

# DEPARTMENT OF PUBLIC HEALTH

## FY 14-15 & 15-16 BUDGET

February 18, 2014

# FY 14-16 Financial Outlook

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- City General Fund situation has improved, but still facing \$100.7 M and \$118.3 M deficits for FY 14-15 and FY 15-16, respectively
- Much of the projected City revenue growth has already been assumed as part of the FY 14-16 budget

# FY14-16 Financial Outlook

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- DPH is in a much stronger financial position than in previous years, however, it must prepare to be financially stable in a changing healthcare world.
- Current year surplus, due to one-time hiring delays and deferred State and Federal revenue changes, is not expected to continue
- Structural budget correction means that DPH will no longer be able to request supplemental appropriations and must budget accurately

# Financial Challenges Ahead

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- Adjustments to Realignment -\$16.7 M reduction in 13-14, doubling to \$34.4 M in FY14-15
- Disproportionate Share Hospital Funding – federal take back was delayed until 2016, impact still to be determined
- Revenue uncertainty due to the shift from fee for service to capitated rates, as well as the level of enrollment and patient retention in the SF Health Network.

# Financial Challenges Ahead

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- State pilot of the Coordinated Care initiative and Transfer of Dual Eligibles into Managed Care
- Continued inflationary increases in personnel and non-personnel expenses which outpace revenue growth
- Developing an organizational infrastructure that remain competitive in healthcare reform

# Continuing Budget Initiatives from FY 13-15:

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- CBO COLA from FY13-14 continues in the 14-16 budget but does not increase
- Community Programs Reduction of \$8.8 M in FY 14-15 annualizing to \$17.7 M in FY 15-16 remains in the budget

# FY 14-16 Proposed Budget

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Because several large variables (enrollment and revenue data, realignment, and labor costs) are still difficult to predict, it is too early to finalize a budget balancing plan

As a result, DPH's February budget submission contains only known initiatives, including operating costs for the new SFGH

Over the next two months we will continue to work with the Mayor's Office to develop a balanced 14-16 Budget

# FY 14-16 Proposed Budget

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Description	14-15 FTE Change	14-15 Net GF Cost/ (Savings)	15-16 FTE Change	15-16 Net GF Cost/ (Savings)
<b>Inflationary</b>				
Pharmaceutical and Materials & Supplies Inflation	0.00	-	0.00	2,084,399
Annual Increases for Direct Access to Housing	0.00	-	0.00	587,819
<b>Budget Neutral</b>				
Environmental Health - Fee Adjustments				
LHH Hepatitis C Pharmacy Services	0.00	-	0.00	-
Denti-Cal Expansion	2.60	-	4.00	-
Primary Care Expansion	10.91	-	11.55	-
Non Specialty Mental Health Services	1.54	-	2.00	-
<b>Emerging Needs</b>				
LHH Administrative Building Operating Costs	6.22	1,066,703	6.42	1,106,245
SFGH New Hospital Supplemental Operating Budget	34.84	-	96.74	26,853,346
<b>Total Costs/(Savings)</b>	<b>41.06</b>	<b>1,066,703</b>	<b>103.16</b>	<b>27,959,591</b>



# FY14-16 Budget Summary

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<b>REDUCTION TARGET</b>	<b>14-15</b>	<b>15-16</b>
1.5% Ongoing Reduction	(8,200,000)	(8,200,000)
1% Reduction in Year 2	-	(5,470,000)
1% Contingency Year 2	-	(5,470,000)
<b>Total GF Target Reduction</b>	<b>(8,200,000)</b>	<b>(19,140,000)</b>
<b>INITIATIVES</b>		
<b>Costs not Assumed in Deficit</b>		
Annual Housing Cost Increases		(587,000)
LHH Admin Building Operating Costs	(1,066,703)	(1,106,245)
DPH Share of SFGH Operating Costs	-	(10,100,000)
<b>Current Requests</b>	<b>(1,066,703)</b>	<b>(11,793,245)</b>
<b>Current (Shortfall)/Surplus</b>	<b>(9,266,703)</b>	<b>(30,933,245)</b>



# Service Changes at New SFGH

- ↑ ED adult visits by 10% or 5,000/year.
- ↑ ED pediatric visits by 10,400/year.
- ↑ Surgical procedures by 17% or 1,250/year.
- ↑ Endoscopy procedures by 28.5 sessions per week or 1,500 procedures/year.
- ↓ Inpatient bed days by 5,475/year, with 210 budgeted beds.
- ↑ Workforce by approximately 133 FTEs.

# Next Steps

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- March/April/May – Additional Health Commission Budget Hearing(s)
- June 1 – Mayor’s Balanced Budget Submission
- June – Board of Supervisors Budget (BOS) Hearings
- June 28 – BOS Budget and Finance Committee approves amended budget
- Mid-July – Final BOS approval of Budget