



London N. Breed  
Mayor

Greg Wagner,  
Acting Director of Health

MEMORANDUM

January 30, 2020

TO: President Dan Bernal and Honorable Members of the Health Commission

FROM: Greg Wagner, Chief Financial Officer *GW*

THROUGH: Dr. Grant Colfax, Health Director *GC*

RE: **FY 2020-2021 and FY 2021-2022 Proposed Budget – First Hearing**

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Scheduled for the February 4<sup>th</sup> Commission meeting is the first hearing on the Department of Public Health's proposed budget for FY 2020-2021 and FY 2021-2022 (FY 2020-22). A second hearing is planned for the February 18<sup>th</sup> Commission meeting, followed by periodic updates throughout the budget process.

In December, the Board of Supervisors amended the administrative code in File No. 191702, which outlines requirements for City departments to host one or more public meetings during its budget development process. While the Health Commission has met most of these requirements through its regular budget process, we are making some changes to the sequence and content of budget presentations to comply with the updated ordinance. Subject matter to be addressed at the two February hearings will be as follows:

*February 4*

- Overview of FY 2020-21 approved base budget
- Projection on current year salary spending
- The City's Five-Year Financial Projection and Mayor's Budget Instructions
- Department goals and priorities for FY 2020-21 and FY 2021-22

*February 18*

- Completed balancing plan with detailed initiatives
- Request for Health Commission approval of proposed budget for submission to Controller and Mayor's Office

**The City's Five Year Financial Projection and Mayor's Budget Instructions**

In December, the Mayor's Office issued its five-year financial outlook for the City and budget instructions for City departments. The City's financial picture is becoming increasingly challenging with revenue growth flattening and with continued cost growth projected to outpace growth in revenues. As in prior years, near-term issues include loss of one-time revenues used to balance prior-year budgets, growing employee costs, mandatory baseline and set-asides, which reduce general funds available for balancing. While the five-year financial outlook does not

assume a year-over-year reduction in revenue, the pace of revenue growth is slowing and uncertainty remains around recession risks and potential state and federal changes.

The City's projected general fund deficit is \$195.4 million for FY 2020-21 and increases to \$224.1 million for FY 2020-22. Should no correction be made to address the shortfall, the Mayor's Office projects the shortfall to grow to \$630.6 million by FY 2023-24.

This forecast does not assume an economic downturn during the five-year financial planning horizon. The Mayor's Office and Controller, however, did note that the economy has experienced more than ten years of continuous expansion dating back to July 2009. This is the longest period of continuous economic expansion recorded since the availability of modern economic data, and it is a realistic possibility that another economic downturn could occur within the current financial planning horizon, significantly altering the City's financial outlook.

To help address the deficit, the Mayor's Office has instructed departments to reduce General Fund support by 3.5% in FY 2020-21 and further reduce by an additional 3.5% (for a total of 7%) in FY 2021-22. For DPH this equals \$26.5 million in the first year and \$53.1 million in the second year of the budget. Departments are also instructed to:

- Prioritize core function and minimize service impacts
- Focus on accountability and equitable outcomes
- Demonstrate the effective use of resources and to identify programs and funding that can be reprioritized

#### **DPH Goals and Priorities for FY 2020-21 and FY 2021-22:**

The department will focus on implementation Mental Health San Francisco (MHSF) an amendment to the administrative code that will transform the city's behavioral health system and increase access to mental health and substance use disorder services. In addition to MHSF, other key areas will include quality management, workforce and equity, and planning the impacts of the State's proposed safety net health care financing framework after the expiration of the current Medi-Cal Waiver – Healthier California for All.

#### *Implementing Mental Health San Francisco (MHSF)*

On December 10, the Board of Supervisors voted unanimously in favor of Mental Health SF and Mayor Breed subsequently signed the ordinance. MHSF was a joint effort by the Mayor and Board of Supervisors and targets San Francisco residents 18 years or older who have a diagnosed mental illness or substance use disorder, and are homeless, uninsured, enrolled in Medi-Cal, or released from jail and waiting for enrollment in Med-Cal. The legislation outlines five key components:

- 1) **Mental Health Services Center** - This center will be a centralized access point for patients who seek access to mental health and/or substance use treatment, and subsequent referral to longer-term care. Services include, assessments, urgent care, pharmacy, transportation and a drug sobering center.

- 2) Office of Coordinated Care - This office will oversee the seamless delivery of mental health care and substance use services across the City's behavioral health systems. The primary responsibility will be to provide case management to individuals accessing services. In addition, it will also maintain an active inventory of the capacity of all mental health programs operated or funded by the City, coordinate with Psychiatric Emergency Services at ZSFG and Jail Health Services, and oversee data collection and reporting.
- 3) Coordinated Outreach Teams and Crisis Response Street Team - This new team would be responsible for engaging persons on the street who are experiencing a mental health or substance use related crisis and connecting them with services. Their services will be coordinated with other outreach programs citywide.
- 4) Increasing Capacity for Mental Health and Substance Use Services - The ordinance expands current service levels offered by the Department of Public Health, including: residential treatment centers, secure inpatient hospitalization, transitional and residential treatment beds. Actual service expansions will be developed at a later date and consider recommendations from the Implementation Working Group, discussed below.
- 5) Office of Private Health Insurance Accountability - Under the proposed ordinance, the City would establish the Office of Private Health Insurance Accountability to assist San Francisco residents in obtaining mental health care through their private insurance policies, collect and analyze data on patients' ability to do so, and advise potential patients regarding existing services provided by the City. The City department that will implement this program is still being determined.

The ordinance requires DPH to submit an annual Implementation Plan beginning on February 1, 2021 detailing the proposed new mental health and substance use services and related housing needs, costs of the proposed new services, methods of funding the proposed new services.

MHSF is estimated to cost over \$100 million. The proposed Health Commission budget will likely include some initial Mental Health SF infrastructure, but development of this initiative will continue through Mayor's June 1 budget proposal. DPH staff will continue to report to the Health Commission on future developments around this initiative as the budget process progresses.

#### *Improving Quality Management*

In the last year, several events converged prompting a re-evaluation of the San Francisco Health Network's (SFHN) Quality Management team. These events include the implementation of Epic in August of 2019 and the discovery of medication diversion and staff misconduct on two LHH neighborhoods. Over the last several months the SFHN has identified gaps in Quality Management practices and developed a "Turnaround Plan" to address deficiencies as part of the proposed budget.

#### *Investing in Our Workforce and Equity*

DPH's workforce is growing significantly with major initiatives such as the opening of the new Zuckerberg San Francisco General, the implementation of a new electronic health record and expansion of behavioral services. The approved FY 2020-21 approved budget has almost 7,000 budgeted Full-Time Equivalents (FTE). In order to hire efficiently, support our existing staff and be successful at future expansions, the department will propose initiatives to stabilize and support current staffing levels and to develop our workforce. In addition, DPH will continue its efforts to address external inequities in the health outcomes for our patients as well.

*Anticipating Changes in Medi-Cal as part of Healthier California for All*

California's current Medi-Cal Waiver, worth approximately \$150 million annually in net revenues to the department, expires in December of 2020. The State Department of Healthcare Services (DHCS) is proposing to replace the current waiver program with Medi-Cal Healthier California for All. The major components of this new framework builds upon the successful outcomes of various pilots (including but not limited to the Whole Person Care Pilots, Health Homes, and the Coordinated Care Initiative) from the previous federal waivers.

While DHCS released its initial plans in October 2019, the details of the program will be developed through a series of statewide stakeholder meetings over the course of the year. Several DPH staff will be participating in the statewide stakeholder meetings and we will be monitoring the proposals closely. These changes could have significant impacts on the structure and level of funding for DPH's services.

**Budget Submission at the Next Health Commission**

At the next health commission we will provide a complete balancing plan for your approval at the February 18<sup>th</sup> Health Commission. Similar to recent years, the department anticipates meeting its general fund reduction targets with primarily with revenue and non-programmatic cost savings. Staff does not anticipate any proposed reductions to service levels. In addition, we look forward to presenting details on our proposed initiatives that support the priorities described above.