Overview

1. Overview
2. Historical Context
3. Current Budget/Financials
4. Baseline 5-Year Projection
5. Key areas of focus for 5-Year Planning
   - Value-Based Payments
   - Managed Care/Contracted Business
   - 1115 Waiver
   - UCSF Responsibilities
   - EHR Preparedness
   - Capital and Facilities
6. Alternative 5-Year Scenarios
7. Discussion
Overview

Key questions for 5-Year Financial Planning

- How can we serve our patients while keeping the amount of General Fund Subsidy required at a reasonable level the City can afford?
- What do we know (and not know) about what the financial environment will look like for DPH in 5 years? 10 years?
- Given changes in State and Federal policy/regulatory environment, how do our operations and payer mix need to change to ensure we fulfill our mission?
- With managed care enrollment growth plateauing 3 years after ACA, what steps do we need to take to maintain and grow revenue from these lines of business?
- What changes should we expect in SF over the coming decade – economic, demographic, etc. – and how do they affect financial planning and decision making?
- How do we prepare for the next economic downturn, and ensure services are insulated from impacts of economic cycles?
Prior to ACA, the gap between DPH revenues and expenditures was projected to grow rapidly absent corrective actions.
2. Historical Context

Historical Pattern of Deficits

DPH consistently overspent its salary budgets during the 2000s and early 2010s.

[Bar chart showing salary savings/deficits for years 2006-2013]
Prior to ACA, the gap between DPH revenues and expenditures was projected to grow rapidly absent corrective actions.

=> General Fund support has grown, but slower than projected.
2. Historical Context
Historical Pattern of Deficits

DPH consistently overspent its salary budgets during the 2000s and early 2010s. => The Department is currently on track to finish its third consecutive year of managing personnel spending within budget.
2. Historical Context

DPH Budget Grows By $0.64 Billion Between 2010-11 and 2017-18
2. Historical Context
Revenue and Expenditure By Type

### DPH Revenues By Type 2009 to 2018

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<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Medi-Cal</td>
<td>250,102,956</td>
<td>318,359,436</td>
<td>409,295,278</td>
<td>431,353,783</td>
<td>577,111,822</td>
<td>613,310,317</td>
<td>586,882,729</td>
<td>625,951,987</td>
<td>624,779,979</td>
<td>606,029,235</td>
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<td>166,425,000</td>
<td>145,003,600</td>
<td>136,218,800</td>
<td>137,867,500</td>
<td>138,106,000</td>
<td>143,651,000</td>
<td>136,080,000</td>
<td>136,260,000</td>
<td>155,800,000</td>
<td>146,610,000</td>
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<tr>
<td>Medicare</td>
<td>78,562,054</td>
<td>83,841,146</td>
<td>89,168,086</td>
<td>96,992,857</td>
<td>101,505,093</td>
<td>100,219,835</td>
<td>96,451,005</td>
<td>108,834,218</td>
<td>106,786,393</td>
<td>106,786,393</td>
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<tr>
<td>Fees/Recovery/Fund Balance/Misc</td>
<td>89,113,033</td>
<td>86,916,026</td>
<td>69,529,464</td>
<td>65,738,097</td>
<td>65,133,149</td>
<td>65,175,688</td>
<td>74,034,795</td>
<td>96,140,714</td>
<td>148,649,044</td>
<td>104,696,531</td>
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<td>State and Other Grants</td>
<td>62,950,470</td>
<td>71,574,648</td>
<td>162,797,007</td>
<td>43,736,295</td>
<td>41,997,054</td>
<td>74,104,565</td>
<td>128,905,252</td>
<td>137,237,506</td>
<td>132,766,468</td>
<td>136,709,735</td>
</tr>
<tr>
<td>Special Revenue/Project Funds</td>
<td>282,633,221</td>
<td>160,755,639</td>
<td>108,793,858</td>
<td>140,402,016</td>
<td>131,335,675</td>
<td>149,313,965</td>
<td>70,051,703</td>
<td>35,123,836</td>
<td>46,240,880</td>
<td>38,961,153</td>
</tr>
<tr>
<td><strong>Total DPH</strong></td>
<td>1,165,217,320</td>
<td>1,129,642,440</td>
<td>1,205,832,328</td>
<td>1,214,029,335</td>
<td>1,228,771,833</td>
<td>1,354,872,921</td>
<td>1,370,112,347</td>
<td>1,397,042,485</td>
<td>1,451,287,106</td>
<td>1,390,324,760</td>
</tr>
</tbody>
</table>

| **Year over Year % Change in GF** | -16.3% | -25.8% | 42.4% | 22.9% | 24.0% | 10.9% | 3.7% | -4.6% | 17.1% |
| **General Fund as a % of Budget** | 26.1% | 23.3% | 17.5% | 22.9% | 24.0% | 31.0% | 31.3% | 29.5% | 33.9% |

ZSFG Medi-Cal revenue reflected is net revenues which excludes SB855 IGT payment of which is reflected in Medi-Cal revenues under the Public Health Division.

*2017-18 as proposed in FY 16-18

** In FY 2010-11, DPH budgeted $88 M in one time hospital fee revenues, temporarily reducing general fund support.

### DPH Expenditures By Type 2009-2018

<table>
<thead>
<tr>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries &amp; Fringe Benefits</td>
<td>713,263,227</td>
<td>720,748,948</td>
<td>726,117,606</td>
<td>755,640,499</td>
<td>809,887,764</td>
<td>896,159,745</td>
<td>951,930,496</td>
<td>999,582,272</td>
<td>1,061,287,295</td>
<td>1,090,569,059</td>
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<tr>
<td>Non-Personnel Services</td>
<td>480,871,858</td>
<td>514,667,574</td>
<td>560,242,713</td>
<td>632,459,378</td>
<td>650,721,536</td>
<td>744,570,391</td>
<td>723,263,751</td>
<td>767,954,904</td>
<td>711,635,334</td>
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</tr>
<tr>
<td>Materials &amp; Supplies</td>
<td>105,766,900</td>
<td>87,240,722</td>
<td>88,212,529</td>
<td>93,261,662</td>
<td>102,142,507</td>
<td>107,738,906</td>
<td>614,148,840</td>
<td>636,954,904</td>
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<td></td>
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<tr>
<td>Facilities Maint &amp; Capital</td>
<td>182,840,570</td>
<td>75,723,327</td>
<td>16,733,526</td>
<td>18,751,920</td>
<td>29,153,670</td>
<td>24,311,789</td>
<td>31,690,412</td>
<td>31,690,412</td>
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<td></td>
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<tr>
<td>Services of Other Depts</td>
<td>145,003,600</td>
<td>136,218,800</td>
<td>137,867,500</td>
<td>138,106,000</td>
<td>143,651,000</td>
<td>136,080,000</td>
<td>136,260,000</td>
<td>155,800,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,165,217,320</td>
<td>1,129,642,440</td>
<td>1,205,832,328</td>
<td>1,214,029,335</td>
<td>1,228,771,833</td>
<td>1,354,872,921</td>
<td>1,370,112,347</td>
<td>1,397,042,485</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

| **Percent Growth From Prior Year** | -6.5% | -0.9% | 8.0% | 6.2% | 13.9% | 4.0% | 2.5% | 1.2% |

Average Annual Growth: 3.4%
2. Historical Context

DPH Position Authority, 2002-03 to 2017-18*

*As proposed in 2016-18 Budget
2. Historical Context
General Fund as a Percentage of DPH’s Budget

Note: FY 10-11 DPH budgeted $88 M in one-time Hospital Fee Revenue, reducing GF support temporarily.
3. Overview of Current Budget and Financials

### Expenditures by Division and Type

<table>
<thead>
<tr>
<th>Division</th>
<th>Salaries &amp; Fringe Benefits</th>
<th>Non-Personnel Services</th>
<th>Materials &amp; Supplies</th>
<th>Equipment</th>
<th>Facilities Maint &amp; Capital Including Debt Service</th>
<th>Transfers to and Services of Other Depts</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health at Home</td>
<td>7,280,206</td>
<td>304,294</td>
<td>106,776</td>
<td>-</td>
<td>-</td>
<td>76,416</td>
<td>7,767,692</td>
</tr>
<tr>
<td>Jail Health</td>
<td>27,037,794</td>
<td>856,992</td>
<td>3,159,202</td>
<td>-</td>
<td>612,063</td>
<td>33,666,051</td>
<td></td>
</tr>
<tr>
<td>Laguna Honda Hospital</td>
<td>192,573,295</td>
<td>2,042,829</td>
<td>19,929,287</td>
<td>28,732,359</td>
<td>14,190,283</td>
<td>17,360,667</td>
<td>274,828,720</td>
</tr>
<tr>
<td>Mental Health</td>
<td>84,912,353</td>
<td>206,828,223</td>
<td>7,260,832</td>
<td>-</td>
<td>3,694,908</td>
<td>302,830,521</td>
<td></td>
</tr>
<tr>
<td>Primary Care</td>
<td>75,900,631</td>
<td>4,934,252</td>
<td>2,788,730</td>
<td>2,906,000</td>
<td>3,612,063</td>
<td>90,904,673</td>
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<tr>
<td>Public Health</td>
<td>171,394,587</td>
<td>236,330,604</td>
<td>8,987,318</td>
<td>64,827</td>
<td>24,612,559</td>
<td>443,223,295</td>
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<td>Substance Abuse</td>
<td>10,249,416</td>
<td>57,640,492</td>
<td>326,600</td>
<td>-</td>
<td>264,043</td>
<td>68,480,551</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>1,061,287,295</strong></td>
<td><strong>717,147,532</strong></td>
<td><strong>118,196,948</strong></td>
<td><strong>18,945,804</strong></td>
<td><strong>102,745,226</strong></td>
<td><strong>2,058,876,439</strong></td>
<td><strong>100.00%</strong></td>
</tr>
</tbody>
</table>

| Source: Annual Appropriation Ordinance (AAO) |

### Revenues by Division and Type

<table>
<thead>
<tr>
<th>Revenues</th>
<th>Medi-Cal</th>
<th>State Realignment</th>
<th>Medicare</th>
<th>Patient Revenues</th>
<th>Transfers and Recoveries From Other Departments</th>
<th>Fees</th>
<th>State and Other Grants</th>
<th>Special Revenue/Project Funds</th>
<th>Total Revenues Not Including General Fund</th>
<th>City General Fund Subsidy</th>
<th>Percent General Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>Zuckerberg San Francisco General</td>
<td>252,243,563</td>
<td>57,250,000</td>
<td>91,779,521</td>
<td>220,445,311</td>
<td>34,182,896</td>
<td>9,195,141</td>
<td>2,387,066</td>
<td>-</td>
<td>668,483,498</td>
<td>168,691,138</td>
<td>20.2%</td>
</tr>
<tr>
<td>Health at Home</td>
<td>114,372</td>
<td>-</td>
<td>1,497,447</td>
<td>388,450</td>
<td>-</td>
<td>271,003</td>
<td>-</td>
<td>-</td>
<td>2,271,272</td>
<td>5,496,420</td>
<td>70.8%</td>
</tr>
<tr>
<td>Jail Health</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>678,975</td>
<td>-</td>
<td>-</td>
<td>678,975</td>
<td>32,987,076</td>
<td>98.0%</td>
</tr>
<tr>
<td>Laguna Honda Hospital</td>
<td>154,548,864</td>
<td>-</td>
<td>8,000,783</td>
<td>350,391</td>
<td>23,583,695</td>
<td>843,740</td>
<td>14,301,649</td>
<td>-</td>
<td>201,629,122</td>
<td>73,199,598</td>
<td>26.6%</td>
</tr>
<tr>
<td>Mental Health</td>
<td>77,622,369</td>
<td>65,840,000</td>
<td>1,648,139</td>
<td>617,600</td>
<td>19,101,282</td>
<td>5,456,151</td>
<td>28,394,396</td>
<td>42,967,730</td>
<td>241,648,032</td>
<td>61,182,789</td>
<td>20.2%</td>
</tr>
<tr>
<td>Primary Care</td>
<td>8,813,070</td>
<td>-</td>
<td>3,859,503</td>
<td>8,203,260</td>
<td>2,584,735</td>
<td>1,813,393</td>
<td>1,646,784</td>
<td>-</td>
<td>26,920,745</td>
<td>63,983,928</td>
<td>70.4%</td>
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<td>Public Health</td>
<td>117,885,768</td>
<td>32,710,000</td>
<td>1,000</td>
<td>6,299,330</td>
<td>13,754,691</td>
<td>33,455,954</td>
<td>67,404,771</td>
<td>3,156,050</td>
<td>274,637,564</td>
<td>168,585,731</td>
<td>38.0%</td>
</tr>
<tr>
<td>Substance Abuse</td>
<td>12,551,973</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>3,365,141</td>
<td>351,882</td>
<td>18,631,822</td>
<td>-</td>
<td>35,017,898</td>
<td>33,462,653</td>
<td>48.9%</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>624,779,979</strong></td>
<td><strong>155,800,000</strong></td>
<td><strong>106,786,393</strong></td>
<td><strong>236,264,342</strong></td>
<td><strong>96,572,440</strong></td>
<td><strong>52,076,604</strong></td>
<td><strong>132,766,468</strong></td>
<td><strong>46,240,880</strong></td>
<td><strong>1,451,287,106</strong></td>
<td><strong>607,589,333</strong></td>
<td><strong>29.5%</strong></td>
</tr>
</tbody>
</table>

| Source: Annual Appropriation Ordinance (AAO) |

1. SFGH Medi-Cal revenue reflected is net revenues which excludes SB855 IGT payment of $88,746,561 which is reflected in Medi-Cal revenues under the Public Health Division.
3. Overview of Current Budget and Financials
‘The General Fund’ vs. General Fund Support

- “The General Fund” is governmental accounting fund that includes a wide range of revenues and types of expenses.
- Within the General Fund is a pool of local tax revenues that may be allocated for any lawful governmental use by the Mayor and Board of Supervisors through the annual budget process.
- “General Fund Support” is an allocation of these discretionary tax dollars received in the General Fund to support a Department’s operations.
- General Fund Support may be allocated to departmental operations within the General Fund itself or in certain other funds.
- Some of DPH’s operations are within the General Fund, some are in other funds (ZSFG, LHH, Grant Funds, etc). Both hospital funds receive a transfer of General Fund Support to close the gap between revenues and expenses, even though they are in separate funds.
- Financial management is focused on the level of General Fund support required across DPH.
3. Overview of Current Budget and Financials
“The General Fund” vs. General Fund Support

- Example 1: DPH’s behavioral health programs are within the General Fund, and receive General Fund Support to close the gap between revenues and expenses.
- Example 2: DPH’s Restaurant Inspection program is within the General Fund, but it recovers its costs through fees, and therefore does not receive budgeted General Fund Support.
- Example 3: Zuckerberg San Francisco General Hospital has its own accounting fund (5H), outside of the General Fund. However, the Mayor and Board of Supervisors each year allocate General Fund Support to subsidize ZSFG’s operations.
- Example 4: Some Departments such as the Port, Airport, or Department of Building Inspection (Enterprise Funds) are wholly outside of the General Fund and do not receive any General Fund Support.
What will the financial environment look like in 5 Years?

- Continued transition toward value-based payments
- Payments and outcome measurements coordinated across boundaries of historical “silos” – e.g., Whole Person Care pilot
- Continued movement away from fee-for-service and toward managed care model
- Continued competition for ACA expansion population, but less movement of population across providers
- Continued reduction of historical State/Fed formula-based payments for uninsured (e.g., DSH, Realignment) – must be replaced with earned revenue
- End of 1115 Waiver
- Adoption of Enterprise EHR Complete
- Major capital and facilities transition underway (movement of OP services to Building 5, relocate staff from 101 Grove, re-use of old LHH wards)
Baseline 5-Year Projection
5A. Transition to Value-Based Payments

Fee for service
Payments based on VOLUME (number, minutes) of visits or procedures without regard for QUALITY or COST.

Value-based payments
Payments or penalties tied to outcomes (quality, experience, cost), rewards providers for effectiveness and efficiency of care.
“Our goal is to have 85% of all Medicare fee-for-service payments tied to quality or value by 2016, and 90% by 2018.” NEJM 1/26/15
## 5A. Transition to Value-Based Payments

### CMS Initiatives

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<thead>
<tr>
<th>Program</th>
<th>Penalty</th>
<th>#measures</th>
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<td>20</td>
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<tr>
<td></td>
<td>1.25%</td>
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<td>1.75%</td>
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<td>Readmits</td>
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<td></td>
<td>1%</td>
<td>4</td>
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<tr>
<td></td>
<td>1%</td>
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## 5A. Transition to Value-Based Payments

**CMS Initiatives**

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<tr>
<th>Year</th>
<th>VBP</th>
<th>Readmits</th>
<th>HAC</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>20</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>2014</td>
<td>24</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>2015</td>
<td>(68,675)</td>
<td>(62,176)</td>
<td>(435,211)</td>
</tr>
<tr>
<td>2016</td>
<td>(65,306)</td>
<td>(86,398)</td>
<td>(123,768)</td>
</tr>
<tr>
<td>2017</td>
<td>(66,952)</td>
<td>(136,952)</td>
<td>0</td>
</tr>
<tr>
<td>2018</td>
<td></td>
<td>0</td>
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</tr>
<tr>
<td>2019</td>
<td></td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>2020</td>
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<td>0</td>
<td></td>
</tr>
</tbody>
</table>

- **VBP**: Program Penalty
- **Readmits**: Program Penalty
- **HAC**: Program Penalty

**Total FY 15-17 ($1.05m)**
5A. Transition to Value-Based Payments

Readiness Analysis

1. DATA ACCURACY AND COMPLETENESS
   • Multiplicity of EHRs
   • Lack of standardization in documentation and coding
   • Incomplete quality data
   • Lack of cost data

2. POPULATION MANAGEMENT
   • Inability to risk stratify
   • Inability to perform subgroup analyses
   • Lack of investment in registry functions
   • Minimal central population management
   • Minimal patient-facing engagement

3. CARE MODELS
   • Multiple programs targeting high users with little coordination or standardization
   • Not driven by population data analysis or projected need, but by funding and champions
   • Care models not linked to outcomes or cost

4. CULTURE
   • Variable culture of data-driven improvement
   • No historical culture of fiscal stewardship
   • Nascent culture of patient experience

5. PROVIDER ALIGNMENT
   • Affiliation agreement and CPG payments not tied to quality or outcomes
   • SFDPH provider compensation not tied to quality or outcome measures
   • SFCCC clinics do not share financial risk in care of jointly capitated patients

6. INSTITUTIONAL ALIGNMENT
   • Financial and operational alignment across SFHN primary care, ZSFG, and LHH/HAH weak given historical independence and existing budgetary silos.

7. MANAGEMENT OF RISK
   • Lack requisite actuarial, underwriting, and financial experience to manage risk
   • Unclear if population large enough to account for outliers and effectively cross-subsidize

Unprepared for new era of value-based payments
5A. Transition to Value-Based Payments

Take Homes

- CMS clearly moving towards value based payments
- For SFHN, Medicare value based payment less important than Medi-Cal
- PRIME is opportunity/challenge to identify our gaps and judiciously invest
- Similar infrastructure and capabilities required regardless of payor: ability to measure and manage risk, utilization, cost, and quality, including patient experience.
- New mindsets and capabilities are required to perform in this new framework.
  - culture of data-driven improvement, fiscal stewardship, and customer service
  - clinical and financial alignment among SFHN Divisions, physicians and key partners such as SFCCC
  - robust data analytic and risk stratification capabilities
  - population management and care models clearly linked to improving quality and reducing cost
5B. Managed Care and Contracts

Agenda

1. Managed Care Medical Services Enrollment
   - San Francisco Health Plan
   - Anthem Blue Cross

2. Total Enrollment
   - Managed Care + Other Programs

3. Capitation Revenue
   - Hospital and primary care

3. Contracting Efforts
5B. Managed Care and Contracts
Medical Services Enrollment, FY 14-15 and 15-16

Hospital Services Only or Hospital + Primary Care

* SFPATH ended Dec 2013
5B. Managed Care and Contracts
SFHN Total Enrollment as of June, 2016

Total Enrollment: Managed Care + Others

Managed Care Medical Enrollment

Managed Care Medi-Cal Enrollment

Managed Care Medical Enrollment | Total Enrollment | Capitation Revenue | Contracting Efforts
5B. Managed Care and Contracts
Capitation Revenue – PC and Hospital Only

DPH Revenue from Managed Care Enrollment has Tripled Over the Past 5 Years

- Capitation Revenue
- Capitation as % Total Operating Revenue
### 5B. Managed Care and Contracts
#### Contracting Efforts Since January, 2015

<table>
<thead>
<tr>
<th>Contracting Party</th>
<th>Type of Efforts</th>
<th>Target Population</th>
<th>Effective Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>SF Health Plan - NEMS</td>
<td>New contract</td>
<td>Medi-Cal, Healthy Kids enrolled with SFHP NMS medical group</td>
<td>Jan. 1, 2015</td>
</tr>
<tr>
<td>Beacon</td>
<td>New contract</td>
<td>Medi-Cal enrolled with SFHP CHN for NSMH services</td>
<td>Jan. 1, 2015</td>
</tr>
<tr>
<td>SF Health Plan</td>
<td>New contract</td>
<td>Third party administrative service agreement</td>
<td>Jul. 1, 2016</td>
</tr>
<tr>
<td>Anthem</td>
<td>Renewal contract</td>
<td>Medi-Cal</td>
<td>Oct. 15, 2016</td>
</tr>
<tr>
<td>Blue Shield</td>
<td>New contract</td>
<td>CCSF employees enrolled thru Hill Physicians</td>
<td>Early 2017 (est.)</td>
</tr>
<tr>
<td>United Health Care</td>
<td>New contract</td>
<td>CCSF employees enrolled in the City’s PPO plan</td>
<td>Mid 2017 (est.)</td>
</tr>
<tr>
<td>SF Health Plan</td>
<td>Amendment</td>
<td>Mitigating SFHN’s financial risk for OON services for MC, HW, HK</td>
<td>Tbd.</td>
</tr>
</tbody>
</table>
5C. 1115 Waiver

Key Financial Components:

- PRIME – Successor to DSRIP
- Global Payment Program (GPP) – Successor to DSH/Safety Net Care Pool
- Whole Person Care – New Program
- Drug Medi-Cal Organized Delivery System
5C. 1115 Waiver
Prime and GPP

- **PRIME**
  - Payments earned through achievement of specified metrics

- **GPP**
  - Payments based on services provided to uninsured patients/clients
  - Over 5 years shifts payment weight away from inpatient and toward preventative/ambulatory

- Both programs require improvements in data collection to maximize payments
- Baseline budget assumes ~77% of max payments earned for FY 16-17 and 17-18
- Program design indicates direction of federal payment policies post-Waiver
5C. 1115 Waiver
Drug Medi-Cal ODS and Whole Person Care

- **Drug Medi-Cal Organized Delivery System**
  - Allows reimbursement for Substance Use Disorder for Medi-Cal eligible clients
  - Baseline budget assumes revenues of ~$6 million in FY 16-17 and $10 million in FY 17-18
  - Challenges for implementation:
    - Dependent on Medi-Cal certification by providers
    - Requires enhanced documentation and compliance to bill successfully
    - Staffing mix and program design must change in some areas to draw funds

- **Whole Person Care**
  - Application-based program; SF submitted application that is currently under review by DHCS
  - Provides funds to improve outcomes for target populations through partnership/collaboration of multiple agencies (e.g., multiple City departments, health plans, CBOs)
  - Payments based on metrics and milestones (with some administrative cost recovery)
  - Upcoming Health Commission discussion of application status
5D. UCSF Budget
Average Spending on Permanent Affiliation Agreement FY15 and FY16

Total Affiliation Agreement
$150.7M

Carve Outs
$93.7M
(62%)

Overhead
$1.1M
(1%)

Physician Salary & Benefits
$55.9M
(37%)
5D. UCSF Budget

Goal of Project

- Develop sustainable budget process for UCSF provider support at ZSFG ($56M) that addresses the following:
  - Links budget process to provider productivity
  - Introduces incentive structure to create alignment with ZSFG True North
  - Keeps AA at FY16 level through FY21 in order to support funding of UCSF ApeX

Note: Physician salaries and benefits are approximately 37% of the total Affiliation Agreement
5D. UCSF Budget
Timeline

- FY16: UCSF Dean’s Office at ZSFG and the UCSF Clinical Practice Group (CPG) conducted detailed department analysis of spending
- Fall 2016: UCSF, ZSFG, and DPH leadership to develop funding model
- Spring 2017: Finalize FY18 budget
- Fall 2017: Evaluate effectiveness and accuracy of model to address any changes for FY19 model
- Spring 2018: Finalize FY19 budget

Note: This will be an ongoing process in partnership with UCSF, ZSFG, and DPH leadership
5E. EHR Preparedness

- $105.3 million budgeted in project to date
- Review of industry experience indicates:
  - Initial drop in revenues due to productivity loss following implementation
  - Eventual uptick of ~3% due to improved documentation, acceleration of cash collection
  - SFHN upside is lower than many systems due to payer mix
- Additional financial benefits:
  - Improved data collection to document outcomes and coordinate across system of care – critical for earning value-based payments
  - Needed for ability to contract with advanced payers
  - Imposes discipline for documentation, standard work
Challenges:

- Managing cost of implementation and ongoing support
- Successful revenue cycle implementation requires deep coordination between finance and operations
- Discipline to adopt “as-is” required to maximize cost savings from retired systems, limit add-ons, customization
- Planning and preparation for process changes to mitigate length and depth of productivity drop at go-live
5F. Capital and Facilities

- **Key Goals:**
  - Proposition A (2016) – Re-use of Building 5 and Primary Care clinic improvements
  - Exit 101 Grove by 2020 (Seismic deficiencies)
  - Long-term space planning to alleviate crowding, anticipated loss of existing office space, mitigate seismic risk

- **Initiatives:**
  - Oversight structure in place for 2016 Bond
  - Studies underway to evaluate options for re-use of ZSFG campus brick buildings, old wings at LHH
  - Capital Plan update and DPH planning retreat winter, 2016

- **Challenges/Risks:**
  - Scope “wish list” vs. available funds
  - Limit operational cost expansion in new facilities
  - DPH will require 2022 G.O. Bond to complete ZSFG campus renovations, consolidation of operations into seismically updated facilities
Overview

Key questions for 5-Year Financial Planning

- How can we serve our patients while keeping the amount of General Fund Subsidy required at a reasonable level the City can afford?
- What do we know (and not know) about what the financial environment will look like for DPH in 5 years? 10 years?
- Given changes in State and Federal policy/regulatory environment, how do our operations and payer mix need to change to ensure we fulfill our mission?
- With managed care enrollment growth plateauing 3 years after ACA, what steps do we need to take to maintain and grow revenue from these lines of business?
- What changes should we expect in SF over the coming decade – economic, demographic, etc. – and how do they affect financial planning and decision making?
- How do we prepare for the next economic downturn, and ensure services are insulated from impacts of economic cycles?
6. Key Areas of Focus for 5-Year Planning

5-Year Plan Scenarios

Planning Scenarios
6. Key Areas of Focus for 5-Year Planning

Proposed areas of focus:

- **Target:** Limit Growth in GF Support to Projected Growth in City Tax Revenue
- **Manage cost growth**
  - EHR – manage implementation and operating budgets
  - New initiatives funded through re-purposing of existing dollars
  - UCSF Physician Costs – use productivity, incentives to guide budgeting
  - Development of cost-management information systems and reporting (cost-accounting system, cost-center level budget vs. actual reporting)
  - Refine and formalize staffing models to match projected volumes (e.g., primary care panels, nurse staffing models)
  - Budget education plan and implementation – ensure DPH staff have an understanding of how their day-to-day work affects financial outcomes
Proposed areas of focus:

- Manage cost growth (Contd)
  - Manage growth in cost of purchased goods and services by leveraging purchasing power, strategic contracting
  - Careful planning for interdepartmental efforts
    - EMS
    - Dept of Homelessness and Supportive Housing
- Capital Projects
  - Financial Oversight and Controls on Capital Projects
  - Manage operating cost impacts associated with Capital Projects
6. Key Areas of Focus for 5-Year Planning

Proposed areas of focus:

- Lean
  - EHR
  - Value-Based Payments: Waiver and Post-Waiver Preparedness
  - Contracts
  - PHD QI Efforts

- Revenue maximization
  - Careful coordination of EHR revenue cycle program between finance and clinical operations
  - Improve Billing in Public Health Clinics
  - Prepare for ongoing changes in PHD grant allocations
6. Key Areas of Focus for 5-Year Planning

Proposed areas of focus:

- Revenue maximization (Continued)
  - Payer Contracting strategy
    - Improving efficiency and revenue from existing contracts
    - Emphasize “foot-in-the-door” contracts with City HSS plans while building capability for larger engagements
    - Design contracts to maintain trauma/emergency revenues at ZSFG
    - Continue business case development for “Centers of Excellence” within SFHN – Births, Transgender services, etc.
    - Align outreach and communication strategy with contracting efforts
6. Key Areas of Focus for 5-Year Planning

Proposed areas of focus:

- Planning for long-term patient population – demographics, economic changes in SF
- Capitated member retention
  - Improve data on reasons for enrollment/disenrollment
  - Targeted efforts to reduce “bad” OOMG costs
  - Patient communications efforts – make sure patients and new enrollees receive information about SFHN and our services