to all providers of identified services, regardless of whether they are operated by city or contract staff.

C. Proposed by Commissioner Sako:

1. When a suggested cut affects a community contractor, the Department will choose cuts that will not create more expensive impacts and costs for the Department in the near and distant future. Including and not limited to LHH and SFGH. Apply "penny wise/pound foolish."
2. Primary providers and their staff do not have the capacity to manage behavioral health patients, such as, the mentally ill and substance abusers. I recommend deleting behavioral health from the list of "valuable services" addressed by "the care should be defined by the interaction between the primary provider and the patient. Use of these resources should be managed by the primary providers".

D. Proposed by Commissioner Melara:

1. I would like to suggest that part of the budget principal address the priorities we have developed with our community partners:
 - a. Violence
 - b. Access to Care
 - c. Communicable diseases
 - d. Chronic Care

This is not to make them a priority within the department, as much as to begin to look at how our hospital partners take on some of these priorities in the absence of DPH being unable to so. This will allow us to begin to see how Charity care and the Community Benefits planning becomes a partner with DPH to address unmet need.

E. Proposed by Commissioner Tierney:

1. In proposing budget cuts or funding restoration, the following questions should be answered in the presentation:
 - a. SF Health Priorities Review. How do these reductions (and/or restorations) relate specifically to the priorities set by the Commission and the Public Health Director for improving the health of all San Franciscans? (What are the impacts of this budget action on those strategic priorities are they congruent with stated priorities?)
 - b. Effectiveness review. What are the effectiveness and efficiency evaluations for the programs proposed for reductions or restorations? (How effective and efficient is this program in meeting the goals referred to in (a), stipulated in RFPs and contracts, etc.)
 - c. Systematic review. How might these services be provided by other partners (public, private, non-profit) in the SF Health environment.
2. The SF Health Commission and DPH have a stated priority to provide services in non-institutional setting whenever possible. How does this proposed cut impact that priority?

3. Budget cuts and restorations should directly address the need in today's economy for efficiency of scale. Specifically, how will this proposal encourage collaborations, mergers, and strategic alliances? How will this cut or restoration decrease administrative and/or operation duplication and redundancy "in the system of care" county wide?

Commissioner Comment:

- Dr. Katz stated that his proposed budget principle Item #4 is not meant to limit care, but to reduce duplication. It is also not meant to devalue providers, just to state that certain services are core and others are to be created as needed.
- Commissioner Illig also clarified that his Item #6 didn't mean across the board, but equally between city providers and contract staff.
- Commissioner Melara would like to see the expansion of the charity care model to other services provided by our community partners, particularly around the issues of violence, access to care, communicable disease and chronic care.
- Commissioner Chow requested that the key principle of culturally competent services be specified within the budget principles, adding that this is an access issue. He proposed that this be written in number 4 of Dr. Katz's budget principles.
- Commissioner Melara would also like to add that it is every partner's responsibility to provide culturally competent services.
- Deputy Director Barbara Garcia added that we need to be neighborhood sensitive and have been mapping out where services are and looking at how to keep services accessible.
- Commissioner Illig requested that staff demonstrate how these principles are implemented in the budget cuts. He would like more information on how the managers/directors are using the principles in their decision making. Ms. Garcia agreed that this would be reflected in future budget cut proposals.
- Commissioner Melara asked how the staff reflects the conflict with what the Board of Supervisors wants and what the Commission is prioritizing. Commissioner Illig stated that the staff reports to the Commission and the Mayor and that the Commission needs to help articulate what is important to the Board of Supervisors.
- Mr. Sass stated that the mid year process was different in that the cuts were familiar from previous budget cycles. For this new process, it will be more difficult as we are looking towards new cuts. Mr. Sass also stated that it is hard to articulate what the ripple effect of the cuts we make will be. The cuts could affect areas such as the jail, police, etc.
- Commissioner Chow asked how Dr. Katz's #4 will get discussed and also where the public health focus was in these principles. He added that public health priorities need to be strengthened and identified beyond public health education. Catherine Dodd, Mayor's Office, added that there needs to also be differentiation between case finding and prevention.
- Commissioner Illig agreed to consolidate and rewrite the budget principles based on the discussion and bring this to the Planning Committee on February 17, 2009.

Public Comment:

- Representative from the Human Services Network clarified where HSN priorities meet Commission priorities:
 1. Providing the most appropriate, least restrictive level of care
 2. Reducing services as opposed to closing
 3. Leverage non General Fund programs
 4. Non Profit efficiencies

- Jonathon Vernick, Baker Places, addressed Commissioner Sako's #1 principle. Stated that as we consider cuts and come up with a list of patients of who need services, we tend to look at the highest level of acuity first. If you cut lower levels of care, however, they can turn into higher costs and more acute needs later.
- Jeff Mori, AARS, would like to second the access to service issues that Commissioners Chow and Melara brought up. We should work towards every door is the right door concept. Second, some of the principles are not fully attached to each other, such as violence, which is directly related to substance abuse issues which are public health issues.
- Michael Siever, SF AIDS Foundation and the Mayor's Work Group on Methamphetamines, speaking in support of the penny wise, pound foolish concept. Substance abuse treatment saves money in the long run in health services. Mr. Siever also stated that there needs to be a stronger reflection of core public health services.
- Richard Heasley, Connard House, stated that it is important to reconcile the proposals of Dr. Katz in #4 and Commissioners Illig and Sako regarding where substance abuse clients fit in the cuts.
- Stephan Fields stated that in regards to proposed cuts that we look at what similar services are in place. He added that we need to identify what services exists other places and then propose the cut, versus the identifying the cut and then looking to what services are available.

6) **EMERGING ISSUES**

No emerging issues.

7) **PUBLIC COMMENT**

No public comment.

8) **ADJOURNMENT**

The Committee adjourned at 3:56 PM.