

# DEPARTMENT OF PUBLIC HEALTH FY 2021-22 AND FY 2022-23 BUDGET

January 19, 2021

# Agenda

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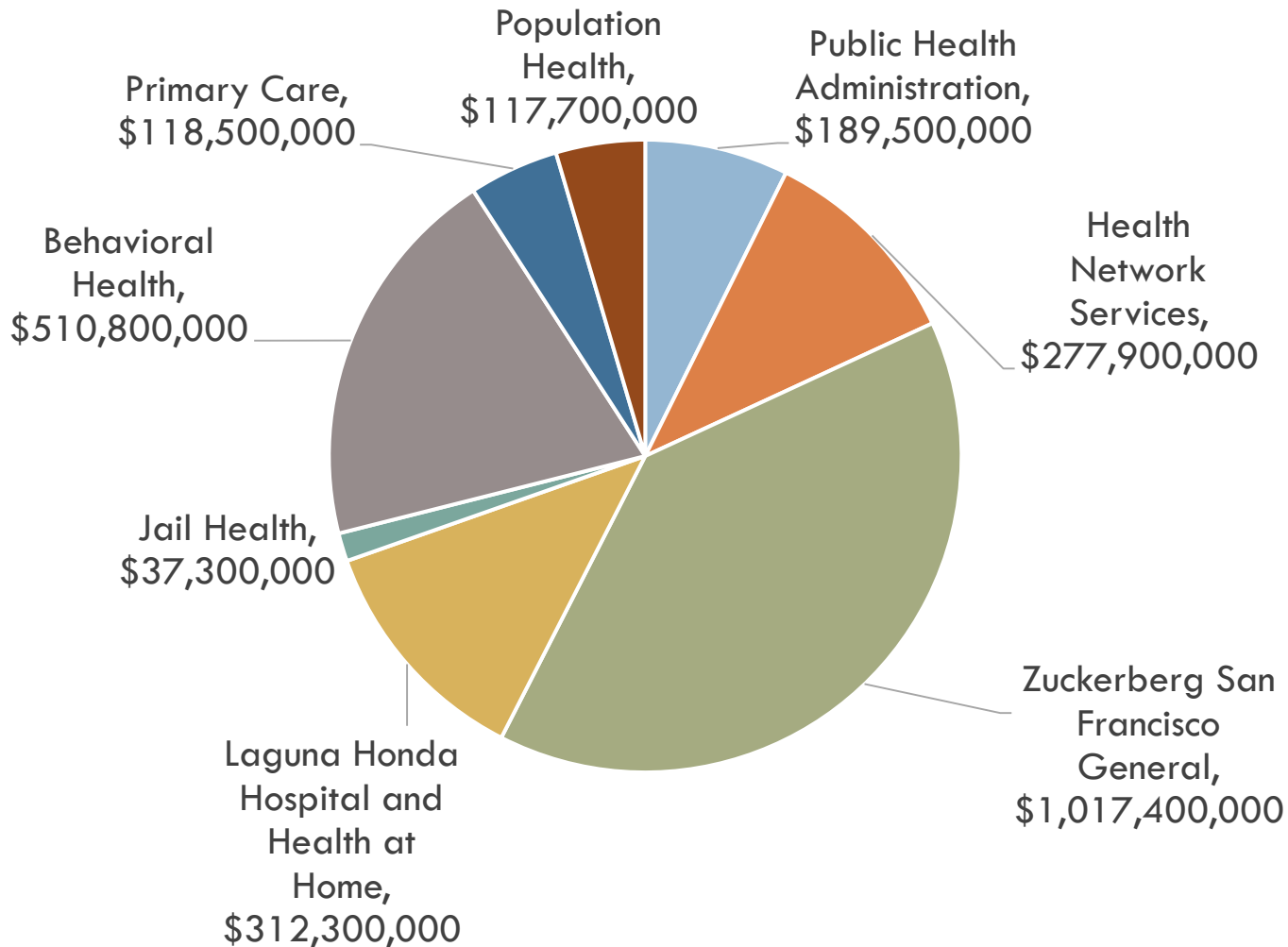
- Overview of DPH's Budget
  - ▣ Review of Base Budget for Divisions
  - ▣ Projected Salary Spending in Current Year
- Five-Year Financial Projection and Mayor's Budget Instructions
- Context and Approach for FY 2021-22 and FY 2022-2023 Budget Development
- Department Goals and Areas of Focus

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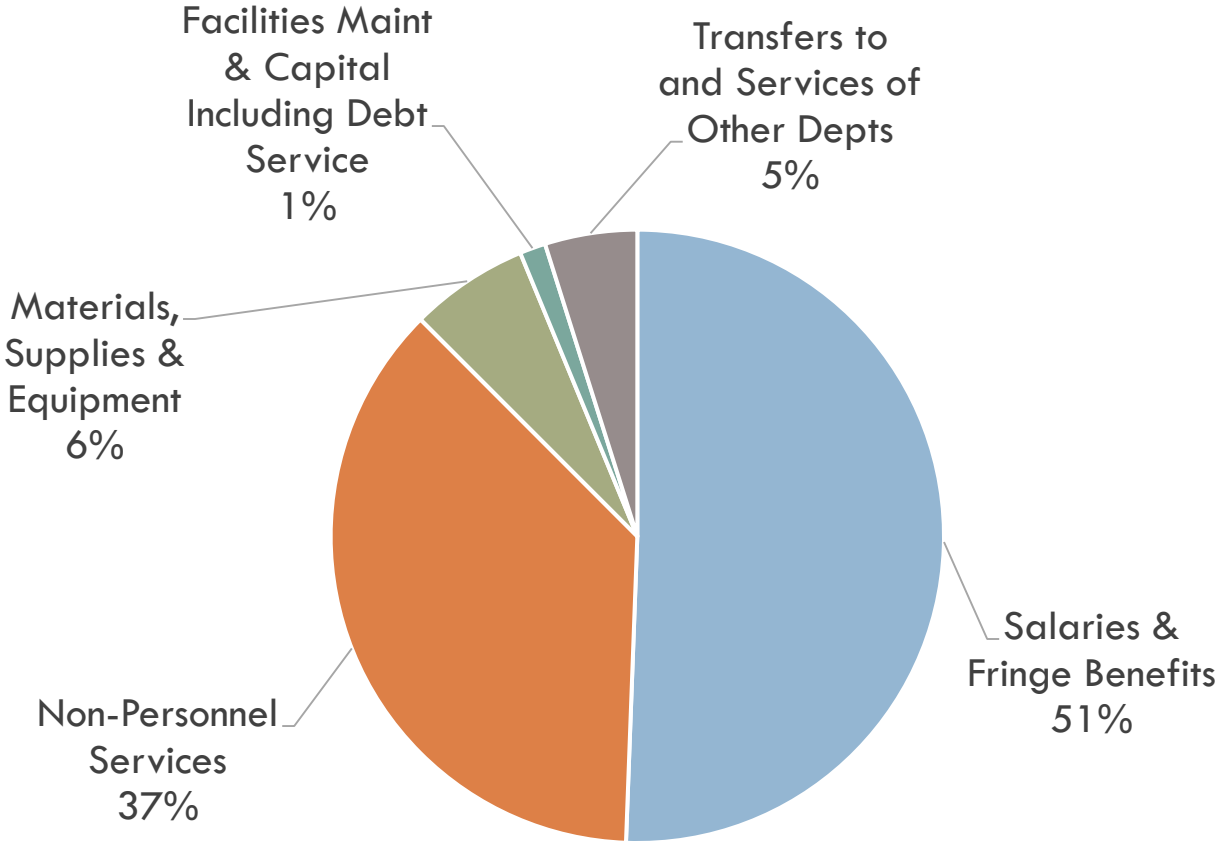
# DPH Budget Overview

# DPH Approved FY 21-22 Base Budget \$2.6 Billion

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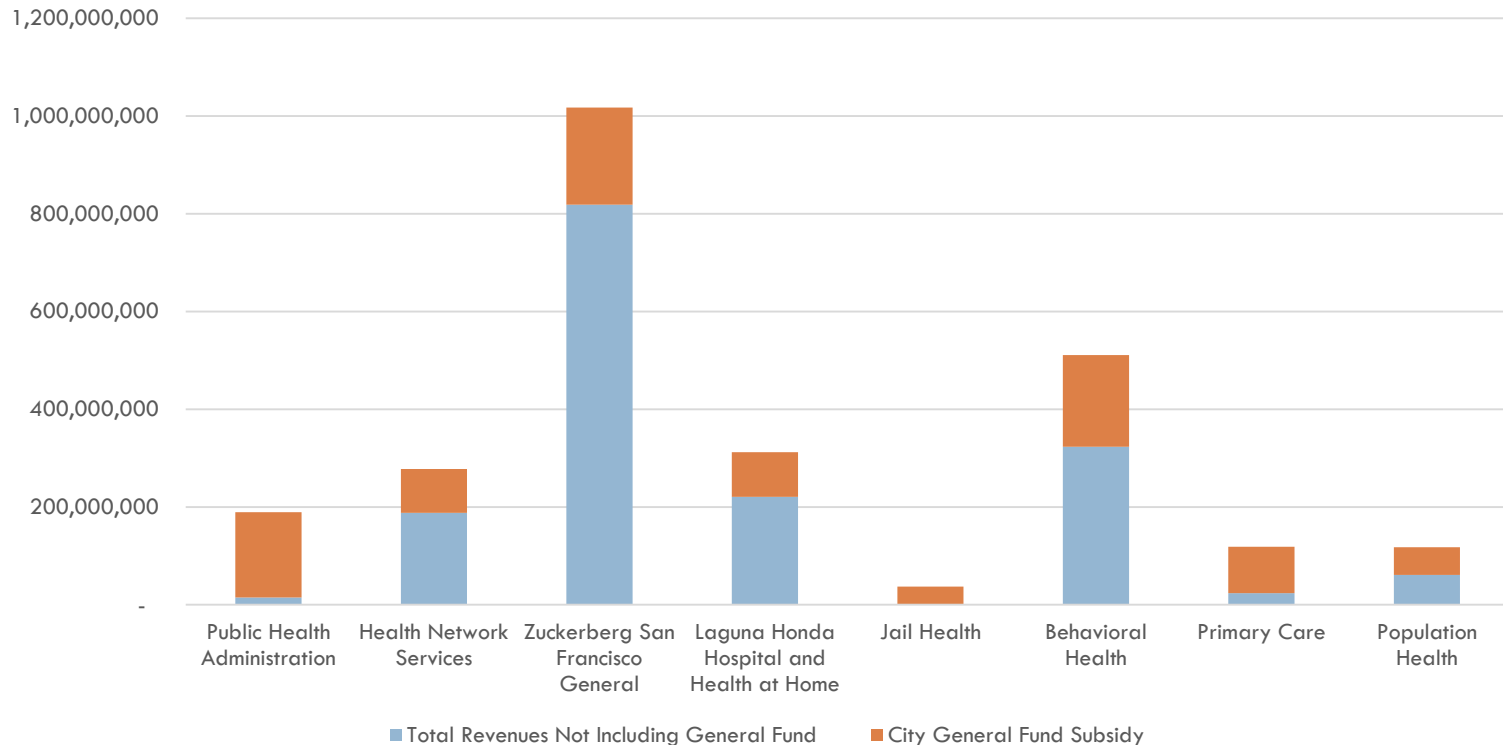


# Budgeted Expenses by Type



# DPH Leverages Revenue to Offset General Fund

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- DPH continues to offset 64% of its costs with revenue, requiring a general fund subsidy of only 36%
- FY 21-22 base budget includes \$930 million of General Fund

# Current Year Salary Spending Projections

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- Administrative Code Section 3.3 requires departments to include personnel cost projections at public hearings on proposed budgets.
- DPH's operating budget of \$1.1 billion for salary and fringe are currently projected to be on budget this year.
- DPH's quarterly financial reports to the Health Commission will continue to update these projections
- Work continues to aggressively hire permanent staff to replace temp and per diem staff and fill vacancies to support hospital operations, COVID-19 response, and Behavioral Health expansion
- Personnel costs will be reviewed as part of those projections

## Five-Year Financial Projections & the Mayor's Budget Instructions



# Five-Year Financial Plan Projection

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|   | FY 21-22 | FY 22-23 | FY 23-24 | FY 24-25  | FY 25-26  |
|---|----------|----------|----------|-----------|-----------|
| <i>SOURCES Increase / (Decrease)</i>              | (117.6)  | 268.5    | 459.2    | 704.1     | 935.4     |
|   | -        | -        | -        | -         | -         |
| <b>Uses</b>                                       | -        | -        | -        | -         | -         |
| Baselines & Reserves                              | (54.4)   | (157.7)  | (242.1)  | (293.2)   | (354.6)   |
| Salaries & Benefits                               | (150.8)  | (233.4)  | (318.0)  | (433.8)   | (565.1)   |
| Citywide Operating Budget Costs                   | (21.4)   | (8.2)    | (94.2)   | (219.4)   | (304.8)   |
| Departmental Costs                                | (67.0)   | (111.2)  | (156.5)  | (198.9)   | (242.2)   |
| <i>USES (Increase) / Decrease</i>                 | (293.6)  | (510.6)  | (810.9)  | (1,145.4) | (1,466.8) |
| <b>Projected Cumulative Surplus / (Shortfall)</b> | (411.1)  | (242.1)  | (351.7)  | (441.3)   | (531.3)   |
|   |          |          |          |           |           |
| Two Year Deficit                                  | (653.2)  |          |          |           |           |

# Overview: Fiscal Outlook

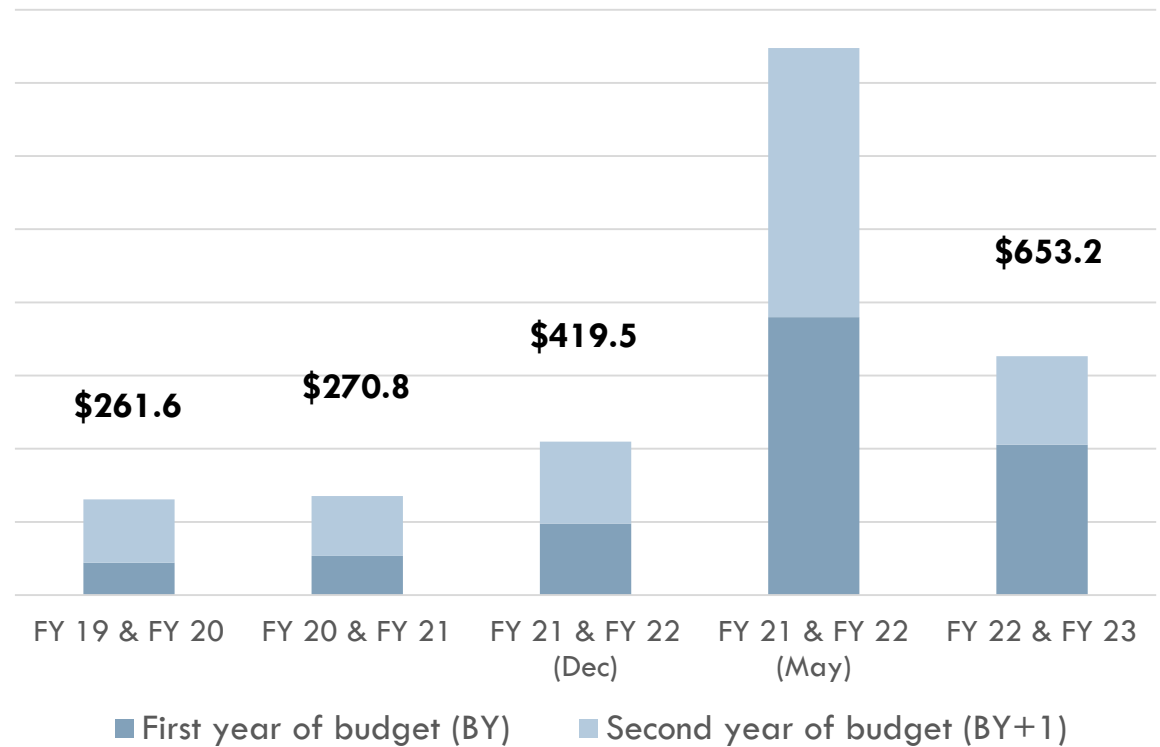
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FY 2021-22 and FY 2022-23 deficit projection: \$653.2 million over two years

## Key Drivers:

- Revenue declines
- Unbudgeted labor costs
- Ongoing COVID expenses

## Deficit at Time of Budget Instructions (\$M)



# Mayor's Budget Instructions – Balancing the Budget

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## “Target” Efficiency/Reduction Proposals

- Required proposals to reduce General Fund support
  - ▣ 7.5% with 2.5% contingency for both years.
- Emphasis on racial equity in departmental proposals
  - ▣ Describe budget proposals through an equity lens
  - ▣ Internal racial equity work should be prioritized within existing budget

# DPH Goals and Areas of Focus for FY 2021-2023

# Additional Context for Proposed Budget

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- Due pending processes outside of DPH, a lower level of certainty for initiatives, compared to prior year submissions, but overall potential favorable opportunities for the department and its programming
- Revenue Initiatives
  - ▣ Development of successor plan to the Medi-Cal Waiver
  - ▣ Federal Stimulus
  - ▣ COVID funding under CARES Relief and Governor's Budget
  - ▣ Significant potential, but allocation details unknown
- Expenditure Initiatives
  - ▣ COVID Response will be developed centrally
  - ▣ Behavioral Health initiatives will engage key stakeholder groups
  - ▣ Both will be delayed until later this Spring.\

# General Fund Reduction Target Strategy

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- DPH 7.5% General Fund Reduction targets are \$59.5 million annually with a \$19.9 million 2.5% contingency
- Will continue to evaluate revenue opportunities to help meet reduction targets
- Make every effort to avoid service reductions
- Limit the number of new initiatives to focus on the existing strategic priorities

# Policy Priorities

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## Mayoral Policy Priorities

- Continuing to respond to COVID-19
- Prioritizing programs with demonstrated outcomes centered around equity
- Implementing homelessness and mental health programming
- Supporting small business and economic recovery

## Additional DPH Priorities

- Focusing on the development of the new Medi-Cal Waiver, (Cal-AIM)

# Responding to COVID-19

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- Sustaining and tailoring our existing response in the long term including:
  - Testing
  - Community Outreach and Prevention
  - Case Investigation & Contact Tracing
  - Isolation and Quarantine units
  - Hospital and Clinical Capacity
  - Outbreak Management
  - Vaccinations
- Process will be run through Centralized COVID Command (C3), Mayor and Controller's Office and take place through the Spring
- No updates in our February budget submission



# Health Equity

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- New **trainings and data collection** to support diversity, equity and inclusion in hiring, discipline, and promotion as outlined in the DPH Racial Equity Action Plan.
- Establish **community engagement** standards and resources with staff training and new technology to increase communication.
- Continue development of workflows and resources to improve access and quality of care for groups burdened by **health disparities**.
- Administering \$36 million of **new ongoing programming** budgeted in FY 2020-21

# Behavioral Health Reform

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Implementing strategic priorities around MHSF and Our City, Our Home (Prop C) legislation including:

1. Increasing Treatment Bed Capacity, including site acquisition
2. Establishing an Office of Coordinated Care and Expanding Case Management
3. Creating a New Street Crisis Response Team
4. Expanding hours at Behavioral Health Access Center and Pharmacy to increase access to care
5. Increasing our services in shelters and permanent supportive housing

# Behavioral Health Next Step

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- DPH has established a governance and project management structure for the MHSF program
- MHSF Implementation Working Group established in December will make recommendations to DPH regarding services
- Continue work with Our City, Our Home Committee (OCOH) to design additional services supported by Proposition C funding
- Begin hiring of new and vacant positions
- Program planning development to continue through the Spring

# Other Key Areas of Focus – Cal-AIM

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## □ Medi-Cal Healthier California for all:

Current waiver that provides DPH approximately \$150 million in annual net revenue expires at the end 2021. State is developing successor program renewals aimed at:

- Identifying and managing member risk and need
- Reducing complexity and increasing flexibility in the Medi-Cal system
- Improving quality outcomes and driving delivery system transformation through value-based initiatives, modernization of systems and payment reform.

# Other Key Areas of Focus – Cal-AIM

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- Updated proposal was released with the Governor's Budget
- Builds upon prior incentive payment programs such as GPP/PRIME and Whole Person Care
- Value based approach requires significant planning needed to ensure DPH is positioned to maximize revenue
- Next meeting will include an update on the Waiver Process

# Next Meeting

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- Present balancing plan for meeting General Fund reduction target
- Request for Health Commission approval of proposed budget for submission to Controller and Mayor's Office
- Development of Behavioral Health and COVID-19 Response will be developed in conjunction with key stakeholders this spring