

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

January 19, 2021

Agenda

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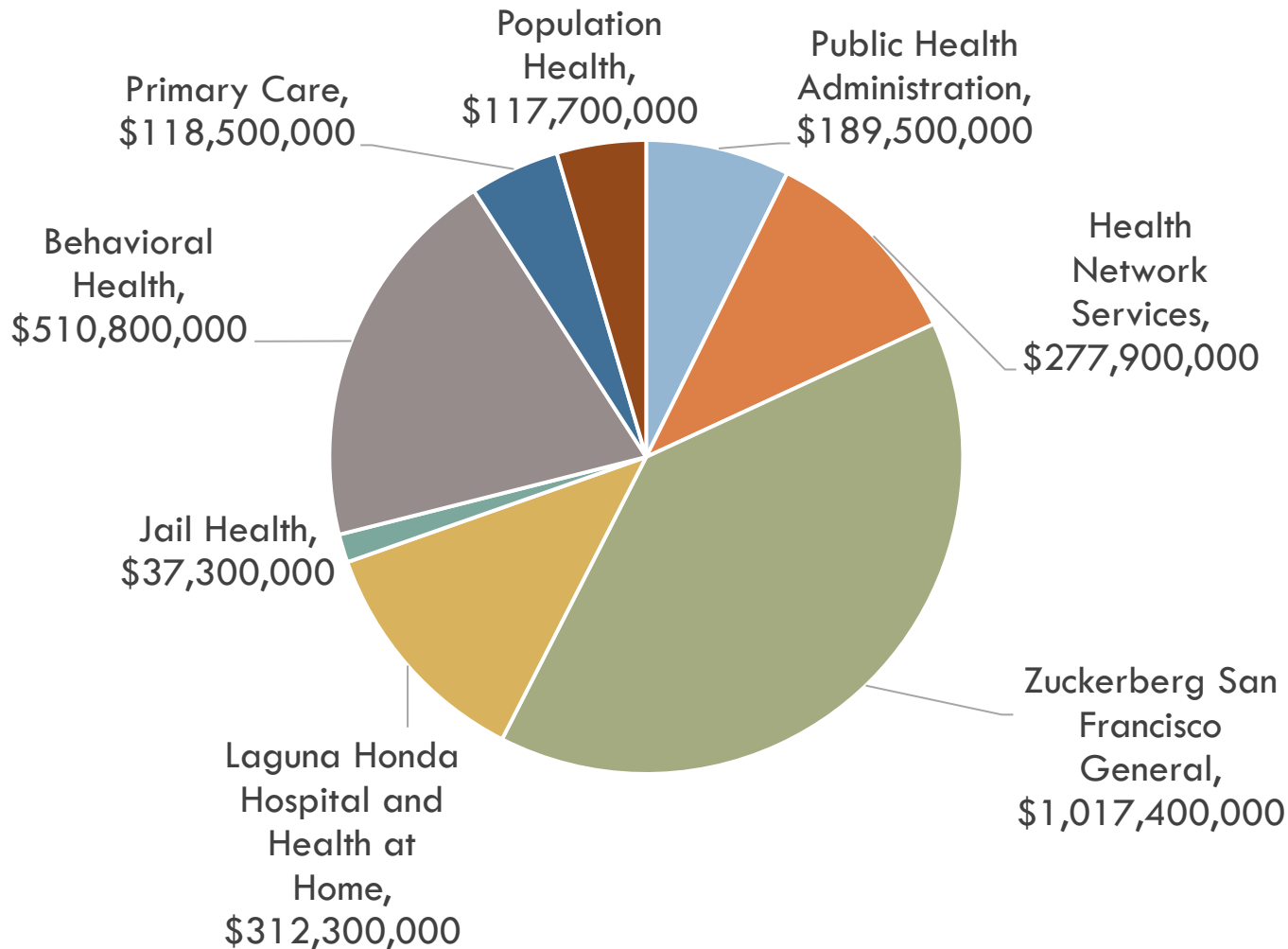
- Overview of DPH's Budget
 - ▣ Review of Base Budget for Divisions
 - ▣ Projected Salary Spending in Current Year
- Five-Year Financial Projection and Mayor's Budget Instructions
- Context and Approach for FY 2021-22 and FY 2022-2023 Budget Development
- Department Goals and Areas of Focus

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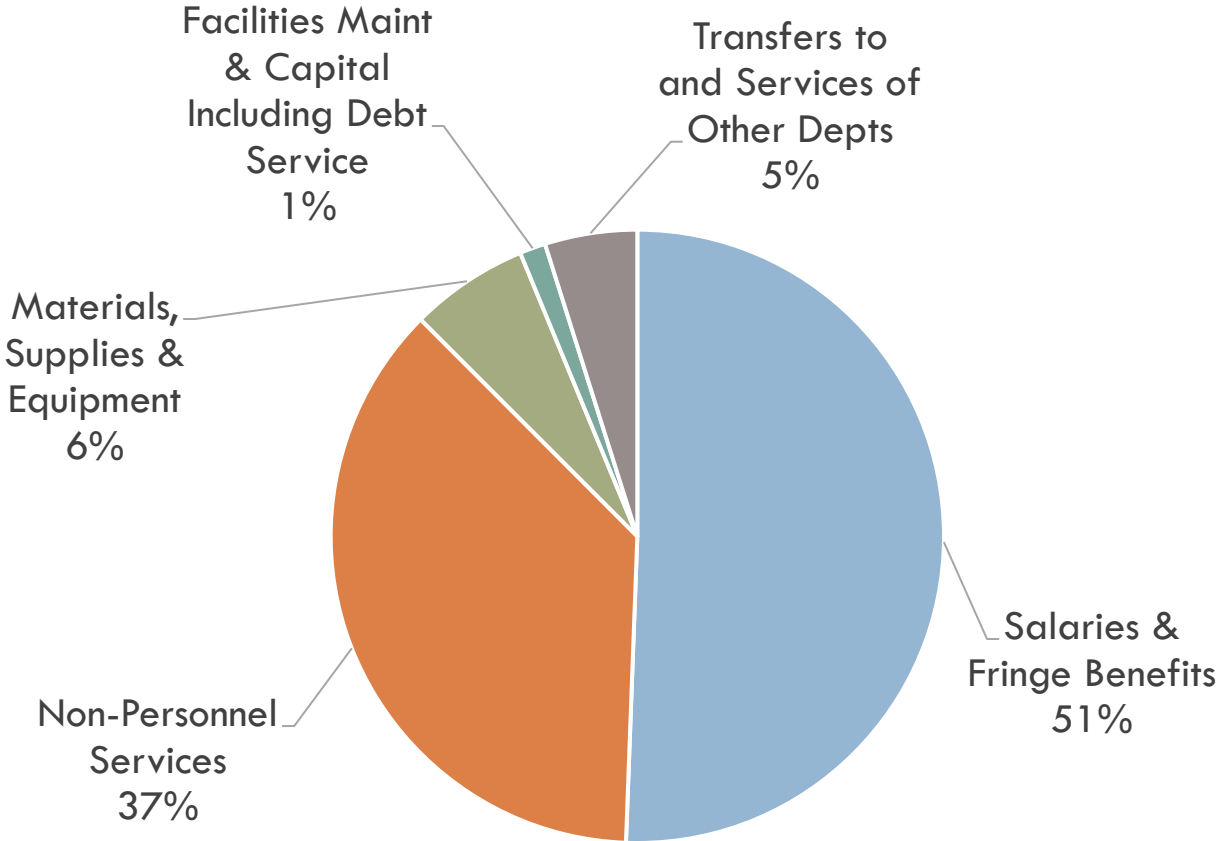
DPH Budget Overview

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

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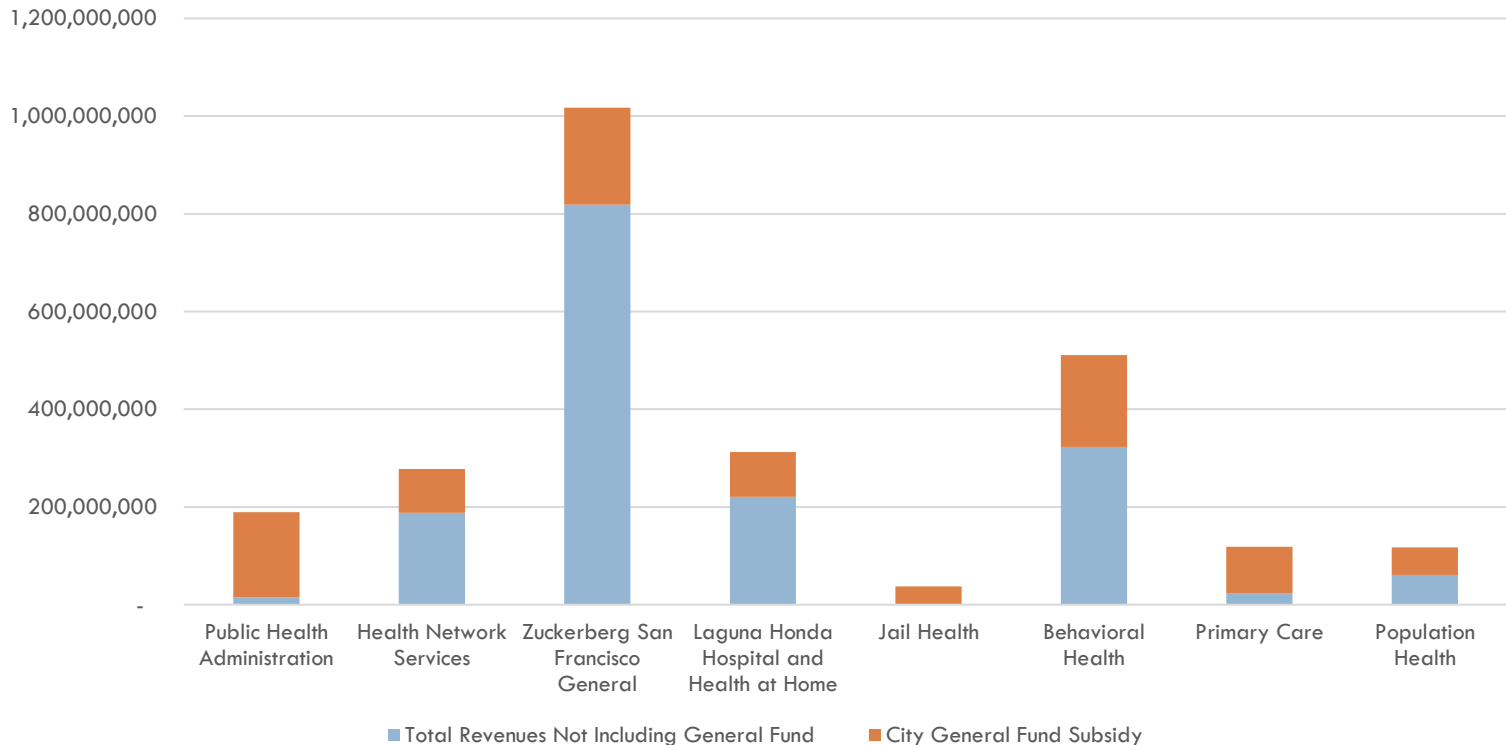


Budgeted Expenses by Type



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
	-	-	-	-	-
Uses	-	-	-	-	-
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)
Projected Cumulative Surplus / (Shortfall)	(411.1)	(242.1)	(351.7)	(441.3)	(531.3)
Two Year Deficit	(653.2)				

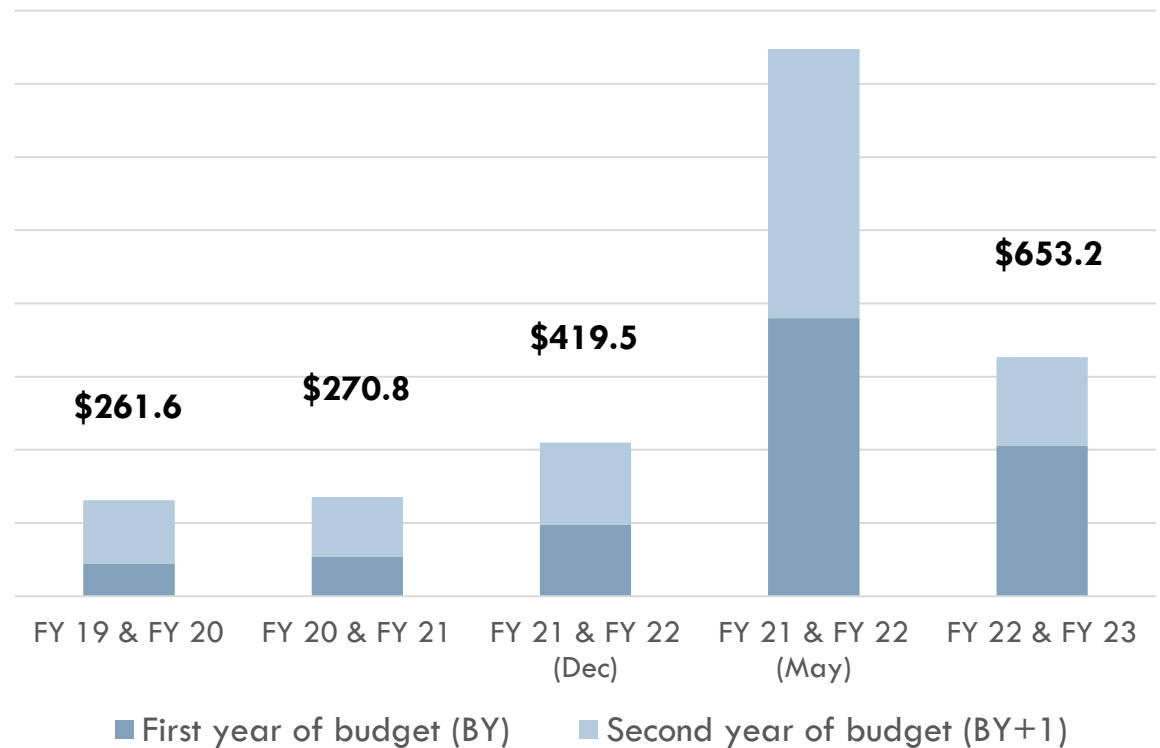
Overview: Fiscal Outlook

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