DEPARTMENT OF PUBLIC HEALTH

FY 15-16 & 16-17 BUDGET

February 3, 2015
**FY15-17 Financial Outlook**

- City General Fund situation continues to improve, but still facing modest $15.9 and $88.3 M deficits for FY 15-16 and FY 16-17, respectively.

- City departments are instructed to reduce their GF by 1% reduction target for year 2. For DPH, this is a $6.2 M reduction target in FY 16-17.
Revenue Uncertainty

Revenue streams continue to shift with Healthcare Reform

- Future Disproportionate Share Hospital Revenue Adjustments
- Realignment “Claw Back”
- Dual Eligibles Managed Care Conversion
- Pilot 1115 Medi-Cal Waiver
Continued implementation and follow-through on past initiatives

- Significant prior year investments in DPH’s service delivery system over the past two budgets in anticipation of the ACA to improve and expand access

- Preparing for the New San Francisco General Hospital
DPH Budget Strategies – Vulnerable Populations

Strategies Include:

- Maintaining Community Programs Funding by restoring remaining $8.8 M reduction
- Increasing access to housing and respite services
- Investing in Population Health
- Implementing African American Health Initiative
- Getting to Zero to eliminate new HIV infections
DPH Budget Strategies - IT

Long-Term Investments In Information Systems for Financial Health

- Act on recommendations from prior studies to strengthen and modernize basic infrastructure
- Implement ICD-10
- Develop an integrated electronic medical record
- Minimize financial risk due to unsupported billing programs
IT Health Assessment

- **Infrastructure: Unstable & Slow**
  - End of life
  - Out dated design
  - Stalled or delayed initiatives
  - Increasing operational cost

- **Structure & Governance: In Transition**
  - New industry standard structure and governance Model
  - Roles and Responsibilities
  - Culture change to empowerment and ownership

- **Support & Capabilities: Significant Gaps**
  - Leadership and Technical Skills
  - Clinical staff training & system optimization-Clinical Informatics Team
  - IT Teams unable to meet current tasks and projects
Strategy to Meet the Future

- **Strong Infrastructure Foundation**
  - 2014-2015
  - Basic Medical Grade Infrastructure in place to start Implementation of EHR

- **Effective IT and Clinical Support Teams & Due Diligence and Planning**
  - 2014-2015
  - Next Generation Electronic Health Record System Functions

- **Next Generation Electronic Health Record System Functions**
  - 2016-2017

- **Integrated Health Information System Across Continuum of Care**
  - 2018+
  - Mature Medical Grade Infrastructure in place to Roll-out EHR
Business Challenge: ~$223 M of Investment over the next 5-7 years

The conclusion of the consultant studies and internal evaluations is that DPH will need to invest up to ~$223 million over the next 5-7 years to bring its systems up to current health care industry standards, including and integrated EMR.

**Stabilize and Upgrade Infrastructure**
- Challenge: $30+ Million Infrastructure Landscape at end of life-Funding challenges due to peaks and valleys resource and $ need to refresh
- Strategy: Stabilize spend cycle-Move to 5 Year refresh cycle ($6 Million/Year) for predictive infrastructure lifecycle management
- Risk: Refresh effort will lag behind need until we catch up

**Right Size Support Capabilities and EMR Build Team**
- Challenge: IT Team is understaffed to meet current (support) and future (EHR build) needs
- Strategy: Budget for increase in staffing to prepare for EHR build and support in FY15-17 (Approximately 100+ net add to existing staff)
- Risk: Hiring process and funding can impact readiness
FY 15-17 Proposed Budget

February 3 budget initiatives are the first step in the budget process:

- Meets Mayor’s year 2 General Fund savings target
- Restores prior-year reduction to the Community Programs RFP budget

Next step is to achieve a balance between ACA and public health implementation and investments in IT, financial stability

Scheduled for March 3 for draft balancing plan, continued work with Mayor’s Office through June 1
## FY 15-17 Proposed Budget

<table>
<thead>
<tr>
<th></th>
<th>15-16 GF Savings / (Cost)</th>
<th>16-17 GF Savings / (Cost)</th>
<th>2 Year Net Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SFGH and Primary Care Baseline Revenue</td>
<td>9,328,323</td>
<td>9,114,717</td>
<td></td>
</tr>
<tr>
<td>LHH Baseline Revenues</td>
<td>-</td>
<td>3,007,324</td>
<td></td>
</tr>
<tr>
<td>2011 Realignment</td>
<td>1,738,000</td>
<td>1,738,000</td>
<td></td>
</tr>
<tr>
<td>Subtotal Revenues</td>
<td>11,066,323</td>
<td>13,860,041</td>
<td></td>
</tr>
<tr>
<td><strong>Emerging Needs/Target</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Target Reduction</td>
<td>-</td>
<td>(6,191,218)</td>
<td></td>
</tr>
<tr>
<td>Restore RFP Reduction</td>
<td>(8,843,948)</td>
<td>(8,843,948)</td>
<td></td>
</tr>
<tr>
<td>Subtotal Needs</td>
<td>(8,843,948)</td>
<td>(15,035,166)</td>
<td></td>
</tr>
<tr>
<td><strong>DPH Current Balancing</strong></td>
<td>2,222,375</td>
<td>(1,175,126)</td>
<td>1,047,250</td>
</tr>
<tr>
<td>Initiatives Not Affecting Target</td>
<td>15-16 GF Savings / (Cost)</td>
<td>16-17 GF Savings / (Cost)</td>
<td></td>
</tr>
<tr>
<td>---------------------------------------------------------------------</td>
<td>---------------------------</td>
<td>--------------------------</td>
<td></td>
</tr>
<tr>
<td><strong>Inflationary</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pharmacy, Master Lease Housing, Food and Laundry</td>
<td>-</td>
<td>(2,880,049)</td>
<td></td>
</tr>
<tr>
<td><strong>Budget Neutral</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Environmental Health Fee Adjustments</td>
<td>n/a</td>
<td>n/a</td>
<td></td>
</tr>
<tr>
<td>Physician Staff Increase at General Medical Clinic</td>
<td>n/a</td>
<td>n/a</td>
<td></td>
</tr>
</tbody>
</table>
Next Steps

- March 3rd – Additional Health Commission Budget Hearing
- June 1 – Mayor’s Balanced Budget Submission
- June – Board of Supervisors Budget (BOS) Hearings
- Mid-July – Final BOS approval of Budget