



Edwin M. Lee,
Mayor

Greg Wagner,
Chief Financial Officer

MEMORANDUM

February 28, 2017

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

FROM: Greg Wagner, Chief Financial Officer

THROUGH: Barbara Garcia, Health Director

RE: Revenue and Expenditure Report – 2nd Quarter FY 2016-17

This report presents the second quarter statement of revenues and expenditures for the Department of Public Health for fiscal year 2016-17. These figures are based on revenue collected and billed, and expenses incurred for the fiscal year beginning July 1, 2016. At the end of the second quarter the department projects a net general fund surplus of \$30.0 million. Operating expenditures are above budget by \$2.6 million, and operating revenues are above budget by \$20.8 million. In addition to the balances in the financial statement tables accompanying this report, the City expects to receive \$11.8 million in federal funds for the first year of the Whole Person Care pilot program under the Medi-Cal 1115 Waiver.

Second Quarter Projected FY 2016-17 Surplus/(Deficit)

Division	REVENUES			EXPENDITURES			Surplus/ (Deficit)
	Revised Budget	Current Projection	Surplus/ (Deficit)	Revised Budget	Current Projection	Surplus/ (Deficit)	
Department of Public Health							
ZSFG	\$ 1,109,890,000	\$ 1,123,648,000	\$ 13,758,000	\$ 1,109,890,000	\$ 1,121,999,000	\$ (12,109,000)	\$ 1,649,000
Laguna Honda	\$ 284,830,602	\$ 289,392,917	\$ 4,562,315	\$ 284,830,601	\$ 283,441,598	\$ 1,389,003	\$ 5,951,318
Primary Care	\$ 97,865,000	\$ 100,911,000	\$ 3,046,000	\$ 97,865,000	\$ 97,445,000	\$ 420,000	\$ 3,466,000
Health at Home	\$ 8,209,000	\$ 8,209,000	\$ -	\$ 8,209,000	\$ 7,889,000	\$ 320,000	\$ 320,000
Jail Health	\$ 34,815,000	\$ 34,815,000	\$ -	\$ 34,815,000	\$ 34,350,000	\$ 465,000	\$ 465,000
Public Health	\$ 369,704,692	\$ 369,704,692	\$ -	\$ 369,704,692	\$ 365,804,692	\$ 3,900,000	\$ 3,900,000
Mental Health	\$ 343,299,160	\$ 343,299,160	\$ -	\$ 343,299,160	\$ 340,299,160	\$ 3,000,000	\$ 3,000,000
Substance Abuse	\$ 89,420,728	\$ 88,903,114	\$ (517,614)	\$ 89,420,728	\$ 89,420,728	\$ -	\$ (517,614)
TOTAL DPH	\$ 2,338,034,182	\$ 2,358,882,883	\$ 20,848,701	\$ 2,338,034,181	\$ 2,340,649,178	\$ (2,614,997)	\$ 18,233,704
Anticipated Revenue - Whole Person Care Program							
Year-End Projection							
							\$ 30,033,704

Zuckerberg San Francisco General Hospital: ZSFG projects a surplus of \$1.6 million compared to budget. Revenues are projected to be above budget by \$13.8 million, and expenditures are projected to be above budget by \$12.1 million. Significant variances include:

- \$13.8 million favorable variance in Medi-Cal Waiver revenues (PRIME/GPP). The department expects to exceed budget assumptions for achievement of PRIME metrics and uninsured visits under the GPP program, resulting in a revenue surplus. This surplus is partially offset by \$3.5 million higher-than budgeted operating transfers out for

intergovernmental transfers from the County to pay the non-federal share of these programs.

- \$8.6 million unfavorable variance in salary and fringe benefits. After seven months of operations in the new ZSFG facility, the hospital has identified several areas where practical staffing requirements are higher than anticipated in the planning model. In addition, overtime and per-diem costs have been higher than budget as the hospital works to fill new positions required to meet staffing requirements in the labor MOU approved in summer of 2016. The proposed budget for FY 2017-19 includes corrections to these deficits moving forward.
- \$4.4 million unfavorable variance in capitation revenues due to a reduction in capitation rates from San Francisco Health Plan.
- \$4.3 million favorable variance in patient service revenues, due to higher than budgeted commercial revenues and Medi-Cal fee-for-service revenues.
- \$3.5 million unfavorable variance in operating transfers out as described above, reflecting higher-than-expected intergovernmental transfers required to draw down federal funding.

Laguna Honda Hospital: LHH shows a surplus of \$6.0 million due to:

- \$4.0 million favorable variance in patient revenues due to a higher-than-expected annual increase in the skilled nursing facility per diem rate.
- \$1.4 million favorable variance in salary and fringe benefits.

Health at Home: Health at Home shows a \$0.3 million year end surplus due to savings in salaries and fringe benefits.

Primary Care: Primary Care shows a \$3.4 million surplus. Revenues are above budget by \$3.0 million due to favorable capitation revenues. Expenditures are below budget by \$0.4 million.

Jail Health Services: Jail Health shows a surplus of \$0.5 million due to a favorable variance in personnel costs.

Mental Health: Mental Health projects a \$3.0 million year-end surplus due to one-time closeouts of prior year encumbrances and appropriation carryforwards.

Public Health: Public Health projects a \$3.9 million year- end surplus in salaries and fringe benefits. This savings is driven primarily by delays in hiring new information technology positions associated with the electronic health records project and associated preparedness initiatives. Hiring of these positions is expected to be completed by the end of the fiscal year.

Substance Abuse: Substance Abuse projects a \$0.5 million year-end deficit. Medi-Cal revenues are projected to be \$1.3 million below budget due to delays in implementation of the Drug Medi-Cal Organized Delivery System Waiver. This shortfall is partially offset by a \$0.8 million favorable variance in State Alcohol funds.

Comments

- In January, the City of San Francisco received approval of its application to participate in the Whole Person Care pilot program authorized under the Medi-Cal 1115 Waiver. Under the

approved program, San Francisco can draw up to \$11.8 million per year in federal funds (with DPH providing the non-federal share of funds) for a period of five years. Because of this approval, under program guidelines DPH will receive \$11.8 million in FY 2016-17. Receipt of these funds is included in the Controller's 6-Month Budget Status Report. Because of the timing of the award, these funds are reflected at the department level in this report, but will be added to actuals at the division level in the third quarter financial statement.

- The FY 16-17 budget included appropriation authority to transfer up to \$25 million into the electronic health records project from revenues at Zuckerberg San Francisco General Hospital and Laguna Honda Hospital. This report reflects a transfer of the full \$25 million to the project.