



Edwin M. Lee,
Mayor

Greg Wagner,
Chief Financial Officer

MEMORANDUM

June 1, 2016

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

FROM: Greg Wagner, Chief Financial Officer *EW*

THROUGH: Barbara Garcia, Director *AWC for*

RE: **FY 2016-17 and 2017-18 Proposed Budget – June Update**

On May 31, the Mayor's Office released its proposed budget for FY 2016-17 and 2017-18. At the June 7th Commission meeting we will update you on the implications of the Mayor's proposed budget to Department of Public Health. As you recall, the Commission approved a balanced budget submission with significant investments in behavioral health services, population health and infrastructure. The proposal also showed the remaining need for appropriation to the Electronic Health Record (EHR) project, with a detailed funding plan still under discussion with the Mayor's Office.

The Mayor's Proposed budget for FY 2016-17 and 2017-18 includes significant new investments, with a focus on homelessness, violence prevention and police reforms, and quality of life in neighborhoods. We are pleased to report that the budget includes full funding for the EHR project for FY 16-18 and several other key service enhancements. There are no service reductions included in the proposed budget. In addition, the Mayor's budget includes the creation of the Department of Homelessness and Supportive Housing, and the transfer of several DPH programs to the new department. These changes are described below and in the attached summary.

Electronic Health Records

During FY 2015-16, DPH has funded a significant portion of the two-year need for the EHR project through budget appropriations and hospital revenues, leaving a remaining need for the upcoming two year budget of \$31.4 million in additional appropriation. This funding gap is closed in the Mayor's proposed budget using re-appropriation of existing project balances and appropriation of surplus year-end funds within DPH, leaving the project fully funded without requesting General Fund dollars through the City Committee on Information Technology.

EHR IMPLEMENTATION COSTS - PROPOSED FOR FY 16-17 AND 17-18 BUDGET

Implementation Costs	FY17	FY18	2-Year Total
Gross New Appropriation Needed	\$ (32,917,826)	\$ (51,580,269)	\$ (84,498,095)
Sources			
DPH 16-18 Base Budget	\$ 9,146,945	\$ 9,146,945	\$ 18,293,891
Prior Year Unspent Balance	\$ 9,800,000	\$ -	\$ 9,800,000
Prior Year Hospital Revenue Transfers-In	\$ 25,000,000		\$ 25,000,000
Project Fund Reappropriations	\$ 10,956,914		\$ 10,956,914
DPH FY 15-16 revenue and expenditure surplus	\$ 20,447,290		\$ 20,447,290
Total Sources	\$ 75,351,149	\$ 9,146,945	\$ 84,498,095
Surplus/(Shortfall)	\$ 42,433,323	\$ (42,433,323)	\$ (0)

Additional Enhancements

\$0.9 million Violence Prevention Programs – Mayor’s Budget includes the Street Violence Intervention Program and adding three additional staff to the Crisis Response Team.

\$1.0 million for HIV Prevention and Services -- As in years past, the Mayor’s Office backfills all federal reductions to HIV Health Services and HIV Prevention funding. As a result, DPH’s budget maintains a total of \$443,000 of services - \$60,000 in HIV Health Services and \$383,000 in HIV Prevention for services in San Francisco. In addition, the Mayor’s Budget includes \$600,000 of new funding for community grants for neighborhood specific services in underserved communities for PrEP navigation, clinical services, case management, and admin support.

\$1.8 million for HOPE SF Wellness Centers - As HOPE SF housing continues to be redeveloped, the City is identifying permanent sites for the place-based Wellness Centers. While the prior year budget included staffing for the multidisciplinary team, the Mayor’s FY 2016-18 budget includes \$1 million in one-time capital construction costs and \$715,000 of annual facilities operating costs for wellness centers at Sunnydale, Alice Griffith, Hunters View and Potrero Hill. In FY 17-18, the City will also continue \$1.2 million peer educator program that was initially supported by a private grant.

\$2.5 million to Increase Capacity at Behavioral Health Center (BHC) – Two programs will increase their capacity at the Behavioral Health Center. First, staffing will increase at Mental Health Rehabilitation Center (MHRC) to support an additional 10 beds to improve access to treatment for the increasing number of forensic referrals. Second, staffing the Residential Care Facility (RCF) on the second floor will increase to support an additional 23 beds in to allow San Francisco residents to step down from secure placements to a residential setting that continues to support their behavioral health needs.

\$250,000 Children's Oral Health Services in Low-Income Communities – The proposed budget funds initiatives proposed by the Chinatown Oral Health Task Force, as well as support the creation of similar task forces in the Bayview and the Mission, to improve children’s oral health in low-income communities.

\$325,000 Transgender Youth Services – The proposed budget includes funding for the UCSF Child and Adolescent Gender Center, which offers comprehensive medical and psychological care to gender non-conforming/transgender youth and adolescents. This funding would allow them to increase staffing and services.

\$7 million for furniture, fixtures and equipment (FF&E) and moving costs for Building 5 and Southeast Health Center – In anticipation of the passage of the Public Safety Bond which include renovation of the Building 5 on the ZSFG campus and the Southeast Health Center, the Mayor's budget includes one-time costs related to these capital projects.

\$23.9 million for Remodel of the LHH administration building - The Mayor's proposed budget includes \$23.8 million in funding for capital projects at Laguna Honda Hospital. This funding includes \$15 million to complete improvements to the loading dock area in the new hospital, and demolish wings F and G of the old hospital building. These improvements were initially part of the Laguna Honda rebuild program, but were deferred due to funding constraints. An additional \$8.8 million in funding is proposed to improve deficient building systems including the HVAC system, boilers, and elevators serving administrative staff currently located in the old building. These projects are funded with surplus one-time hospital revenues due to the State's reversal of prior year reductions to skilled nursing facility rates and re-appropriation of capital project funds from within Laguna Honda.

Transfers To/From Other City Agencies

The Mayor's FY 2016-17 budget includes a number of transfers that affect DPH. While from the DPH perspective these transfers may appear as a reduction or increase in total budget, from a city-wide perspective these changes are cost-neutral and do not represent any loss of service.

Homeless and Supportive Housing Services - Most significantly, DPH transferred a total of \$42.5 million of services to the new Department of Homeless and Supportive Housing. This transfer included \$9 million for the Homeless Outreach Team, \$32.1 million for supportive housing and \$1.4 million in other homeless services. Along with additional transfer of programs from the Human Services Agency and the Mayor's Office on Housing and Community Development, this new department will have a budget of approximately \$220 million. This consolidated department will be focused on preventing and ending homelessness for people in San Francisco.

Scattered Site Housing - In addition, DPH will transfer \$2.9 million Scattered Site housing program formerly under the Housing and Urban Health Division to the Human the Department of Adult and Aging Services (DAAS), under the Human Services Agency as well as a \$250,000 contract for adult day health services.

Emergency Medical Services Agency - Starting in FY 17-18, the Department of Emergency Management will transfer the Emergency Medical Services Agency to DPH. The movement of EMSA to DPH unifies reporting structure to ensure uniform priorities regarding emergency medical services and improved policy development and management of EMSA. A total of 1.2 million will be transferred including 5 FTE.

Centralization of IT and HR - Finally, to improve reporting and transparency, DPH has centralized most of its information technology (IT) costs and human resources (HR) costs into

central administration. This is a net neutral change for the department that moves costs out of ZSFG, LHH, Primary Care and other divisions and into the Public Health division.

Revenue Changes

Due to an adjustment in our expected baseline for Medical 1115 Waiver, for the Global Payment Plan (GPP) and Public Hospital Redesign and Incentives (PRIME), DPH was also able to budget an additional \$3,474,500 million in FY 16-17 and \$2,807,000 in FY 17-18 in revenue. ZSFG also did a neutral correction its budgeted revenues swapping \$20 million of capitated revenues for fee for service to more accurately reflect our expected revenue streams. Because of the financing arrangements in the new waiver and associated supplemental funding sources, the budget also includes a reduction of almost \$55 million in annual matching Intergovernmental Transfer payments (which appears as a reduction in expenditures for nonpersonnel services). Despite increases in the public health division due to the centralization of IT and HR costs, this change results in an overall lower budget in the Public Health division. There is, however, no impact to services or the operations of the Public Health Division as a result of these changes.

Next Steps

The budget will now move forward for review and approval by the Board of Supervisors Budget and Finance committee on June 17th and June 23rd. Following committee approval of the budget, the Full board will hear the budget on July 19th and 26th. We will continue to keep you updated of any major changes that may occur.

