



Mark Farrell,
Mayor

Greg Wagner,
Chief Financial Officer

MEMORANDUM

February 14, 2018

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

FROM: Greg Wagner, Chief Financial Officer 

THROUGH: Barbara Garcia, Director 

RE: **FY 2018-19 and 2019-20 Proposed Budget – Second Hearing**

At the February 20th Commission meeting we will have the second hearing on the Department of Public Health's proposed budget for FY 2018-19 and 2019-20 (FY 18-20). As you recall, our first hearing on February 6th included an overview of the Department's base budget, key areas of focus for FY 18-20 and our initial set of initiatives to meet the Mayor's general fund target. The initial proposal we presented at the first commission hearing resulted in a modest net positive savings to the General Fund across the two fiscal years combined. However, the balancing plan was lopsided across the two years, with General Fund savings in FY 2018-19 that meet and exceed target, but with a shortfall compared to savings and revenue targets in FY 2019-20. As discussed at the February 6 meeting, meeting targets in the second year of the budget is preferred to meet financial targets discussed at the December Health Commission financial planning session and to limit the department's contribution to future year citywide General Fund deficits.

At the February 20th hearing, we will introduce additional proposed initiatives to both meet additional key strategic priorities and re-balance across the two-year budget. We are requesting Commission approval of these initiatives at the February 20 meeting for submission to the Controller and Mayor's Office.

Budget Initiatives

Initiatives to be presented to the Commission on February 20 include:

- ***One-Time Revenue from the Mental Health State Plan Amendment.*** The State Department of Health Care Services implemented and funded a State Plan Amendment (SPA) to allow public entities to draw down federal financial participation (FFP) for the difference between the State schedule of maximum allowances and cost of outpatient mental health services provided under the Short-Doyle / Medi-Cal program for claim period from January 2009 through December 2009. The value of the one-time payment for 2009 is \$8 million.
- ***Budget Neutral Regulatory Initiatives.*** Our budget proposal includes our annual adjustments to Environmental Health fees to support existing costs and new costs necessary to support these programs. Costs are entirely offset by fee revenues. In

addition, we expand a prior year initiative to provide Hepatitis C treatments to residents and Laguna Honda Hospital, offset by Medi-Care revenue. Finally, we will also add two specialty pharmacies for our San Francisco Health Network patients with complex medical conditions to increase their access to pharmacy locations with highly trained staff.

- **Funding Electronic Health Records Project.** This initiative provides an additional \$23.4 million of one time funding into the Electronic Health Record (EHR) project in FY 18-19 and reduces the ongoing funding for the project by \$21 million starting in FY 19-20 to offset increased costs for the Affiliation Agreement between University of California, San Francisco and Zuckerberg San Francisco General and to meet the Mayor’s ongoing general fund reduction targets.
- **Stabilization and Optimization of DPH’s Financial Systems.** This initiative creates a one-time project fund to support the post go-live and enhancement phase of the City’s new PeopleSoft based financial system, which went live at the beginning of FY 17-18. Proposed expenditures would be for staffing and contract costs to support the stabilization and the optimization of this new system to meet accounting requirements for inventory, purchasing, supplier payments, and financial reporting.
- **Transitioning Emergency Management Services Agency.** DPH continues the stabilization of the Emergency Management Services Agency (EMSA) which transferred from the Department of Emergency Management to Department of Public Health on July 1, 2017. The request includes additional professional services that currently supports operations and temporary staff funding to address current deficiencies.

Balancing Summary

DPH Target	FY 18-19	FY 19-20	Two-Year Total
3% General Fund Reduction Target	(16,531,485)	(33,062,931)	(49,594,416)
Revenue Growth Assumed in Deficit	(10,338,324)	(25,272,053)	(35,610,377)
Subtotal Revenue and Expenditure Target	\$ (26,869,809)	\$ (58,334,984)	\$ (85,204,793)
	Favorable / (Unfavorable)	Favorable / (Unfavorable)	Two-Year Total
Summary of Initiatives			
Revenue	58,097,929	50,343,150	108,441,079
Budget Neutral	-	-	-
Emerging Needs	\$ (30,493,692)	\$ 4,104,244	\$ (26,389,448)
Less UC Affiliation Agreement Cost Assumed in Deficit		\$ 3,854,719	\$ 3,854,719
Subtotal All Initiatives	\$ 27,604,237	\$ 58,302,113	\$ 85,906,350
Net Balancing - Favorable/(Unfavorable)	\$ 734,428	\$ (32,872)	\$ 701,557
Other Initiatives			
Inflationary (does not affect target)	\$ -	\$ (4,951,434)	\$ (4,951,434)

We will keep you informed and as necessary schedule any additional hearings as our initiatives are considered for the Mayor’s Proposed Budget on June 1.

Item	Div	Description	FY 18-19				FY 19-20				Comment	
			FTE Change	Expend Incr/(Decr)	Revenues Incr/(Decr)	Net GF Impact Favorable/(Unfavorable)	FTE Change	Expend Incr/(Decr)	Revenues Incr/(Decr)	Net GF Impact Favorable/(Unfavorable)		
MAYOR'S INSTRUCTIONS												
		3% General Fund Reduction	-			\$ (16,531,485)				\$ (33,062,931)		
		Revenues Assumed in 5 Year Projection	-			\$ (10,338,324)				\$ (25,272,053)		
		TOTAL MAYOR'S INSTRUCTIONS	-	\$ -	\$ -	\$ (26,869,809)				\$ (58,334,984)		
REVENUES												
GH	A1	ZSFG Baseline Revenues and Medi-Cal 1115 Waiver Changes	-	\$ 2,840,062	\$ 49,950,472	\$ 47,110,410				\$ 42,139,709	Adjustments ZSFG revenue based on actual projections related to Medi-cal, Capitation, Medicare and other patient revenues. This initiative includes changes to the Global Payment Program (GPP) and Public Hospital Redesign Incentives (PRIME) are adjusted to reflect actual expected payments.	
LH	A2	LHH Baseline Revenues	-	\$ -	\$ 201,885	\$ 201,885				\$ 4,771,104	Annual adjustment to baseline revenues at Laguna Honda Hospital due to legislated state rate increase.	
AC	A3	2011 Mental Health Realignment and Short Doyle Medi-Cal Projections	-	\$ -	\$ 3,750,000	\$ 3,750,000				\$ 6,250,000	Adjustments to mental health revenues for 2011 State Realignment and Short-Doyle Medi-Cal for mental health to match projections.	
PHD	A4	Backfill Federal and State Funding Reductions for Population Health	-	\$ -	\$ (964,366)	\$ (964,366)				\$ (2,817,663)	Backfills federal and state reductions to HIV Prevention, Public Health Emergency and Preparedness, Sexually Transmitted Diseases/City Clinic and Tuberculosis Control.	
BH	A4 - New	One-Time Mental Health State Plan Amendment Revenues	-	\$ -	\$ 8,000,000	\$ 8,000,000				\$ -	One-time appropriation of \$8 million of Mental Health Revenues related to a 2009 prior year State Plan Amendment in FY 18-19.	
		TOTAL REVENUE	-	\$ 2,840,062	\$ 60,937,991	\$ 58,097,929				\$ 47,181,912	\$ 50,343,150	
BUDGET NEUTRAL												
	B1	Behavioral Health Engagement Team	-	\$ 554,504	\$ 554,504	\$ -				\$ 568,367	\$ -	This new team will work to engage individuals in the community in behavioral health services. The team will establish relationships through outreach and engagement, and will support clients to address their substance use and/or mental health needs, address physical health needs, provide referrals to shelters/housing, and promote wellness, recovery, and safety.
	B2 - New	Annual Adjustments to Environmental Health Fees	-	\$ 425,058	\$ 425,058	\$ -				\$ 425,058	\$ -	Annual and legislated increases in Environmental Services inspection fees to cover related program expenditures.
	B3 - New	Laguna Honda Hospital Hepatitis C Treatment Services	-	\$ 1,080,000	\$ 1,000,000	\$ -				\$ 1,080,000	\$ -	This initiative expands the Laguna Honda Hepatitis C Treatment program to treat an additional 11 residents starting in FY 18-19 for a total of 23 residents annually. The cost of this drug will be offset by reimbursement from Medicare.
	B4 - New	San Francisco Health Network Specialty Pharmacy Expansion	-	\$ 1,625,000	\$ 1,625,000	\$ -				\$ 2,625,000	\$ -	This initiative adds two specialty pharmacies to the San Francisco Health Network 340B pharmacy network to increase access to specialty pharmaceuticals for our patients.

Item	Div	Description	FTE Change	Expend Incr/(Decr)	Revenues Incr/(Decr)	Net GF Impact Favorable/ (Unfavorable)	FTE Change	Expend Incr/(Decr)	Revenues Incr/(Decr)	Net GF Impact Favorable/ (Unfavorable)	Comment												
TOTAL REVENUE NEUTRAL																							
EMERGING NEEDS																							
BH	C1	Drug Medi-Cal Organized Delivery System Waiver	-	\$ 3,363,442	\$ 2,332,011	\$ (1,031,431)	-	\$ 3,363,442	\$ 2,332,011	\$ (1,031,431)	This initiative updates DPH's current Drug Medi-Cal Organized Delivery System program to reflect changes to the Waiver with the goal of improving treatment success. Cost increases of \$3.3 million is partially offset by \$2.3 million increase Drug Medi-Cal												
GH & LH	C2	Census and Staffing for Zuckerberg San Francisco General and Laguna Honda Hospital	-	\$ 7,780,169	\$ 6,600,000	\$ (1,180,169)	-	\$ 7,826,774	\$ 6,600,000	\$ (1,226,774)	During FY 17-18, Zuckerberg San Francisco General (ZSFG) has experienced higher-than-budgeted patient census, resulting in projected unbudgeted salary expenditures. This initiative creates a pool of funding to allow staffing flexibility if patient census remains above budget. In addition, changes in the patient population at Laguna Honda Hospital (LHH) have necessitated staffing changes to ensure safety for certain populations.												
GH	C3	University of California Affiliation Agreement	-	\$ 4,000,000	\$ 4,000,000	\$ -	-	\$ 14,123,430	\$ -	\$ (14,123,430)	The Affiliation Agreement between ZSFG and UCSF combines clinical and teaching activities to uniformly provide the highest quality of care to all San Franciscans. The proposed budget initiative allocates \$4 million in projected grant revenue for hospital performance improvement programs to UCSF in FY 18-19. In addition, it proposes a \$14.1 million General Fund supported cost increase in FY 19-20.												
PHD	C4 - New	Funding Electronic Health Records Project	-	\$ 23,353,335	\$ -	\$ (23,353,335)	-	\$ (21,000,000)	\$ -	\$ 21,000,000	This initiative provides an additional \$23.4 million of one time funding into the Electronic Health Record (EHR) project in FY 18-19 and reduces the ongoing appropriation authorizing the transfer of surplus revenues into the project by \$21 million starting in FY 19-20.												
DPH - All	C5 - New	Financial Systems Stabilization and Optimization	-	\$ 4,374,035	\$ -	\$ (4,374,035)	-	\$ -	\$ -	\$ -	This initiative creates a one-time project fund to support the post go-live and enhancement phase of the City's new PeopleSoft based Financial System Project (FSP) that went live at the beginning of FY 17-18. Proposed expenditures would be for staffing and contract costs to support the stabilization and the optimization of this new system to meet accounting requirements for inventory, purchasing, supplier payments, and financial reporting.												
DPH - All	C6 - New	Continued Transition of Emergency Management Services Agency	-	\$ 554,721	\$ -	\$ (554,721)	-	\$ 514,121	\$ -	\$ (514,121)	This initiative continues the stabilization of the Emergency Management Services Agency (EMSA) which transferred from the Department of Emergency Management to Department of Public Health on July 1, 2017. The request includes additional professional services that currently supports operations and temporary staff funding to												
TOTAL EMERGING NEEDS																							
<table border="1"> <tr> <td></td> <td></td> <td></td> <td>-</td> <td>\$ 43,425,703</td> <td>\$ 12,932,011</td> <td>\$ (30,493,692)</td> <td>-</td> <td>\$ 4,827,767</td> <td>\$ 8,932,011</td> <td>\$ 4,104,244</td> <td></td> </tr> </table>															-	\$ 43,425,703	\$ 12,932,011	\$ (30,493,692)	-	\$ 4,827,767	\$ 8,932,011	\$ 4,104,244	
			-	\$ 43,425,703	\$ 12,932,011	\$ (30,493,692)	-	\$ 4,827,767	\$ 8,932,011	\$ 4,104,244													

Item	Div	Description	FTE Change	Expend Incr/(Decr)	Revenues Incr/(Decr)	Net GF Impact Favorable/(Unfavorable)	FTE Change	Expend Incr/(Decr)	Revenues Incr/(Decr)	Net GF Impact Favorable/(Unfavorable)	Comment
TOTAL ALL INITIATIVES AFFECTING TARGET											
			-	\$49,870,327	\$77,474,564	\$ 27,604,237					
		Total All Initiatives and Targets	-	\$49,870,327	\$77,474,564	\$ 734,428					
		Less UC Affiliation Agreement Cost Assumed in Deficit									
		Two Year Balance									
INFLATIONARY (Does not affect target)											
DPH	D1	Pharmacy and Other Inflationary Costs	-	\$ -	\$ -	\$ -	-	\$ 4,951,434	\$ -	\$ (4,951,434)	Increased expenditure authority related to pharmaceuticals, food, as well as housing and laundry contracts to reflect inflation on the price of these critical supplies and services.
TOTAL INFLATIONARY											
						\$ -				\$ (4,951,434)	

FY 2018-19 & 2019-20 Program Change Request

DIVISION:

- DPH – department wide Population Health SF Health Network Wide
 Zuckerberg San Francisco General Laguna Honda Hospital X Ambulatory Care ___MH___

PROGRAM / INITIATIVE TITLE: **One-Time Appropriation of Mental Health State Plan Amendment Revenues**

TARGETED CLIENTS: n/a

PROGRAM CONTACT NAME/TITLE: **Greg Wagner, CFO**

2018-19 FTE Change	2019-20 FTE Cumulative Change	FY 2018-19 Net General Fund Impact Favorable/(Unfavorable)	FY 2019-20 Cumulative Net General Fund Impact Favorable/(Unfavorable)
n/a	n/a	\$8,000,000	\$0

PROGRAM DESCRIPTION: (brief description of proposed change)

One-time appropriation of \$8 million of Mental Health Revenues related to a 2009 prior year State Plan Amendment in FY 18-19.

JUSTIFICATION:

The State Department of Health Care Services implemented and funded a State Plan Amendment (SPA) to allow public entities to draw down federal financial participation (FFP) for the difference between the State schedule of maximum allowances and cost of outpatient mental health services provided under the Short-Doyle / Medi-Cal program for claim period from January 2009 through December 2009. The value of the one-time payment for 2009 is \$8 million. Claims were submitted in January 2018 and are expected to be paid by the fall of 2018.

State regulations changed during FY 17-18 to accept claims for these additional reimbursements from costs incurred between January 2009 through December 2009. Claims have already been submitted and accepted by the state.

IMPACT ON CLIENTS: (units of service and/or number of clients affected, if applicable)

No impact.

EXPENSE AND REVENUE IMPACT: (for both fiscal years)

One time increase in revenue of \$8 million.

IMPACT ON DEPARTMENT’S WORKFORCE :

None.

INITIATIVE TITLE: One-Time Appropriation of Mental Health State Plan Amendment Revenues

Description		FY 2018-19	FY 2019-20
Sources:			
	Revenues	\$ 8,000,000	\$ -
Subtotal Sources		\$ 8,000,000	\$ -
Uses:			
	Salary and Benefits	\$ -	\$ -
	Operating Expense	\$ -	\$ -
Subtotal Uses		\$ -	\$ -
Net General Fund Subsidy Required Favorable/(Unfavorable) (Uses less Sources)		\$ 8,000,000	\$ -
Total FTE's		0.00	0.00

New Positions (List positions by Class, Title and FTE)

<u>Class</u>	<u>Title</u>	<u>FTE</u>		<u>FTE</u>	
0		0.00			
0		0.00			
0		0.00			
0		0.00			
0		0.00			
		<u>0.00</u>			
	Total Salary	0.00	-	0.00	-
	Fringe				-
	Total Salary and Fringe	0.00	0	0.00	0

Character/Subobject Code

\$ - \$ -

FY 2018-19 & 2019-20 Program Change Request

DIVISION:

- DPH – department wide Population Health SF Health Network Wide
 Zuckerberg San Francisco General Laguna Honda Hospital Ambulatory Care _____

PROGRAM / INITIATIVE TITLE: Annual Adjustments to Environmental Health Fees
TARGETED CLIENTS: All San Francisco Residents and Regulated Business Establishments
PROGRAM CONTACT NAME/TITLE: Christine Siador, PHD Deputy Director of Operations

2018-19 FTE Change	2019-20 FTE Cumulative Change	FY 2018-19 Net General Fund Impact	FY 2019-20 Cumulative Net General Fund Impact
n/a	n/a	\$0	\$0

PROGRAM DESCRIPTION: (brief description of proposed change)

The San Francisco Department of Public Health’s Environmental Health Branch strives to promote health and quality of life in San Francisco by ensuring healthy living and working conditions in the City and County of San Francisco. Projected revenues fluctuate annually due to various reasons, including change in inventory, new fees, changes in regulatory programs, fee increases (CPI), and economic conditions. Expenditures are adjusted (when feasible) to ensure that programs do not exceed 100% cost recovery and to minimize the impact on the General Fund as well as to local businesses.

JUSTIFICATION:

As outlined in authorizing legislation, fees and expenditures are adjusted accordingly for workloads to ensure cost recovery and adequate staffing and resources to carry out regulatory work. Fees that were increased were based on the CPI (2.94%) and the remaining increases are based on increased inventory and labor. Overall, Environmental Health’s baseline revenues and expenditures will be increased by \$425,058 in FY18-19 and FY19-20.

Projected increases in revenues are due to cost of living (CPI), adjustment to operating costs, increases in fees, changes in inventory, and program changes due to state regulations. In addition, starting in FY 18-19 Environmental Health will work with the Treasurer/Tax Collector (TTX) to implement online permit applications and online payments. This change will allow fee payers to apply for permits and make payments online, increasing convenience for clients and improving workflow for staff. The cost of the new system will be an internal workorder between DPH and TTX of \$150,000 annually.

The 18-20 initiative also realigns additional fee revenue budgeted last year under the food inspection program to a new cannabis fee, which covers the costs of the new positions added last year to address new State cannabis laws. The Board of Supervisors approved this new fee authority in FY 17-18 for plan checks reviews for cannabis manufacturing, distribution and retail sites, as well as, addition to consumption permits for retail and microbusinesses.

The following programs have changes in revenue:

Program Name / Index Code / Project Code	Reason for Revenue Change	Change in Baseline Revenue
Air Quality / HCHPBAIRQUGF / 10001814	Nominal cost recovery fee increase to offset existing operating cost increases	\$1,378

Food Safety / HCHPBFOOD-GF / 10001817	Realigns cannabis revenue that was previously in the food program	\$(679,005)
Hazardous Waste / HCHPBHAZWTGF / 10001819	CPI fee increase to offset existing operating cost increases	\$20,142
Massage Program / HCHPBMASSAGF / 10001822	Nominal cost recovery fee increase to offset existing operating cost increases	\$19,181
Recreational Cannabis / HCHPBRECCNGF / 10029672	New recreational cannabis program. Fees primarily driven by the one-time application fee which includes a plan check. Other fees involve inspection fees for cultivation, manufacturing/distributing, microbusinesses, retail/retail delivery, and consumption. Multiple Environmental Health programs are involved including weights and measures, hazardous materials, water, solid waste, and air quality.	\$632,960
Noise Abatement / HCHPBNOISEGF / 10001824	Nominal cost recovery fee increase to offset existing operating cost increases	\$676
Radio Frequency / HCHPBRADIAGF / 10001827	CPI fee increase to offset existing operating cost increases	\$36,583
Solid Waste Insp / HCHPBPUBSVGF / 10001826	Increased inventory due to increased scope of inspections	\$19,658
Tattoo & Body Piercing / HCHPBTATOOGF / 10001828	Nominal cost recovery fee increase to offset existing operating cost increases	\$31,402
Tobacco Smoke / HCHPBTOBACGF / 10001829	Nominal cost recovery fee increase to offset existing operating cost increases	\$18,242
Housing and Vector Control / HCHPBVECTRGF / 10001831	Increased number of inspections and compliance	\$321,259
Water Quality/ HCHPBWATERGF / 10001832	Minor increase in inventory	\$2,582

IMPACT ON CLIENTS: (units of service and/or number of clients affected, if applicable)

Online permitting and payments will add value to the general public in multiple ways. Permit applicants and fee payers will no longer need to visit DPH offices to apply and pay, saving customer's time and reducing the workload on staff. Permit applicants, as well as staff, will be able to easily track the status of applications and know exactly where they are in the process. Paperwork will be significantly reduced as all documents will be stored electronically and signatures will be captured electronically through Docusign. (Currently there are five forms and nine pages of applications to fill out.) Workflow with other departments, including the fire and planning departments, will be streamlined as there will be only one application form instead of three.

Additionally, being able to accept online payments will increase compliance by removing obstacles and making payments easier for the public. By connecting to the TTX database, we can be certain that

payments are going to the correct tax identifications, address, and business name. TTX will handle all payments and automatically post to the correct general ledger account.

EXPENSE AND REVENUE IMPACT: (for both fiscal years)

Revenues and expenditures will be increased by \$425,058 in FY18-19 and FY19-20.

IMPACT ON DEPARTMENT'S WORKFORCE :

Online applications and payments would greatly streamline the work of staff and reduce time spent manually processing applications and payment.

INITIATIVE TITLE: Annual Adjustments to Environmental Health Fees

Description		FY 2018-19	FY 2019-20
Sources:			
	Revenues	\$ 425,058	\$ 425,058
	Subtotal Sources	\$ 425,058	\$ 425,058
Uses:			
	Salary and Benefits - MOU related increases	\$ 101,277	\$ 101,277
	Operating Expense	\$ 323,781	\$ 323,781
	Subtotal Uses	\$ 425,058	\$ 425,058
Net General Fund Subsidy Required Favorable/(Unfavorable) (Uses less Sources)		\$ -	\$ -
Total FTE's		0.00	0.00

New Positions (List positions by Class, Title and FTE)

<u>Class</u>	<u>Title</u>	<u>FTE</u>		<u>FTE</u>	
0		0.00			
0		0.00			
0		0.00			
	Total Salary	0.00	-	0.00	-
	Fringe				-
	Total Salary and Fringe	0.00	0	0.00	0

Operating Expenses

03000	Rent	\$ 173,781	\$ 173,781
081TX	Treasurer Tax Collector Workorder online payment and permit system	\$ 150,000	\$ 150,000
		\$ 323,781	\$ 323,781

2018-19 and 2019-20 Program Change Request

DIVISION:

- DPH – department wide Population Health SF Health Network Wide
 Zuckerberg San Francisco General Laguna Honda Hospital Ambulatory Care

PROGRAM / INITIATIVE TITLE: **Laguna Honda Hospital Hepatitis C Treatment Services**

TARGETED CLIENTS:

PROGRAM CONTACT NAME/TITLE: **David Woods, Chief Pharmacy Officer**

2018-20 FTE Change	2018-20 FTE Cumulative Change	FY 2018-19 Net General Fund Impact Favorable/(Unfavorable)	FY 2019-20 Cumulative Net General Fund Impact Favorable/(Unfavorable)
n/a	n/a	(\$0)	(\$0)

PROGRAM DESCRIPTION: (Brief description of Program Change)

In FY 14-16 Laguna Honda Hospital (LHH) began an initiative to provide a new class of pharmaceuticals developed to treat Hepatitis C for 12 residents annually at LHH. This initiative expands the program to treat an additional 11 patients starting in FY 18-19 for a total of 23 residents annually. The cost of this drug will be offset by reimbursement from Medicare.

JUSTIFICATION:

Hepatitis C is a contagious viral infection that can result in long term liver disease. Symptoms can range from a mild illness lasting a few weeks (“acute”) to a serious, lifelong illness (“chronic”). Chronic hepatitis C is the most common reason for liver transplantation which has an average cost in the range of \$280,000 in just the first year after transplant. There is no vaccine for hepatitis C.

New medications have become available which are aimed at treating the most common variant of the hepatitis C virus (known as Genotype 1) which accounts for around 70 percent of hepatitis C cases in the United States. Combining one of these new protease inhibitors with the current standard therapy almost doubles effectiveness and makes it possible to shorten the length of some treatments, which reduces side effects and improves outcomes.

This group of drugs includes Sofosbuvir, an all-oral treatment, which offers a higher cure rate with less toxicity and a shorter duration for treatment. Hepatitis C is a chronic infection which can be effectively treated with new medications. That means fewer cases of cirrhosis, liver cancer, fewer liver transplants, or deaths. New medications offer a higher cure rate with less side effects and a shorter duration of treatment. Pricing is approximately \$92,000 per a course per patient and is reimbursable by insurance.

IMPACT ON CLIENTS: (unit of service and/or number of clients affected)

Approximately 1 patient per month will be eligible for treatment. Total of 12 patients annually.

EXPENSE AND REVENUE IMPACT: (for both fiscal years)

Insurance providers will now cover the cost of treatment for appropriately selected patients. \$1,000,000 of additional drug cost will be offset by increased revenue of \$1,000,000 in first year and increase to \$1,080,000 for both ongoing revenue and expenses. There is no General Fund impact for treatment.

IMPACT ON DEPARTMENT’S WORKFORCE:

None.

INITIATIVE TITLE: Laguna Honda Hospital Hepatitis C Treatment Services

Description		FY 2018-19	FY 2019-20
Sources:			
Revenues		\$ 1,000,000	\$ 1,080,000
Subtotal Sources		\$ 1,000,000	\$ 1,080,000
Uses:			
Salary and Benefits		\$ -	\$ -
Operating Expense		\$ 1,000,000	\$ 1,080,000
Subtotal Uses		\$ 1,000,000	\$ 1,080,000
Net General Fund Subsidy Required Favorable/(Unfavorable) (Uses less Sources)		\$ -	\$ -
Total FTE's		0.00	0.00

New Positions (List positions by Class, Title and FTE)

Class	Title	FTE	FTE
0		0.00	
0		0.00	
0		0.00	
0		0.00	
0		0.00	
0		0.00	
0		0.00	
0		0.00	
0		0.00	
0		0.00	
0		0.00	
0		0.00	
0		0.00	
0		0.00	
	Total Salary	0.00	0.00
	Fringe		-
	Total Salary and Fringe	0.00	0.00
04000	Character/Subobject Code	FY18-19	FY19-20
	Pharmaceutical Supplies	1,000,000	1,080,000
		\$ 1,000,000	\$ 1,080,000

FY 2018-19 & 2019-20 Program Change Request

DIVISION:

- DPH – department wide Population Health SF Health Network Wide
 Zuckerberg San Francisco General Laguna Honda Hospital Ambulatory Care _____

PROGRAM / INITIATIVE TITLE: **San Francisco Health Network Specialty Pharmacy Expansion**

TARGETED CLIENTS: SFHN Patients

PROGRAM CONTACT NAME/TITLE: **David Woods, Chief Pharmacy Officer**

2018-19 FTE Change	2019-20 FTE Cumulative Change	FY 2018-19 Net General Fund Impact Favorable/(Unfavorable)	FY 2019-20 Cumulative Net General Fund Impact Favorable/(Unfavorable)
n/a	n/a	\$0	\$0

PROGRAM DESCRIPTION: (brief description of proposed change)

This initiative adds two specialty pharmacies to the San Francisco Health Network 340B pharmacy network to increase access to specialty pharmaceuticals for our patients.

JUSTIFICATION:

Specialty pharmacies focuses on high-cost, high-touch medication therapy for patients with complex disease states. Medications in specialty pharmacy range from oral drugs to cutting edge injectable and biologic products. The disease states treated range from cancer, multiple sclerosis, hepatitis C and rheumatoid arthritis to rare genetic conditions.

Pharmacy trends have been shifting from traditional brand-name drugs to specialty drugs. This shift will continue, because the next-generation pharmaceutical products will primarily be specialty products aimed at a smaller patient populations with complex medical conditions. With specialty-trained pharmacists as part of the collaborative care team, enhanced patient satisfaction has been documented with fewer complications in drug treatment; improved laboratory monitoring; reductions in unnecessary medications; and shorter hospital stays resulting in lower treatment costs.

This budget neutral initiative funds the pharmaceutical costs for our patients at two specialty pharmacies to the 340B pharmacy network and the associated Omnicell pharmacy software costs for the interfaces. These additional costs are fully offset by expected Medicare 340 B revenue.

IMPACT ON CLIENTS: (units of service and/or number of clients affected, if applicable)

Approximately 450 clients with complex medical conditions requiring specialized treatment for cancer, multiple sclerosis, hepatitis C and rheumatoid arthritis will have access to additional pharmacy locations with highly trained staff to access their prescriptions.

EXPENSE AND REVENUE IMPACT: (for both fiscal years)

Insurance providers and manufacturer Patient Assistance Programs now cover the cost of treatment for appropriately selected patients. Expenses of 1,625,000 in FY 1819 and 2,625,000 in FY 1920 will be offset by revenue. There is no General Fund impact for treatment.

IMPACT ON DEPARTMENT’S WORKFORCE :

None.

**ATTACHMENT B
SUMMARY OF PROGRAM COST**

INITIATIVE TITLE: San Francisco Health Network Specialty Pharmacy Expansion

Description		FY 2018-19	FY 2019-20
Sources:			
	Revenues	\$ 1,625,000	\$ 2,625,000
	Subtotal Sources	\$ 1,625,000	\$ 2,625,000
Uses:			
	Salary and Benefits	\$ -	\$ -
	Operating Expense	\$ 1,625,000	\$ 2,625,000
	Subtotal Uses	\$ 1,625,000	\$ 2,625,000
Net General Fund Subsidy Required (savings)/cost (Uses less Sources)		\$ -	\$ -
Total FTE's		0.00	0.00

New Positions (List positions by Class, Title and FTE)

<u>Class</u>	<u>Title</u>	<u>FTE¹</u>	<u>FTE</u>
0		0.00	0.00
0		0.00	0.00
0		0.00	0.00
0		0.00	0.00
0		0.00	0.00
0		0.00	0.00
0		0.00	0.00
0		0.00	0.00
0		0.00	0.00
0		0.00	0.00
0		0.00	0.00
		<u>0.00</u>	<u>0.00</u>
	Total Salary	0.00	0.00
	Fringe		-
	Total Salary and Fringe	0.00	0.00
			<u>0</u>
	Character/Subobject Code		
	Pharmaceuticals	1,500,000	2,500,000

FY 2018-19 & 2019-20 Program Change Request

DIVISION:

- DPH – department wide
 Population Health
 SF Health Network Wide
 San Francisco General Hospital
 Laguna Honda Hospital
 Ambulatory Care _____

PROGRAM / INITIATIVE TITLE: **Funding for Electronic Health Records Project**

TARGETED CLIENTS: All DPH clients

PROGRAM CONTACT NAME/TITLE: Greg Wagner, CFO

2018-19 FTE Change	2019-20 FTE Cumulative Change	FY 2018-19 Net General Fund Impact Favorable/(Unfavorable)	FY 2019-20 Cumulative Net General Fund Impact Favorable/(Unfavorable)
n/a	n/a	-\$23,353,335	\$21,000,000

PROGRAM DESCRIPTION: (brief description of proposed change)

This initiative provides an additional \$23.4 million of one time funding into the Electronic Health Record (EHR) project in FY 18-19 and reduces the ongoing appropriation authorizing the transfer of surplus revenues into the project by \$21 million starting in FY 19-20.

JUSTIFICATION:

Recognizing the multi-year and multi-faceted approach required to fund a new integrated EHR replacement project, DPH put forward an initiative in FY 15-17 that supported its Information Technology (IT) operations and created a funding mechanism to appropriate one-time unexpected State or Federal allocations of up to \$25 million annually for the implementation costs of the EHR project. This initiative allowed DPH to apply unexpected one-time revenues to the project. Other funding sources for the project included one-time close out of project balances, prior year budget initiatives to support ongoing costs, and an agreement from the University of California, San Francisco (UCSF) to keep the Affiliation Agreement with ZSFG flat for five years through FY 20-21. Using this combination of sources, DPH has accumulated \$193 million of budget appropriation through FY 18-19 for the project.

As described in FY 18-20 Initiative C3, UCSF recently revised its financial projections and can no longer honor the agreement to keep its costs flat through FY 20-21. Instead, it will require an increase of \$14.1 million starting in FY 19-20. Of this amount, \$3.8 million has already been assumed in the Mayor's Office 5-Year Financial forecast, but the remaining \$10.3 million is an additional unanticipated cost. Since this \$10.3 million in projected savings had been committed to fund the EHR project, DPH must revise the project budget to pay for the projected UCSF cost increases.

At the same time, as DPH has refined its budget estimates for the project working with Epic and third party contractors. While project leaders remain confident that the projected total 10-Year funding amount is adequate, it has become clear that anticipated costs during the initial three-year implementation phase are likely to be higher than previously anticipated, while ongoing costs will be lower. This creates a need to re-balance the timing of appropriations to match the timing of cash outlays from the project.

As a result of both of these factors, the department projects a deficit of \$12.7 million in FY 19-20 for the project. However, once the project implementation phase is complete, the department does not anticipate that further significant surplus revenue transfers will be required to fund ongoing operations. As a result, the proposed budget initiative would fund a one-time increase of \$23.4 million for project implementation in FY 18-19, but reduce the budgeted for transfers in to the project by \$21 million

starting in FY 19-20. This approach will allow DPH to use one-time revenues to ensure adequate funding for the project during the implementation phase, while providing future General Fund savings to offset the unanticipated growth in Affiliation Agreement costs. While this approach will mean somewhat less flexibility in funding for the project over time, it will better match the timing of appropriations with expenditures, maximizing the prospects for success in the project. Additionally, the reduction in the transfer in year two of the budget helps the department more evenly balance revenues and expenditures across the two years of the proposed budget.

Baseline EHR Project Expenditures	FY17-18	FY 18-19	FY 19-20	3-Year Total
Annual Project Costs	\$ 59,332	\$ 121,084	\$ 66,935	\$ 247,351
Baseline Appropriation From Prior Year Initiatives	FY 15-17 - FY 17-18	Y2 FY 18-19	Y3 FY 19-20	3-Year Total
FY 15-17 Base Project Funding	\$ 35,614	\$ 11,459	\$ 11,520	\$ 58,594
FY 16-18 One-Time Appropriation of 16-17 Fund Balance	\$ 31,404	\$ -	\$ -	\$ 31,404
FY 17-19 Additional Base Project Funding	\$ -	\$ 15,000	\$ 15,000	\$ 30,000
Annual Transfer In Offset by Revenue	\$ 75,000	\$ 25,000	\$ 25,000	\$ 125,000
Annual Project Appropriation	\$ 142,018	\$ 51,459	\$ 51,520	\$ 244,998

FY 18-20 Funding Issues	FY17-18	FY 18-19	FY 19-20
Loss of UCSF Savings	\$ -	\$ -	\$ (10,300)
Annual Surplus/(Deficit)	\$ 82,686	\$ (69,625)	\$ (25,715)
Total Project Surplus/(Deficit)	\$ 82,686	\$ 13,061	\$ (12,653)

FY 18-20 Proposed Budget Initiative	FY17-18	FY 18-19	FY 19-20	3-Year Total
One-Time Funding Increase for Implementation Phase	\$ -	\$ 23,353	\$ -	\$ 23,353
Reduction in Future Transfers to Offset Loss of UCSF Savings	\$ -	\$ -	\$ (10,300)	\$ (10,300)
Reduction in Future Transfers to Offset Additional Implementation Funding in 18-19	\$ -	\$ -	\$ (10,700)	\$ (10,700)
Total	\$ -	\$ 23,353	\$ (21,000)	\$ 2,353

Revised Project Appropriation	\$ 142,018	\$ 74,813	\$ 30,520	\$ 247,351
Revised Total Project Surplus/(Deficit)	\$ 82,686	\$ 36,415	\$ 0	

IMPACT ON CLIENTS: (units of service and/or number of clients affected, if applicable)

This initiative allows DPH to continue the EHR project that will improve the quality of services and access to patient records while also continuing the existing level of services provided through the UCSF Affiliation Agreement.

EXPENSE AND REVENUE IMPACT: (for both fiscal years)

\$23,353,335 increase in expenditures in FY 18-19 and a \$21,000,000 million ongoing reduction expenditures starting in FY 19-20.

IMPACT ON DEPARTMENT'S WORKFORCE :

None.

INITIATIVE TITLE: Funding for Electronic Health Record Project

Description		FY 2018-19	FY 2019-20
Sources:			
	Revenues	\$ -	\$ -
Subtotal Sources		\$ -	\$ -
Uses:			
	Salary and Benefits	\$ -	\$ -
	Operating Expense	\$ 23,353,335	\$ (21,000,000)
Subtotal Uses		\$ 23,353,335	\$ (21,000,000)
Net General Fund Subsidy Required Favorable/(Unfavorable) (Uses less Sources)		\$ 23,353,335	\$ (21,000,000)
Total FTE's		0.00	0.00

New Positions (List positions by Class, Title and FTE)

<u>Class</u>	<u>Title</u>	<u>FTE</u>	<u>FTE</u>
0		0.00	
0		0.00	
0		0.00	
0		0.00	
0		0.00	
0		0.00	
0		0.00	
0		0.00	
0		0.00	
0		0.00	
0		0.00	
0		0.00	
0		0.00	
	Total Salary	0.00	0.00
	Fringe		-
	Total Salary and Fringe	0.00	0.00
Character/Subobject Code			
Programmatic Project Expense		23,353,335	(21,000,000)
		\$ 23,353,335	\$ (21,000,000)

FY 2018-19 & 2019-20 Program Change Request

DIVISION:

- DPH – department wide Population Health SF Health Network Wide
 San Francisco General Hospital Laguna Honda Hospital Ambulatory Care _____

PROGRAM / INITIATIVE TITLE: **Financial Systems Stabilization and Optimization**

TARGETED CLIENTS: DPH Finance and Procurement Staff to support all DPH services

PROGRAM CONTACT NAME/TITLE: **Greg Wagner, CFO**

2018-20 FTE Change	2018-20 FTE Cumulative Change	FY 2018-19 Net General Fund Impact Favorable/(Unfavorable)	FY 2019-20 Cumulative Net General Fund Impact Favorable/(Unfavorable)
n/a	n/a	\$4,374,035	\$0

PROGRAM DESCRIPTION: (brief description of proposed change)

This initiative creates a one-time project fund to support the post go-live and enhancement phase of the City’s new PeopleSoft based Financial System Project (FSP) that went live at the beginning of FY 17-18. Proposed expenditures would be for staffing and contract costs to support the stabilization and the optimization of this new system to meet accounting requirements for inventory, purchasing, supplier payments, and financial reporting.

JUSTIFICATION:

On July 5, 2017, after several years of planning, the Controller’s Office replaced FAMIS, its legacy financial system, with the new Oracle PeopleSoft financials and procurement system for all City departments. While this new system has increased functionality and potential, the initial six months of implementation of the new system has also created significant challenges to the DPH accounting and procurement staff.

One of the major challenges unique to DPH is the new procurement module that interfaces with the Global Health Exchange (GHX) platform DPH uses to procure medical supplies for hospitals and clinics. DPH is the only City department to implement the inventory module in FSP. As the City works to stabilize and improve the new system, certain accounting processes such as automated receipts and invoicing functions that were previously automated for DPH Materials Management are not yet fully functional. As a result, thousands of invoices must be input manually into the FSP system. This has caused a significant backlog in reconciliation and payment of invoices for medical supplies. The Controller’s Office has been working closely with DPH to address the issue, but ultimately an effective interface from FSP to GHX is required to achieve the full potential functionality of the new system. In addition to the GHX interface, there are also other anomalies in the new system that will also need be addressed. To optimize this new system, dedicated project management and additional systems consulting services purchased directly by DPH and by the Controller’s Office through a workorder will be required in the next two years.

As DPH and the Controller’s Office work to resolve these issues, DPH requires additional accounting and materials management staff to ensure that purchases, payments and basic transactions and reconciliation continue and that the year-end close of FY 17-18 budget will take place between July and December of 2018 is completed in a timely and accurate manner. Since the department anticipates this supplemental staffing will only be required until stabilization and improvement efforts are completed,

positions are budgeted as time-limited, project-based positions.

IMPACT ON CLIENTS: (units of service and/or number of clients affected, if applicable)

This will enable us to continue services to our clients in a timely manner.

EXPENSE AND REVENUE IMPACT: (for both fiscal years)

One-time increase in project funding of \$4.4 million for FY 18-19. As these funds are budgeted in an Annual Continuing Project Fund, any remaining appropriation balances can be carried forward and used in the following year.

IMPACT ON DEPARTMENT'S WORKFORCE :

This project will include additional salary authority for off-budget, limited term positions to be used in the first 18 months of FY 2018-20 to stabilize the system. As these are project-based positions, there is no impact to operating FTEs.

INITIATIVE TITLE: Financial Systems Stabilization and Optimization

Description		FY 2018-19	FY 2019-20
Sources:			
	Revenues	\$ -	\$ -
	Subtotal Sources	\$ -	\$ -
Uses:			
	Salary and Benefits (18 months)	\$ 1,874,035	\$ -
	Operating Expense	\$ 2,500,000	\$ -
	Subtotal Uses	\$ 4,374,035	\$ -
Net General Fund Subsidy Required Favorable/(Unfavorable) (Uses less Sources)		\$ 4,374,035	\$ -
Total FTE's - Offbudget Project Based Positions - No increase in operating FTE		0.00	0.00

New Positions (List positions by Class, Title and FTE)

<u>Class</u>	<u>Title</u>	<u>FTE</u>		<u>FTE</u>	
1657	Accountant IV	1.00	127,633	0.50	65,942
1634	Principal Account Clerk	2.00	170,642	1.00	88,162
1632	Senior Account Clerk	2.00	150,986	1.00	78,007
1634	Principal Account Clerk	1.00	85,321	0.50	44,081
1632	Senior Account Clerk	1.00	75,493	0.50	39,003
1070	IS Project Director	1.00	160,948	0.50	83,154
1404	Clerk	1.00	60,791	0.50	31,407
TEMPM	TEMP	0.00	300,000	0.00	50,000
STEMM	Step Savings	0.00	(200,000)	0.00	(100,000)
	Total Salary	9.00	931,813	4.50	379,756
	Fringe	39.6%	368,974	51.0%	193,492
	Total Salary and Fringe	9.00	1,300,788	4.50	573,248

06P00	Programmatic Project Expenditures	\$ 1,300,000	\$ -
081C3	Workorder with the Controller's Office	\$ 1,200,000	\$ -
		\$ 2,500,000	\$ -

FY 2018-19 & 2019-20 Program Change Request

DIVISION:

- DPH – department wide Population Health SF Health Network Wide
 San Francisco General Hospital Laguna Honda Hospital Ambulatory Care _____

PROGRAM / INITIATIVE TITLE: Transitioning Emergency Medical Services

TARGETED CLIENTS: All San Francisco residents, workers and visitors

PROGRAM CONTACT NAME/PHONE: Christine Siador, PHD Deputy Director of Operations

2018-19 FTE Change	2019-20 FTE Cumulative Change	FY 2018-19 Net General Fund Impact	FY 2019-20 Cumulative Net General Fund Impact
n/a	n/a	\$554,721	\$514,121

PROGRAM DESCRIPTION: (brief description of proposed change)

This initiative continues the stabilization of the Emergency Management Services Agency (EMSA) which transferred from the Department of Emergency Management to Department of Public Health on July 1, 2017. The request includes additional professional services that currently supports operations and temporary staff funding to address current deficiencies.

JUSTIFICATION:

Emergency Medical Services is complex system is made up of multiple systems, including paramedics, ambulance companies, hospitals, working together to provide an emergency medical system for the citizens and visitors of San Francisco. The San Francisco Emergency Medical Services Agency directs, plans, monitors, evaluates and regulates the local EMS system in collaboration with system and community providers. The State requires local agencies to regulate and provide oversight to paramedics, emergency medical technicians (EMTs), and ambulances to ensure overall regulatory compliance, investigate complaints, provide training to providers and manage hospital transports on a daily basis.

In preparation for the transition of the EMSA from DEM to DPH, an independent consultant was contracted to: perform an assessment of the current operations; analyze the structure and staffing of similar California county emergency services agencies; develop recommendations on the organizational design and staffing for SFDPH to meet the California Code of regulations and other relevant mandates; and develop a transition plan. The overall assessment found that the Agency was not in compliance with some mandates and the capacity of the EMSA staff was not sufficient to accomplish the Agency’s responsibilities.

To continue the integration of this program in its operations and implementation of the recommendations from the consultant study, additional operating costs and staff costs are needed to meet the core duties, responsibilities and mandates of the local EMS Agency. Additional temporary staff are needed to establish policies, procedures, metrics and reports to be used to improve the quality of EMSA’s services. Finally, this initiative adds \$124,000 of IT systems contracts for existing monitoring and surveillance systems for ambulances, as well as, \$53,000 for one-time purchases for furniture, fixtures and equipment.

IMPACT ON CLIENTS: (units of service and/or number of clients affected, if applicable)

This initiative supports all San Francisco resident, workers and visitors.

EXPENSE AND REVENUE IMPACT: (for both fiscal years)

Increase in general fund support of \$511,721 in FY 18-19 and \$524,121 in year FY 19-20.

IMPACT ON DEPARTMENT’S WORKFORCE:

Increase in temporary staffing dollars of \$377,721 annually. Ongoing staffing needs will be re-evaluated in the future.

INITIATIVE TITLE: Transitioning Emergency Management Services

Description		FY 2018-19	FY 2019-20
Sources:			
	Revenues	\$ -	\$ -
	Subtotal Sources	\$ -	\$ -
Uses:			
	Salary and Benefits	\$ 377,721	\$ 377,721
	Operating Expense	\$ 177,000	\$ 136,400
	Subtotal Uses	\$ 554,721	\$ 514,121
Net General Fund Subsidy Required (savings)/cost (Uses less Sources)		\$ 554,721	\$ 514,121
Total FTE's		0.00	0.00

New Positions (List positions by Class, Title and FTE)

<u>Class</u>	<u>Title</u>	<u>FTE</u>		<u>FTE</u>	
Tenp	Temporary Salaries	0.00	350,000	0.00	350,000
0		0.00			
0		0.00			
0		0.00			
0		0.00			
0		0.00			
0		0.00			
0		0.00			
	Total Salary	0.00	350,000	0.00	350,000
	Fringe	7.9%	27,721	7.9%	27,721
	Total Salary and Fringe	0.00	377,721	0.00	377,721
Character/Subobject Code					
02700	Professional Services		124,000		136,400
04000	Materials and Supplies		\$ 53,000	\$	-
			\$ 177,000	\$	136,400