City and County of San Francisco **Department of Public Health**

Mark Farrell,
Mayor

Greg Wagner,
Chief Financial Officer

MEMORANDUM

February 1, 2018

TO: President Ed Chow and Honorable Members of the Health Commission

FROM: Greg Wagner, Chief Financial Officer

THROUGH: Barbara Garcia, Director

RE: FY 2018-2019 and FY 2019-2020 Proposed Budget – First Hearing

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Scheduled for the February 6 Commission meeting is the first hearing on the Department of Public Health's proposed budget for FY 2018-2019 and FY 2019-20 (FY 18-20). A second hearing is planned for the February 20 Commission meeting, followed by periodic updates throughout the budget process. Subject matter to be addressed at the two February hearings includes:

February 6
- Overview of FY 2018-19 Approved Base Budget
- Initial list of budget initiatives to meet target

February 20
- Additional proposed initiatives
- Completed balancing plan
- Request for Health Commission approval of proposed budget for Submission to Controller and Mayor's Office

Mayor's Budget Instructions

In December the Mayor's Office issued its update to the five-year financial outlook for the City and budget instructions for City department. The City continues to forecast a relatively strong economy, and corresponding growth in general tax revenues. However, this growth is slowing notably compared to the atypically rapid rate of economic expansion over the past several years, and there are signs of structural constraints on future growth. At the same time, expenditure growth is projected to outpace the rate of growth in the economy over the medium and long term absent corrective actions. For the upcoming two-year budget cycle, the projected General Fund deficit for the City is $88.2 million in FY 18-19 and $173.4 million in FY 19-20. To help address this deficit, the Mayor's Office has instructed departments to reduce projected General Fund support by 2.5% in FY 18-19, and an additional 2.5% in FY 19-20.

81

Over the medium- and long-term the imbalance between revenues and expenditures grows significantly. By FY 21-22, revenues are expected to grow by $436.8 million, but expenditures are expected to grow by $1.1 billion, resulting in a projected General Fund deficit of $709.3 million. The Mayor's Office is working with City departments to take preemptive actions to reduce this deficit over time, emphasizing building reserves, limiting cost growth, and conducting long-term financial planning to identify multi-year initiatives that must start now to impact future year deficits. Growth in employee costs are a significant driver of future deficits, accounting for 49% of expenditure growth by FY 21-22. To avoid compounding the future financial imbalance, the Mayor's Office has also instructed that departments should not propose net new FTEs in budget submissions.

In January, Mayor Mark Farrell reaffirmed the budget instructions issued by the late Mayor Edwin M. Lee. In honor of Mayor Lee's legacy of investing in equity for City residents, Mayor Farrell also directed departments to consider and propose concrete efforts that make San Francisco a diverse, equitable and inclusive city. Mayor Farrell indicated his intent to prioritize efforts focused on equity and reducing disparities during his review of departmental budget submissions. This direction aligns well with DPH's strategic direction and a number of initiatives included in DPH's proposed budget.

The City's economic forecast does not assume an economic downturn during the 5-year financial planning horizon. However, the Mayor's Office and Controller note that the economy has experienced more than 8 years of continuous expansion dating back to July, 2009. Since 1945 the median time between economic recessions in the United States is less than five years. During that time, only two periods of continuous economic expansion have lasted longer than the current one—and if the current economic expansion lasts through the upcoming two-year budget cycle it would become the longest recorded. These data suggest it is a realistic possibility that another economic downturn could occur within the current financial planning horizon, significantly altering the City's financial outlook.

DPH's "True North" and Areas of Focus for FY 18-20

The department has spent the last several years setting its strategic direction and budgeting significant new initiatives, including the Electronic Health Records program, major investments in capital and facilities, investments in core public health functions, opening of the new ZSFG hospital, and service expansions in behavioral health. Because many of these are large, multi-year initiatives, over the coming two years the department will be focused on continued implementation of these previously budgeted priority initiatives. As a result, this year there are fewer new initiatives submitted for the Health Commission's review and approval than in many prior budgets. Nevertheless, the proposed budget contains funding to continue work on the efforts and projects endorsed by the Commission in the prior years' budget processes. Many of these priorities are described below--even though there are not new budget initiatives associated with these efforts, they will continue to guide the work and financial focus of the department over the coming two years.

As part of its ongoing adoption of Lean principles to improve care, DPH held a Department-wide strategic planning session in fall of 2017. During the session department leadership adopted "True North" strategic goals for DPH:

- Safety and Security

- Equity
- Financial Stewardship
- Workforce
- Service Experience
- Health Impact.

These "true north" values provide the foundation for development of the proposed budget for FY 18-20. Department leadership also prioritized two critical initiatives as the most important areas of focus for the department over the coming year:

1) Electronic Health Record Implementation. The department initiative "Actionable Knowledge, Anytime, Anywhere" (AKATA) is centered around the successful implementation of the EHR system and the resulting benefits from having better information to improve patient care.

2) "Developing Our People" focuses on providing continued opportunities for DPH staff and partners to learn and grow, acquiring knowledge and tools to optimally serve patients, clients and the community. This effort will overlap directly with the EHR program, as the department plans to train staff in the use of Lean practices and other skills in conjunction with preparation for, and adoption of, the new EHR system. The proposed budget also continues funding for priority initiatives in this area, including Lean training for staff across the department, continued implementation of the Trauma Informed Systems training, and Collective Impact Efforts. As part of the EHR program, staff will receive thousands of hours of training to develop new skills and abilities that will translate into improved patient care and staff experience.

In addition to these two paramount initiatives, and consistent with DPH's True North values, the department is also emphasizing the following areas of focus in its proposed budget:

"Whole Person" Healthcare
The proposed budget includes funding for a number of programs and initiatives—some new, others that are continuations of existing efforts—focused on designing care interventions for the multiple, interrelated needs of the City's most vulnerable residents. Examples of initiatives funded in the proposed budget include:

- In 2017 DPH opened the first behavioral health-focused City Navigation Center. Hummingbird Place, an up-to 15-bed capacity Psychiatric Respite overnight facility with an average stay of 14 days, aims to engage clients in the system of care and provide access to recovery and wellness conversation, activities, and programs in a homelike environment. The Psychiatric Respite program serves adult residents of San Francisco who are often homeless and are high users of multiple systems and those who repeatedly use crisis-level services. The program provides an integrated, social rehabilitation, trauma informed, and harm-reduction model within a social milieu that will support clients in all areas of their recovery. During the coming year DPH will initiate a temporary expansion of the site.

- DPH has contracted with Crestwood Behavioral Health, Inc. to open a 54-bed Mental Health Rehabilitation Center at the St. Mary's Hospital campus for clients experiencing psychiatric instability that require stabilization in a locked sub-acute setting. The program will provide care using Evidence-Based Practices, with a focus on recovery, empowerment, hope and meaningful roles and utilizes the principles and elements including peer providers, supported employment and community integration.

- The proposed budget includes funding for a new Behavioral Health and Addiction Engagement team that will work to engage individuals on the streets with mental health and/or substance use disorders and connect them with behavioral health services. The team of 6 people and will provide rapid response in targeted locations and will support clients to address their substance use and/or mental health needs, address physical health needs, provide referrals to shelters/ housing, and promote wellness, recovery, and safety. The team will target individuals who traditionally have not entered services through other means.

- In 2015, the Federal Centers for Medicare and Medicaid Services (CMS) approved California's Drug Medi-Cal (DMC) Organized Delivery System (ODS) demonstration waiver to demonstrate how organized substance use disorder care would improve treatment success and decrease other health care costs. The ODS will allow more stringent standards for treatment, increased use of licensed professional staff for care and diagnosis, use of evidence-based care practices, and measurement of outcomes. Over the coming two year budget, San Francisco will phase in adoption of its ODS, resulting in improved care for clients and increased revenue generation.

- As part of the Medicaid 1115 Waiver, San Francisco has entered into its $36.1 Whole Person Care pilot program. The effort, which is a collaboration between multiple City departments and community partners, will rethink and reinvent the City's approach to providing services to homeless individuals. While San Francisco has a wide variety of services available, offerings are not always adequately coordinated across departments and agencies, resulting in a system of care that is difficult for clients to navigate. The Whole Person Care program will create a coordinated entry system to make access to services more seamless for clients and establish information technology systems to better collect and share data to improve patient care. The program also funds a range enhanced and innovative services for homeless individuals.

Focus on Equity/Developin Our People

- DPH's Black African-American Health Initiative (BAAHI) is a targeted effort to improve health outcomes and reduce health disparities for the Black/African American population in San Francisco. In FY 18-20, DPH plans to maintain current work in clinical areas while expanding educational programming and community outreach. Clinical work will shift to include preterm birth to leverage current initiatives. In late 2017 the program added a staff educational program called the Equity Learning Series, an open group for staff centered around articles, videos or other media that promotes discussion of issues of race and racism and their impact on health, and plans to expand the program to all major sites by the end of 2019. The program is also establishing a series of interactive forums for community leaders, service agencies as well as DPH staff focused on the current state of African-American health, department and citywide initiatives to decrease disparities, and open discussion of community priorities.

- DPH's Trauma Informed Systems Initiative has trained close to 5,000 members of DPH and through grants and other funding sources and another 5,000 people in other departments, adjacent counties and other localities. Over the next two years the implementation model will include continued training, an expanded "train the trainer" program to develop internal capacity for continued expansion, champions and leadership learning communities and alignment with DPH priorities around Racial Equity, Lean Management and Collective Impact. The focus will be on increasing efforts to evaluate the initiative and embed and sustain trauma informed practices in the workforce and the practice environment.

- Thanks to the support of San Francisco voters, DPH is moving toward the expansion of Southeast Health Center (SEHC). The SEHC provides critical health services in a neighborhood that has historically been impacted by large health disparities compared to other areas of San Francisco. The Department recently completed a renovation of the existing health center and plans to break ground on a major addition to the facility in 2019.

Financial Stewardship in an Uncertain State and Federal Policy Environment

The current political and policy environment, particularly at the federal level, poses significant financial risks and uncertainty for DPH. While the efforts to fully repeal the Affordable Care Act have so far been unsuccessful, the proposed budget does include $1 million in FY 18-19 and $2.8 million in FY 19-20 to backfill reductions to federal grants for core Public Health services including HIV prevention funds for substance users, Hepatitis C testing and linkages services, STD funding, and Tuberculosis prevention and control funds. In addition, as part of the tax reform process the federal government eliminated the individual mandate for health insurance. Combined with other federal actions that could weaken individual insurance markets, Covered California projects this change could result in statewide premium increases in the individual insurance market of 16% to 30% by 2019, absent corrective action. These policy changes and premium increases could reduce the number of individuals who purchase insurance through Covered California, resulting in a higher number of uninsured patients accessing DPH services. To mitigate the impact of a potential reduction of insurance rates in San Francisco, DPH is working to partner with other providers, the San Francisco Health Plan, and Covered California on a campaign to encourage residents to maintain insurance coverage despite these changes. Importantly, over the next two years, as part of the EHR project DPH will comprehensively evaluate and modify its processes for billing for services. This effort will be designed to maximize earned revenue, thereby limiting financial exposure to policy changes affecting revenues.

Item	Div	Description	FY 18-19 FTE Change	FY 18-19 Expend Incr/(Decr)	FY 18-19 Revenues Incr/(Decr)	FY 18-19 Net GF Impact Favorable/ (Unfavorable)	FY 19-20 FTE Change	FY 19-20 Expend Incr/(Decr)	FY 19-20 Revenues Incr/(Decr)	FY 19-20 Net GF Impact Favorable/ (Unfavorable)	Comment
MAYOR'S INSTRUCTIONS											
		3% General Fund Reduction	-			$ (16,531,485)	-			$ (33,062,931)	
		Revenues Assumed in 5 Year Projection	-			$ (10,338,324)	-			$ (25,272,053)	
	TOTAL MAYOR'S INSTRUCTIONS		-	$ -	$ -	$ (26,869,809)	-	$ -	$ -	$ (58,334,984)	
REVENUES											
GH	A1	ZSFG Baseline Revenues and Medi-Cal 1115 Waiver Changes	-	$ 2,840,062	$ 49,950,472	$ 47,110,410	-	$ (3,161,238)	$ 38,978,471	$ 42,139,709	Adjustments ZSFG revenue based on actual projections related to Medi-cal, Capitation, Medicare and other patient revenues. This initiative includes changes to the Global Payment Program (GPP) and Public Hospital Redesign Incentives (PRIME) are adjusted to reflect actual expected payments.
LH	A2	LHH Baseline Revenues	-	$ -	$ 201,885	$ 201,885	-	$ -	$ 4,771,104	$ 4,771,104	Annual adjustment to baseline revenues at Laguna Honda Hospital due to legislated state rate increase.
AC	A3	2011 Mental Health Realignment and Short Doyle Medi-Cal Projections	-	$ -	$ 3,750,000	$ 3,750,000	-	$ -	$ 6,250,000	$ 6,250,000	Adjustments to nental health revenues for 2011 State Realignment and Short-Doyle Medi-Cal for mental health to match projections.
PHD	A4	Backfill Federal and State Funding Reductions for Population Health	-	$ -	$ (964,366)	$ (964,366)	-	$ -	$ (2,817,663)	$ (2,817,663)	Backfills federal and state reductions to HIV Prevention, Public Health Emergency and Prepardness, Sexually Transmitted Diseases/City Clinic and Tuberculosis Control
TOTAL REVENUE			-	$ 2,840,062	$52,937,991	$ 50,097,929	-	$ (3,161,238)	$47,181,912	$ 50,343,150	
BUDGET NEUTRAL											
	B1	Behavioral Health Outreach Team	-	$ 554,504	$ 554,504	$	-	$ 568,367	$ 568,367	$ -	This new team will work to engage individuals in the community in behavioral health services. The team will establish relationships through outreach and engagement, and will support clients to address their substance use and/or mental health needs, address physical health needs, provide referrals to shelters/ housing, and promote wellness, recovery, and safety.
TOTAL REVENUE NEUTRAL			-	$ 554,504	$ 554,504	$ -	-	$ 568,367	$ 568,367	$ -	

8.6

Item	Div	Description	FTE Change	Expend Incr/(Decr)	Revenues Incr/(Decr)	Net GF Impact Favorable/ (Unfavorable)	FTE Change	Expend Incr/(Decr)	Revenues Incr/(Decr)	Net GF Impact Favorable/ (Unfavorable)	Comment
EMERGING NEEDS											
BH	**C1**	Drug Medi-Cal Organized Delivery System Waiver	-	$ 3,363,442	$ 2,332,011	$ (1,031,431)		$ 3,363,442	$ 2,332,011	$ (1,031,431)	This initiative updates DPH's current Drug Medi-Cal Organized Delivery System program to reflect changes to the Waiver with the goal of improving treatment success. Cost increases of $3.3 million is partially offset by $2.3 million increase Drug Medi-Cal revenues
GH & LH	**C2**	Census and Staffing for Zuckerberg San Francisco General and Laguna Honda Hospital	-	$ 7,780,169	$ 6,600,000	$ (1,180,169)	-	$ 7,826,774	$ 6,600,000	$ (1,226,774)	During FY 17-18, Zuckerberg San Francisco General (ZSFG) has experienced higher-than-budgeted patient census, resulting in projected unbudgeted salary expenditures. This initiative creates a pool of funding to allow staffing flexibility if patient census remains above budget. In addition, changes in the patient population at Laguna Honda Hospital (LHH) have necessitated staffing changes to ensure safety for certain populations.
GH	**C3**	University of California Affliation Agreement	-	$ 4,000,000	$ 4,000,000	$ -	-	$ 14,123,430	$ -	$ (14,123,430)	The Affliation Agreement betwee ZSFG and UCSF combines clinical and teaching activities to uniformly provide the highest quality of care to all San Franciscans. The proposed budget initiative allocates $4 million in projected grant revenue for hospital performance improvement programs to UCSF in FY 18-19. In addition, it proposes a $14.1 million General Fund supported cost increase in FY 19-20.
			-	$ -	$ -	$ -	-	$ -	$ -	$ -	
TOTAL EMERGING NEEDS			-	**$15,143,611**	**$12,932,011**	**$ (2,211,600)**	-	**$ 25,313,646**	**$ 8,932,011**	**$ (16,381,635)**	
TOTAL ALL INITIATIVES AFFECTING TARGET			-	**$18,538,177**	**$66,424,506**	**$ 47,886,329**	-	**$ 22,720,775**	**$56,682,290**	**$ 33,961,515**	
		Total All Initiatives and Targets	-	**$18,538,177**	**$66,424,506**	**$ 21,016,520**	-	**$ 22,720,775**	**$56,682,290**	**$ (24,373,469)**	
		Two Year Balance								**$ (3,356,949)**	
INFLATIONARY (Does not affect target)											
DPH	**D1**	Pharmacy and Other Inflationary Costs	-	$ -	$ -	$ -	-	$ 4,951,434	$ -	$ (4,951,434)	Increased expenditure authority related to pharmaceuticals, food, as well as housing and laundry contracts to reflect inflation on the price of these critical supplies and services
TOTAL INFLATIONARY						$ -				**$ (4,951,434)**	

87

Initiative Number – A1

2018-19 and 2019-20 Program Change Request

DIVISION:

- ☐ DPH – department wide
- ☒ Zuckerberg San Francisco General Hospital
- ☐ Population Health
- ☐ Laguna Honda Hospital
- ☒ SF Health Network Wide
- ☐ Ambulatory Care ___________

PROGRAM / INITIATIVE TITLE: **ZSFG & SF Health Network Baseline Revenues**
TARGETED CLIENTS: N/A
PROGRAM CONTACT NAME/PHONE: **Valerie Inouye 206-3599**

2018-19 FTE Change	2019-20 FTE Cumulative Change	FY 2018-19 Net General Fund Impact Favorable/(Unfavorable)	FY 2019-20 Cumulative Net General Fund Impact Favorable/(Unfavorable)
-	-	$47,110,410	$42,139,709

PROGRAM DESCRIPTION: (Brief description of Program Change)

To adjust Zuckerberg San Francisco General and San Francisco Health Network baseline revenues due to current managed care projected funding changes outlined in the current Medi-Cal Waiver.

JUSTIFICATION:

Net patient revenues at Zuckerberg San Francisco General are being adjusted to reflect FY 16-17 levels, our most recent completed fiscal year and budgeted revenues are being realigned into the correct categories. These revenues are offset by a required Intergovernmental Transfer (IGT) payment, but still result in a net increase in revenue and reduced general fund.

In addition, there is a new Medicaid managed care rule which effectively transforms some of the Medi-Cal supplemental payments to two new programs, the Enhanced Payment Program (EPP) and Quality Incentive Program (QIP) resulting in additional revenues. This budget also assumes a pro-rata share of Disproportional Share Hospital (DSH) cuts affecting the Global Payment Program (GPP) and Public Hospital Redesign and Incentives in Medi-Cal (PRIME) revenues, thus decreasing in accordance with pre-established allocations.

IMPACT ON CLIENTS: (unit of service and/or number of clients affected)

No impact on clients.

EXPENSE AND REVENUE IMPACT: (for both fiscal years)

Net revenues will increase by $47.1 million in FY18-19 and cumulative $42.1 million in FY19-20.

IMPACT ON DEPARTMENT'S WORKFORCE:

No impact on FTEs in both years.

INITIATIVE TITLE: ZSFG & SF Health Network Baseline Revenues

Description	FY 2018-19	FY 2019-20
Sources:		
ZSFG Patient Revenues	$ 19,961,296	$ 22,489,906
SFHN GPP/Prime	$ (5,633,274)	$ (20,784,074)
SFHN Capitation/SB208	$ (77,282,550)	$ (75,632,361)
SFHN EPP	$ 85,320,000	$ 85,320,000
SFHN QIP	$ 27,585,000	$ 27,585,000
Subtotal Sources	$ 49,950,472	$ 38,978,471
Uses: Salary and Benefits		
Operating Expense IGT	$ 2,840,062	$ (3,161,238)
Subtotal Uses		
Net General Fund Impact Favorable/(Unfavorable) (Uses less Sources)	$ 47,110,410	$ 42,139,709
Total FTE's	0.00	0.00

New Positions (List positions by Class, Title and FTE)

Class	Title		FTE[1]		FTE	
			0.00		0.00	
			0.00		0.00	
			0.00		0.00	
			0.00		0.00	
		Total Salary	0.00		0.00	
		Fringe		-		-
		Total Salary and Fringe	0.00		0.00	

Operating Expenses

Index Code Character/Subobject Code

	FY 2018-19	FY 2019-20
	$ -	$ -

Facilities Maintenance, and Equipment (List by each item by count and amount)

Initiative Number: A2

2018-19 and 2019-20 Program Change Request

DIVISION:

☐ DPH – department wide
☐ San Francisco General Hospital
☐ Ambulatory Care ___________
☐ Population Health
X Laguna Honda Hospital
☐ SF Health Network Wide / Managed Care

PROGRAM / INITIATIVE TITLE: **Laguna Honda Hospital Baseline Revenue**
TARGETED CLIENTS: n/a
PROGRAM CONTACT NAME/PHONE: **Chia Yu Ma/759-3325**

2018-19 FTE Change	2019-20 FTE Cumulative Change	FY 2018-19 Net General Fund Impact Favorable/(Unfavorable)	FY 2019-20 Cumulative Net General Fund Impact Favorable/(Unfavorable)
n/a	n/a	$201,885	$4,771,104

PROGRAM DESCRIPTION: (brief description of proposed change)

Laguna Honda Hospital's baseline revenues will increase by $201,885 in FY 2018-19 and $4,771,104 in FY2019-20.

JUSTIFICATION:

The projected increase in inpatient revenue at Laguna Honda Hospital is due to SNF rehab SFHP capitation adjustment for FY 2018-19 and a 2% increase in Medi-Cal Acute Per Diem Rates and DP/NF Supplemental revenue based on federal matching requirements for FY 2019-2010.

IMPACT ON CLIENTS: (units of service and/or number of clients affected, if applicable)

No impact.

EXPENSE AND REVENUE IMPACT: (for both fiscal years)

Revenue increase will offset existing general fund costs.

IMPACT ON DEPARTMENT'S WORKFORCE :

No impact.

ATTACHMENT B
SUMMARY OF PROGRAM COST

INITIATIVE TITLE: Laguna Honda Baseline Revenues

Description	FY 2018-19	FY 2019-20
Sources:		
Net Patient Revenue	201,885	4,771,104
Subtotal Sources	$ 201,885	$ 4,771,104
Uses:	$ -	$ -
Subtotal Uses	$ 201,885	$ 4,771,104
Net General Fund Impact (Unfavorable)/Favorable (Uses less Sources)	$ -	$ -
Total FTE's	0.00	0.00

New Positions (List positions by Class, Title and FTE)

Class	Title	FTE	FY 17-18	FTE	FY 18-19

Operating Expenses

Index Code	Character/Subobject Code	FY 18-19	FY 19-20

Facilities Maintenance, and Equipment (List by each item by count and amount)

Initiative Number - A3

2018-19 and 2019-20 Program Change Request

DIVISION:

☐ DPH – department wide
☐ San Francisco General Hospital
X Ambulatory Care: Behavioral Health
☐ Population Health
☐ Laguna Honda Hospital
☐ SF Health Network Wide / Managed Care

PROGRAM / INITIATIVE TITLE: **2011 Realignment and Short Doyle Medi-Cal Projections**
TARGETED CLIENTS: n/a
PROGRAM CONTACT NAME/PHONE: **Greg Wagner 554-2610**

2018-20 FTE Change	2018-20 FTE Cumulative Change	FY 2018-19 Net General Fund Impact Favorable/(Unfavorable)	FY 2019-20 Cumulative Net General Fund Impact Favorable/(Unfavorable)
n/a	n/a	$3,750,000	$6,250,000

PROGRAM DESCRIPTION: (brief description of proposed change)

Projected baseline revenue growth for 2011 Realignment from the State as well as Short- Doyle Medi-Cal revenues for mental health services.

JUSTIFICATION:

Starting in FY12-13, all State funding for behavioral health was realigned from the State to the County, (termed 2011 Realignment) meaning each county has become responsible for managing its risk within the 2011 Realignment funding level. As the State economy gets stronger, the County is allocated a legislated portion of the growth. A total increase of $2.75 million is expected for FY 18-19 and ongoing.

In addition, Short Doyle Medi-Cal is projected to increase by $1 million in FY 18-19 and increases to $3.5 million in FY 19-20 ongoing for DPH.

IMPACT ON CLIENTS: (units of service and/or number of clients affected, if applicable)

n/a

EXPENSE AND REVENUE IMPACT: (for both fiscal years)

Decrease of general fund support of $3.75 million in FY 18-19, increasing to $6.25 in 19-20.

IMPACT ON DEPARTMENT'S WORKFORCE :

n/a

INITIATIVE TITLE: **2011 Realignment and Short Doyle Medi-Cal Projections**

Description		FY 2018-19	FY 2019-20
Sources:			
	2011 Realignment	$ 2,750,000	$ 2,750,000
	Short Doyle Medi-Cal	$ 1,000,000	$ 3,500,000
Subtotal Sources		$ 3,750,000	$ 6,250,000
Uses:	Salary and Benefits	$ -	$ -
	Operating Expense	$ -	$ -
Subtotal Uses		$ -	$ -
Net General Fund Impact (Unfavorable)/Favorable (Uses less Sources)		$ 3,750,000	$ 6,250,000
Total FTE's		0.00	0.00

New Positions (List positions by Class, Title and FTE)

Class	Title	FTE		FTE	
0		0.00			
0		0.00			
0		0.00			
0		0.00			
0		0.00			
0		0.00			
0		0.00			
0		0.00			
0		0.00			
0		0.00			
	Total Salary	0.00	-	0.00	-
	Fringe				-
	Total Salary and Fringe	**0.00**	**0**	**0.00**	**0**

	Character/Subobject Code		
02700	Professional Services		
		$ -	$ -

Initiative Number – A4

FY 2018-19 & 2019-20 Program Change Request

DIVISION:

- ☐ DPH – department wide
- ☐ San Francisco General Hospital
- ☒ Population Health
- ☐ Laguna Honda Hospital
- ☐ SF Health Network Wide
- ☐ Ambulatory Care ___________

PROGRAM / INITIATIVE TITLE: **Backfill of Federal and State Funding Losses for Population Health Division**
TARGETED CLIENTS: San Francisco Residents and Visitors
PROGRAM CONTACT NAME/PHONE: Christine Siador 628-206-7621

2018-19 FTE Change	2019-20 FTE Cumulative Change	FY 2018-19 Net General Fund Impact Favorable/(Unfavorable)	FY 2019-20 Cumulative Net General Fund Impact Favorable/(Unfavorable)
n/a	n/a	-($964,366)	-($2,817,663)

PROGRAM DESCRIPTION: (brief description of proposed change)

SFDPH's Population Health Division (PHD) addresses public health concerns, including consumer safety, health promotion and prevention, and the monitoring of threats to the public's health. PHD implements traditional and innovative public health interventions. PHD has an annual budget of $100 million and approximately $27 million is leveraged from federal, state and private grants. Due to changes in federal and state funding priorities PHD expects a total shortfall of $964,366 in revenues in FY 18-19, increasing to $2,817,663 in FY 19-20. These shortfall affects the HIV Prevention of Community Health Equity and Promotion, Disease Prevention and Control and Public Health Emergency Response and Preparedness Branches. As these grants provide support for core services as described below, a general fund backfill of these grants is necessary to continue our existing services.

JUSTIFICATION:

Community Health Equity & Promotion (CHEP) Branch integrates the core public health functions of informing, engaging, educating and empowering community. Through the use of comprehensive approaches across the spectrum of prevention, CHEP plans, implements, monitors and evaluates prioritized community initiatives, including promoting active living, safe and healthy environments and community-clinical linkages, and decreasing HIV, sexually transmitted infections, viral hepatitis, and effects of trauma. This branch projects the follow revenue backfill:

$1,853,297 (starting in FY 19-20) - Drug User Health Initiative Funding (formerly SAMSHA HIV Set-Aside funded Services). The Drug User Health initiative provides HIV, Hepatitis C (HCV), and substance use prevention services targeted to improve health outcomes for substance users. The services provided with this funding include:

- Opiate overdose prevention program
- HIV and HCV testing at methadone programs
- Directly observed HIV therapy at Opiate Treatment Outpatient Program at ZSFG
- HIV and HCV testing at San Francisco County jails
- HCV linkage and overdose prevention services at San Francisco County jails
- Community-based HCV testing and linkage at San Francisco AIDS Foundation
- Training and capacity building for the system of care to effectively work with drug users
- Harm reduction HIV prevention programming for binge drinkers
- Harm reduction drug treatment for speed users

- Behavioral health therapy for people living with or at risk of HIV

$374,910 - California Department of Public Health Hepatitis C Grant (CDPH HCV Grant) The CDPH Hepatitis C Testing and Linkages to Care Demonstration Project grant funds activities that support getting some of the most vulnerable San Franciscans connected to HCV care and treatment. The programs described below are directly responsible for hundreds of homeless and marginally housed individuals being cured of HCV, and have been recognized as a national model.

- Community-based HCV testing at syringe exchange programs, shelters, navigations centers, and single room occupancy hotels provided by Glide staff (approximately 1500 tested in 2017 with 22% antibody positive)
- HCV patient navigation services for homeless individuals provided by Glide staff (in 2017, served 197 people in linkage program)
- HCV treatment at Opiate Treatment Outpatient Program at ZSFG (97 people treated for HCV in 2017)

Disease Prevention and Control Branch (DPC) protects the health of San Francisco residents and visitors through public health clinics (Tuberculosis clinic, City Clinic, the AITC Immunization and Travel Clinic), our Public Health Laboratory, and our chronic disease prevention physician team. This branch projects the follow revenue reductions:

$521,223 - STD City Clinic – Funds will maintain staff who support a range of mandated public health functions aimed to decrease sexually transmitted diseases and their complications; provide culturally proficient STD diagnosis and treatment; and decrease risk factors associated w/ poor sexual health. Epidemiologists are essential to disease surveillance. Health educators are a link to the community to disseminate information regarding safe & culturally appropriate sexual practices to reduce the risk of STD infection. Clinical staff are essential to diagnosis & treatment of conditions.

$25,558 – Tuberculosis (TB) Prevention and Control Program operates a centralized TB clinic that specializes in the education, prevention, diagnosis, and treatment of active disease and latent TB infection. Backfill requested to maintain staff who support mandated public health functions aimed to decrease diagnosis and treatment of TB in San Francisco.

Public Health Emergency Preparedness and Response (PHEPR) Branch serves the public, Department of Public Health (DPH), and partners by coordinating health emergency preparedness, response, and recovery efforts. PHEPR acts as stewards through strategic planning, efficient allocation of resources, and leveraging of SFDPH and citywide capabilities. PHEPR promotes a culture of preparedness to ensure that in an emergency disease and injury are prevented and accessible, timely, and equitable health and clinical services are available. This branch projects the follow revenue reduction:

$42,675 The public health preparedness grants that PHEPR receives have been decreasing yearly and offset a portion of existing staff costs that provides core functions.

IMPACT ON CLIENTS: (units of service and/or number of clients affected, if applicable)

Allows PHD to continue existing services to residents and visitors in San Francisco.

EXPENSE AND REVENUE IMPACT: (for both fiscal years)

Revenue reductions of $964,366 in FY 18-19 increasing to $2,817,663 in FY 19-20, which will be offset by an increase in general fund support for these services. There will be no changes to expenditures.

IMPACT ON DEPARTMENT'S WORKFORCE :

n/a

INITIATIVE TITLE: Backfill PHD Revenue Losses

Description	FY 2018-19		FY 2019-20	
Sources:				
Revenues				
SAMSHA Set Aside	$	-	$	(1,853,297)
Hepatitis C	$	(374,910)	$	(374,910)
STD/City Clinic	$	(521,223)	$	(521,223)
Tuberculosis	$	(25,558)	$	(25,558)
Emergency Prepardness	$	(42,675)	$	(42,675)
Subtotal Sources	$	(964,366)	$	(2,817,663)
Uses: Salary and Benefits	$	-	$	-
Operating Expense	$	-	$	-
Subtotal Uses	$	-	$	-
Net General Fund Impact (Unfavorable)/Favorable (Uses less Sources)	$	(964,366)	$	(2,817,663)
Total FTE's	0.00		0.00	

New Positions (List positions by Class, Title and FTE)

Class	Title	FTE		FTE	
0		0.00			
0		0.00			
0		0.00			
0		0.00			
0		0.00			
0		0.00			
0		0.00			
0		0.00			
0		0.00			
0		0.00			
	Total Salary	0.00	-	0.00	-
	Fringe				-
	Total Salary and Fringe	**0.00**	**0**	**0.00**	**0**

	Character/Subobject Code		
02700	Professional Services		
		$ -	$ -

Initiative Number – B1

2018-19 and 2019-20 Program Change Request

DIVISION:

☐ DPH – department wide
☐ San Francisco General Hospital
☐ Population Health
☐ Laguna Honda Hospital
☐ SF Health Network Wide
X Ambulatory Care – Behavioral Health

PROGRAM / INITIATIVE TITLE: **Behavioral Health Engagement Team**
TARGETED CLIENTS: Homeless Adults with Behavioral Health Issues
PROGRAM CONTACT NAME/PHONE: Angelica Almeida, Ph.D. 415-255-3722

2018-20 FTE Change	2018-20 FTE Cumulative Change	FY 2018-19 Net General Fund Impact Favorable/(Unfavorable)	FY 2019-20 Cumulative Net General Fund Impact Favorable/(Unfavorable)
n/a	n/a	$0	$0

PROGRAM DESCRIPTION: (brief description of proposed change)

This new team will work to engage individuals in the community in behavioral health services. Staff will be through Felton Institute and will be directed to outreach and engage individuals on the street with mental health and/or substance use disorders. The team will be compromised of six people and will provide rapid response in targeted locations, community engagement, and linkage to services. The team will work to establish relationships through outreach and engagement, and will support clients to address their substance use and/or mental health needs, address physical health needs, provide referrals to shelters/ housing, and promote wellness, recovery, and safety.

JUSTIFICATION:

This budget initiative will support mental health and substance abuse outreach by providing outreach staff to support engaging homeless/marginally housed individuals in the community in Behavioral Health Services.

IMPACT ON CLIENTS: (units of service and/or number of clients affected, if applicable)

These staff will provide a layer of community outreach and engagement for behavioral health services to individuals who traditionally have not entered services through other means. This team will focus on identifying and working with high utilizers and/or those who have been out of care. Staff will provide case management services for substance use and/or mental health, and will include social service needs and challenges as part of case management

EXPENSE AND REVENUE IMPACT: (for both fiscal years)

Professional services costs will increase by $554,504 in FY 18-19 and to $568,367 in FY 19-20. These expenditures will be offset with increased revenues from Whole Person Care due to an increased ability to draw down care coordination per member per month payments.

IMPACT ON DEPARTMENT'S WORKFORCE:

No impact.

INITIATIVE TITLE: Behavioral Health Engagement Team

Description	FY 2018-19	FY 2019-20
Sources:		
Revenues	$ 554,504	$ 568,367
Subtotal Sources	$ 554,504	$ 568,367
Uses: Salary and Benefits	$ -	$ -
Operating Expense	$ 554,504	$ 568,367
Subtotal Uses	$ 554,504	$ 568,367
Net General Fund Impact (Unfavorable)/Favorable (Uses less Sources)	$ -	$ -
Total FTE's	0.00	0.00

New Positions (List positions by Class, Title and FTE)

Class	Title	FTE		FTE	
0		0.00			
0		0.00			
0		0.00			
0		0.00			
0		0.00			
0		0.00			
0		0.00			
0		0.00			
	Total Salary	0.00	-	0.00	-
	Fringe				-
	Total Salary and Fringe	**0.00**	**0**	**0.00**	**0**

	Character/Subobject Code	FY 2018-19	FY 2019-20
02700	Professional Services	554,504	568,367
		$ 554,504	$ 568,367

M/Budget/FY 12-14/B1 - FY 18-20 BH Outreach Team

2018-19 and 2019-20 Program Change Request

DIVISION:

☐ DPH – department wide ☐ Population Health ☐ SF Health Network Wide
☐ San Francisco General Hospital ☐ Laguna Honda Hospital X Ambulatory Care - Behavioral Health Services (BHS)

PROGRAM / INITIATIVE TITLE: **Drug-MediCal (DMC) Expansion to Support the Implementation of the Organized Delivery System (ODS)**
TARGETED CLIENTS: Individuals with substance use disorder
PROGRAM CONTACT NAME: Judith Martin

2018-19 FTE Change	2019-20 FTE Cumulative Change	FY 2018-19 Net General Fund Impact Favorable/(Unfavorable)	FY 2019-20 Cumulative Net General Fund Impact Favorable/(Unfavorable)
n/a	n/a	-($1,031,431)	-($1,031,431)

PROGRAM DESCRIPTION: (brief description of proposed change)

On August 13, 2015, the Federal Centers for Medicare and Medicaid Services (CMS) approved California's Drug Medi-Cal (DMC) Organized Delivery System (ODS) demonstration waiver to demonstrate how organized substance use disorder care would improve treatment success and decrease other health care costs. As a result of CMS's approval, each county was provided the option to participate in the DMC-ODS Demonstration Waiver as a Managed Care Organization, developing and executing an organized delivery system for substance use services in compliance with the waiver. San Francisco opted in, and in so doing, is now responsible for operating the county's Managed Care Plan for substance use disorder services. New ODS System requirements include the following examples:

- Treatment must be more medical and professional, moving beyond peer support
- Medical necessity and diagnosis must be determined by licensed professionals
- Evidence-based care required
- Use of outcomes measures required
- Specialty addiction treatment becomes distinguishable from temporary housing or shelter in residential care
- Addiction treatment medications allowed throughout the system
- Integration and whole person care supported

San Francisco finalized its contract with the State for the implementation of the DMC-ODS Managed Care Plan and issued a solicitation for contract providers to deliver services under the DMC-ODS system, both effective July 1, 2017 (with most new contracts effective January 1, 2018). ODS is being implemented in phases, with the subject proposal funding the remaining implementation phases. This proposal would support the following requests:(1) annualize partially funded substance use disorder treatment contractors to cover full year funding ($1,114,447); (2) fund contracted substance use treatment agencies that will be phased into the DMC-ODS program in FY18-19 and FY19-20, requiring additional funding to meet the enhanced requirements ($1,807,077); (3) realign the revenue budget to reflect current projections (<$1,249,833>); (4) build in support for outstanding operational needs ($50,000); and (5) expand funding to support the provision of intensive case management services to individuals who are not enrolled in treatment (making the services non-reimbursable by Drug-Medi-Cal) ($379,764).

JUSTIFICATION:

It is essential to support the full cost of administering a Managed Care Plan, including the cost of service delivery. Due to the multiple additional compliance requirements, expanded service level availability, along with the addition of required licensed professionals, the cost per unit of delivering services has increased. The Department negotiated new DMC reimbursement rates by modality with the State, which are reflected in the agency contracts as they are phased into the DMC-ODS program.

The proposed net change in the DMC revenue budget to more accurately reflect revenue potential through FY19-20. The original revenue budget was calculated in anticipation of the implementation of the new DMC ODS, but without knowing the final negotiated reimbursement rates, and the full array of eligible services. For example, while originally eligible for DMC reimbursement, the final approved State plan does not allow DMC reimbursement for assessment and outpatient treatment services, provided at the Department's Treatment Access Program (TAP). Additionally, the Department has had to discontinue submitting DMC reimbursement billings for services delivered in Federally Qualified Health Care Centers (FQHCs), which had previously been allowable for Office Based Opiate Treatment (OBOT) in DPH's Primary Care Clinics. This realignment will enable the Department to have an expenditure budget supported by more realistic revenue expectations. It would also allow future service expansion to be directly supported by revenue growth, as expenditures and revenues would be aligned.

The remaining items would address unfunded problems that have become apparent during the initial implementation year:

(1) The Department is unable to meet the mandated language requirements without the requested $50,000 necessary to ensure DMC mandated translation services are available at treatment provider sites upon request, as well as the translation of extensive new DMC-ODS documentation; and

(2) Although routine case management is provided by DMC funded treatment programs, Intensive Case Management (ICM) is required to complete the full continuum of care options for individuals who require this level of care to achieve success. It has been determined that there are a limited number of individuals who may be eligible for DMC, but are not enrolled in a treatment program, and therefore their services are not reimbursable. However, these individuals are severely disabled, are high users of multiple systems, and this funding will ensure that this level of care can be maintained, moving them closer to successful outcomes.

IMPACT ON CLIENTS: (units of service and/or number of clients affected, if applicable)

The implementation of the DMC-ODS will result in higher quality services, based on up to date medical model services, all designed to improve treatment outcomes.

EXPENSE AND REVENUE IMPACT: (for both fiscal years)

Increase of DMC revenue of $2,332,011 and expenditure increase of $3,363,442 for both years.

IMPACT ON DEPARTMENT'S WORKFORCE :

None

:

INITIATIVE TITLE: 18-20 Drug Medi-Cal Organized Delivery Expansion

Description	FY 2018-19	FY 2019-20
Sources:		
Revenues	$ 2,332,011	$ 2,332,011
Subtotal Sources	$ 2,332,011	$ 2,332,011
Uses: Salary and Benefits	$ -	$ -
Operating Expense	$ 3,363,442	$ 3,363,442
Subtotal Uses	$ 3,363,442	$ 3,363,442
Net General Fund Impact (Unfavorable)/Favorable (Uses less Sources)	$ (1,031,431)	$ (1,031,431)
Total FTE's	0.00	0.00

New Positions (List positions by Class, Title and FTE)

Class	Title	FTE		FTE	
0		0.00			
0		0.00			
0		0.00			
0		0.00			
0		0.00			
0		0.00			
0		0.00			
0		0.00			
	Total Salary	0.00	-	0.00	-
	Fringe				-
	Total Salary and Fringe	**0.00**	**0**	**0.00**	**0**

	Character/Subobject Code	FY 2018-19	FY 2019-20
02700	Professional Services	3,351,288	3,351,288
		$ 3,351,288	$ 3,351,288

FY 2018-19 & 2019-20 Program Change Request

DIVISION:

☐ DPH – department wide ☐ Population Health ☐ SF Health Network Wide
☒ San Francisco General Hospital ☒ Laguna Honda Hospital ☐ Ambulatory Care ___________

PROGRAM / INITIATIVE TITLE: **Patient Census Adjustments at Zuckerberg San Francisco General and Laguna Honda Hospital**
TARGETED CLIENTS: **ZSFG and LHH Patients**
PROGRAM CONTACT NAME/PHONE**: Susan Erlich and Mivic Hirose**

2018-19 FTE Change	2019-20 FTE Cumulative Change	FY 2018-19 Net General Fund Impact Favorable/(Unfavorable)	FY 2019-20 Cumulative Net General Fund Impact Favorable/(Unfavorable)
n/a	n/a	-($1,180,169)	-($1,226,774)

PROGRAM DESCRIPTION: (brief description of proposed change)

During FY 17-18, Zuckerberg San Francisco General (ZSFG) has experienced higher-than-budgeted patient census, resulting in projected unbudgeted salary expenditures. This initiative creates a pool of funding to allow staffing flexibility if patient census remains above budget. In addition, changes in the patient population at Laguna Honda Hospital (LHH) have necessitated staffing changes to ensure safety for certain populations. The proposed initiative makes corresponding budgetary corrections for LHH.

JUSTIFICATION:

Zuckerberg San Francisco General Hospital (ZSFG) is an Acute Care Level One Trauma Center with a licensed capacity of 392 beds. In FY 17-18, it has a budgeted inpatient census of 285 patient per day. Based on census and nursing ratios, staffing levels were modeled with an assumed salary savings and budgeted against the anticipated census of 285. ZSFG, however, has been running an actual average inpatient census of 302.

In order to support and serve its additional inpatient volume, ZSFG is using approximately 6-7 nurses per shift above budget to maintain compliance with both state ratios and agreed-upon ratios in labor MOUs. This results in a projected additional annual expense of $6,567,482. While there is also additional revenue associated with the higher census, ZSFG lacks expenditure appropriation to use the added revenues to meet staffing requirements for the additional patients.

To ensure adequate budget authority to account for increased staffing, the department proposes creating a project fund to provide additional expenditure authority in the case that the actual census continues to exceed the budgeted census. The increased cost would be offset by additional revenue. This gives ZSFG the ability to increase staffing and other expenditures associated with an increased census. This approach will allow the new funds to be segregated from base operating salaries, so that expenditure overages due to census effects are isolated from other operating issues.

Laguna Honda Hospital and Rehabilitation Center (LHH) is an acute care and skill nursing facility. In FY 17-18, it has experienced increasing needs for 24/7 one-on-one patient coaches for close observation to be able to provide a therapeutic and safe environment with an appropriate level of supervision for residents who have been determined to have safety needs that exceed routine care and intervention measures. Common indications for use of coach in LHH are impulsive behavior, intrusive behavior, risk for aggression, high risk for falls, elopement risk, and harm to self or others. As an integral part of San Francisco Health Network, LHH accommodate these new admissions for efficient patient flow and continued patient and staff safety among the Health Network's care continuum - thereby minimizing discharge and admission delays which can have negative impact on SFHN's overall services, particularly at ZSFG.

To continue patient flow at the current level, this initiative corrects for the increased staffing costs by adjusting salary savings at Laguna Honda Hospital to reflect actual staffing and spending.

IMPACT ON CLIENTS: (units of service and/or number of clients affected, if applicable)

This will allow to ZSFG and LHH to continue to provide access to quality services to its clients within budget.

EXPENSE AND REVENUE IMPACT: (for both fiscal years)

Expenses in a new patient census project fund at ZSFG will increase by $6.6 million offset by $6.6 million of additional patient revenues. LHH salary will increase by $1,180,169 million in FY 18-19 $1,226,774.

IMPACT ON DEPARTMENT'S WORKFORCE :

No impact.

INITIATIVE TITLE: ZSFG and LHH Patient Census Adjustments

Description		FY 2018-19		FY 2019-20	
Sources:					
	Revenues	$	6,600,000	$	6,600,000
Subtotal Sources		$	6,600,000	$	6,600,000
Uses:	Salary and Fringe Savings Adjustments - LHH	$	1,180,169	$	1,226,774
	Programmatic Project Expense - ZSFG	$	6,600,000	$	6,600,000
	Operating Expense	$	-	$	-
Subtotal Uses		$	7,780,169	$	7,826,774
Net General Fund Impact (Unfavorable)/Favorable (Uses less Sources)		$	(1,180,169)	$	(1,226,774)
Total FTE's			0.00		0.00

New Positions (List positions by Class, Title and FTE)

Class	Title	FTE		FTE	
0		0.00			
0		0.00			
0		0.00			
0		0.00			
0		0.00			
0		0.00			
0		0.00			
0		0.00			
0		0.00			
0		0.00			
	Total Salary	0.00	-	0.00	-
	Fringe				-
	Total Salary and Fringe	**0.00**	**0**	**0.00**	**0**

	Character/Subobject Code		
02700	Professional Services		
		$ -	$ -

FY 2018-19 & 2019-20 Program Change Request

DIVISION:

☐ DPH – department wide
☒ Zuckerberg San Francisco General Hospital (ZSFG)
☐ Population Health
☐ Laguna Honda Hospital
☐ SF Health Network Wide
☐ Ambulatory Care ____________

PROGRAM / INITIATIVE TITLE: **UC Affiliation Agreement**
TARGETED CLIENTS: **ZSFG Patients**
PROGRAM CONTACT NAME: **Susan Ehrlich, MD, Chief Executive Officer**

2018-19 FTE Change	2019-20 FTE Cumulative Change	FY 2018-19 Net General Fund Impact Favorable/(Unfavorable)	FY 2019-20 Cumulative Net General Fund Impact Favorable/(Unfavorable)
-	-	-	-($14,123,430)

PROGRAM DESCRIPTION: (brief description of proposed change)

The partnership between ZSFG and UCSF combines clinical and teaching activities to uniformly provide the highest quality of care to all San Franciscans. There are approximately 1,270 UCSF FTEs working at ZSFG through the ZSFG & UCSF Affiliation Agreement, of which 25% are Faculty, 23% Interns & Residents and 52% Other Staff – all of which are essential to the mission of providing quality care through a comprehensive and integrated system of services.

JUSTIFICATION:

Under the UCSF Affiliation Agreement, DPH pays UCSF for uncompensated costs for services to uninsured patients and specified other safety net populations at ZSFG. UCSF bills directly for professional fees where possible. UCSF's costs increase annually, and a portion of these cost increases have historically been funded through the Affiliation Agreement. Significantly, UCSF is contractually obligated to implement salary and benefit increases for staff in accordance with negotiated employment agreements (MOU's). As a result of the Medicaid expansion under the Affordable Care Act, UCSF has been able to increase professional fee billing over the past several years, as the proportion of Medi-Cal eligible patients has increased, and uninsured patients declined. This increase in revenues has allowed Affiliation Agreement funding to remain flat from FY 15-16 to through FY 17-18. UCSF had previously projected that Affiliation Agreement costs would remain flat through FY 20-21. The projected savings to the General Fund from the avoided cost increases was $4 million in FY 18-19 and $14.1 million in FY 19-20. That savings was used to fund ongoing costs associated with the Electronic Health Records (EHR) program.

UCSF has since revised its projections and indicated that it does not believe it can meet its previous commitment to leave Affiliation Agreement funding flat. The Mayor's Office Five-Year Financial Projection assumes flat funding in FY 18-19 and $3.8 million in increased funding in FY 19-20, leaving a shortfall of $4 million in FY 18-19 and $10.3 million in FY 19-20 compared to assumptions in the City's adopted 5-Year Financial Plan.

The proposed budget initiative allocates $4 million in projected grant revenue for hospital performance improvement programs to UCSF in FY 18-19. In addition, it proposes a $10.3 million General Fund supported cost increase in FY 19-20, in addition to the $3.8 million already projected in the City's 5-Year Financial Plan. Since the $10.3 million in FY 19-20 was previously allocated to the EHR program, the Department continues to work with the Mayor's Office to determine how this change will impact EHR funding. Because UCSF projects that it may request additional future funding beyond this amount, DPH and UCSF will institute new processes to limit future growth in Affiliation Agreement costs, including controls over hiring, examination of new professional fee billing opportunities, and use of alternative funding sources.

IMPACT ON CLIENTS: (units of service and/or number of clients affected, if applicable)

With over 30 departments and divisions at ZSFG, and as the sole provider of trauma and psychiatric emergency services, these departments ensure that ZSFG provides 24-hour, multidisciplinary and comprehensive emergent, urgent and non-urgent care for the San Francisco community. A comprehensive medical center, ZSFG serves some 100,000 patients per year and over 500,000 outpatient visits. If increase is not funded, there may be a reduction in resources, with associated reductions in services.

EXPENSE AND REVENUE IMPACT: (for both fiscal years)

Expenses will increase by $4,000,000 in FY 18-19 and to $14,123,430 in FY 19-20. Revenues in 18-19 will increase by $4,000,000 one time.

IMPACT ON DEPARTMENT'S WORKFORCE:

There is no impact on City & County of San Francisco workforce.

INITIATIVE TITLE:

Description	FY 2018-19	FY 2019-20
Sources:		
Revenues		$ -
Strategic Reserves Grants from SFHP	$ 4,000,000	
Subtotal Sources	$ 4,000,000	$ -
Uses: Salary and Benefits	$ -	$ -
Operating Expense	$ 4,000,000	$ 14,123,430
Subtotal Uses	$ 4,000,000	$ 14,123,430
Net General Fund Impact (Unfavorable)/Favorable (Uses less Sources)	$ -	$ (14,123,430)
Total FTE's	0.00	0.00

New Positions (List positions by Class, Title and FTE)

Class	Title	FTE		FTE	
0		0.00			
0		0.00			
0		0.00			
0		0.00			
0		0.00			
0		0.00			
0		0.00			
0		0.00			
0		0.00			
0		0.00			
	Total Salary	0.00	-	0.00	-
	Fringe				-
	Total Salary and Fringe	**0.00**	**0**	**0.00**	**0**

	FY 2018-19	FY 2019-20
Character/Subobject Code		
UC Affililation Agreement	4,000,000	14,123,430
	$ 4,000,000	$ 14,123,430

2018-19 and 2019-20 Program Change Request

DIVISION:

☒ DPH – department wide
☐ Zuckerberg San Francisco General Hospital
☐ Ambulatory Care: Primary Care
☐ Population Health
☐ Laguna Honda Hospital
☐ SF Health Network Wide / Managed Care

PROGRAM / INITIATIVE TITLE: **DPH Pharmaceuticals and Materials and Supplies Inflation**
TARGETED CLIENTS: SFHN Clients
PROGRAM CONTACT NAME: David Woods and Jenny Louie

2018-20 FTE Change	2018-20 FTE Cumulative Change	FY 2018-19 Net General Fund Impact Favorable/(Unfavorable)	FY 2019-20 Cumulative Net General Fund Impact Favorable/(Unfavorable)
-	-		-($4,951,434)

PROGRAM DESCRIPTION: (Brief description of Program Change)

This initiative requests annual inflationary adjustments for expenses critical to network operation. This adjustment is critical to ensuring that DPH is able to continue to provide services and treatments to its patients. The department projects cost increases of 10% for pharmaceuticals, 3% for food and 3.2% for laundry & linen costs.

JUSTIFICATION:

Market dynamics over the past 4 years have been shifting in a way that has caused the pricing of certain pharmaceuticals to rise at an extraordinary rate. Projected nation-wide increases in drug expenditures of 7-8% are consistent among all settings. Primary causes for increase in expenditures include:

- Specialty Drugs are forecasted to be 50 percent of all drug expenditures in 2018. Novel, very expensive specialty treatments for conditions that previously had either limited to no medication therapy options are continually being approved. The therapeutic drug classes with the largest increases include autoimmune disorders, HIV and oncology.
- Increased utilization of medications: Prescription utilization is increasing as older patients live longer and healthier lives. Patients over 50 years of age are responsible for 77 percent of prescription growth since 2011. Categories making an impact on drug spend due to increased utilization include diabetes, inflammatory conditions, asthma and cardiovascular diseases.

The net result of factors that will increase and decrease drug costs at DPH are projected to lead to an overall increase in the cost of pharmaceuticals for the department of 8% in FY 2018-2020. DPH will continue to utilize tight drug formulary control and aggressive use of lower cost generic drugs to help offset increases in expense.

In addition DPH continues to leverage discounts for its food purchase, it expects a 3% increase in food costs in next fiscal year. Finally, laundry and linen costs will rise by 3.2%.

IMPACT ON CLIENTS: (unit of service and/or number of clients affected)

None

EXPENSE AND REVENUE IMPACT: (for both fiscal years)

Expenditure increase in FY 2019-20 of $4,559,471 for pharmaceuticals, $273,778 for food and $118,185 for laundry and linen.

IMPACT ON DEPARTMENT'S WORKFORCE:

None

ATTACHMENT B
SUMMARY OF PROGRAM COST

INITIATIVE TITLE: DPH Pharmaceuticals and Materials and Supplies Inflation

Description	FY 2018-19	FY 2019-20
Sources:	$ -	$ -
Subtotal Sources	$ -	$ -
Uses: Operating Expenses	$ -	$ 4,951,434
Subtotal Uses	$ -	$ (4,951,434)
Net General Fund Impact (Unfavorable)/Favorable (Uses less Sources)	$ -	$ (4,951,434)
Total FTE's	n/a	n/a

New Positions (List positions by Class, Title and FTE)

Class	Title	FTE	FTE

Operating Expenses

Index Code	Character/Subobject Code	FY 17-18	FY 18-19
HGH1HUN40061	040/04461 Pharmaceutical Supplies - ZSFG		2,684,324
HLH448803	040/04461 Pharmaceutical Supplies - LHH		955,129
HJAILHLTH-GF	040/04461 Pharmaceutical Supplies - Jail Health		240,457
HCHAPADMINGF	040/04461 Pharmaceutical Supplies - Primary Care		165,695
HCHAPSPY--GFC	040/04461 Pharmaceutical Supplies - Primary Care		18,512
HMHMCC730515	040/04461 Pharmaceutical Supplies - CBHS		495,354
HMHMCC730515	021/02700 Pharmaceutical Supplies - CBHS		-
HLH448811	040/04699 Food (LHH)		131,696
HGH1HUN40061	040/04699 Food (ZSFG)		142,081
HLH449439	021/040 Laundry Services & Linen (LHH)		62,878
HGH1HUN40061	021/040 Laundry Services & Linen (ZSFG)		55,307

Facilities Maintenance, and Equipment (List by each item by count and amount)