City and County of San Francisco **Department of Public Health**

Gavin Newsom,
Mayor

Gregg Sass,
Chief Financial Officer

MEMORANDUM

April 20, 2010

TO: President Jim Illig
And Honorable Members of the Health Commission

THROUGH: Mitchell Katz, M.D.
Director, Department of Public Health

FROM: Gregg Sass
Chief Financial Officer

RE: Revenue and Expenditure Report – 3rd Quarter FY 2009-10

This report presents the third quarter financial projections of revenues and expenditures for the Department of Public Health for fiscal year 2009-10. These projections are based on revenue collected and billed, and expenses incurred for the first eight months of the fiscal year ending February 28, 2010. Projections include a revenue surplus of $29.067 million and expenditure deficit of $22.665 million for an overall projected surplus of $6.402 million. The following table summarizes projected financial results for the year based on 3rd quarter results:

Projected FY 2009-10 Year-End Surplus/Deficit

	REVENUES			EXPENDITURES			TOTAL
Division	Revised Budget	Current Projection	Surplus/ (Deficit)	Revised Budget	Current Projection	Surplus/ (Deficit)	Surplus/ (Deficit)
Department of Public Health							
SFGH	$ 753,449,000	$ 782,888,000	$ 29,439,000	$ 753,449,000	$ 768,080,000	$ (14,631,000)	$ 14,808,000
Laguna Honda	165,319,000	167,085,000	1,766,000	165,319,000	171,618,000	(6,299,000)	(4,533,000)
Primary Care	63,575,000	65,437,000	1,862,000	63,575,000	62,617,000	958,000	2,820,000
Health at Home	6,563,000	6,563,000	-	6,563,000	7,412,000	(849,000)	(849,000)
Jail Health	30,062,000	30,062,000	-	30,062,000	30,706,000	(644,000)	(644,000)
Public Health	125,490,000	125,490,000	-	125,490,000	125,390,000	100,000	100,000
Mental Health	278,689,000	274,689,000	(4,000,000)	278,689,000	280,189,000	(1,500,000)	(5,500,000)
Substance Abuse	69,733,000	69,733,000	-	69,733,000	69,533,000	200,000	200,000
TOTAL DPH	$ 1,492,880,000	$ 1,521,947,000	$ 29,067,000	$ 1,492,880,000	$ 1,515,545,000	$ (22,665,000)	$ 6,402,000

The Revised Budget in the table above includes: Annual Appropriation Ordinance for DPH, carry forwards from prior year, Inter Governmental Transfer (IGT), Transfer In and Project Related expenses.

San Francisco General Hospital: Year-end projections show a surplus of $14.8 million.

Revenues are projected to be $29.4 million over budget. This is comprised of a $33.4 million favorable variance in net patient service revenue ($19.0 million surplus in patient service revenue, $5.3 million in prior year settlements to Medi-Cal Waiver payments, and $9.1 million in projected payments from the Safety Net Care Pool). The favorable revenue projection is based on updated forecasts of Medicaid Waiver payments by the California Association of Public Hospitals and an internal review of projected patient revenue for the eight months ended February 2010, annualized. Offsetting this is a $3.9 million shortfall in projected revenue from the Health Care Coverage Initiative that provides funding for the Healthy San Francisco (HSF) program. We are pursuing a revision to certain HSF eligibility requirements that could eliminate this shortfall.

Expenditures are projected to be over budget by $14.6 million. There is a $8.7 million unfavorable variance in Personal Services and Fringe Benefits and a $3.8 million unfavorable variance in non personnel services that result from transfer of intern & resident salaries from to UC. This projection is based on our most recent analysis of personnel expenditures and is consistent with last year's results. There are other small variances in projected workorder expenses and transfers that make up the difference.

Laguna Honda Hospital: Year-end projections show a deficit of $4.5 million.

Revenues are projected to be more than budget by $1.8 million and include an additional $1.8 million in Medi-Cal payments related to a recent court order for the State to increase payment rates effective February 25. We are also awaiting court action on State cuts to Medi-Cal rates that would result in an additional $4 million recovery to the hospital.

Expenditures are projected to be $6.3 million more than budget due to unfavorable variances in Personal Services costs ($4.8 million) based on our most recent analysis of personnel expenditures, and consistent with last year's results, and a $1.9 million unfavorable variance in materials and supplies cost related to unfunded structural costs.

Primary Care We are projecting a surplus of $2.8 million.

Revenue is projected to $1.9 million over budget. We are projecting a favorable variance in patient service revenues offset by a shortfall in transfers in related to revenue from the Health Care Coverage Initiative.

Expenditures are projected to be $0.9 million less than budget primarily related to favorable variances in projects expenditures.

Health at Home: We are projecting to be $0.85 million overspent in personnel service cost comprised of unfavorable variances in personnel service costs. Deletion of vacant positions from the budget has reduced the savings from attrition that we have seen in past years.

Jail Health Services: Year-end projections show a deficit of $0.6 million comprised of unfavorable variances in personnel service costs. The increase in the number of jail inmates has resulted in additional personnel service costs. Recently the jail population has declined and we expect to see a reduction in jail health spending in the final quarter of the year.

Public Health: We are projecting a $0.1 million favorable variance in personnel service costs in this division.

Mental Health: We are projecting a $5.5million deficit in Mental Health related to a shortfall in projected revenues of $4.0 million and $1.5 million overspending of personnel service costs.

The revenue shortfall is the result of a delay in submission of a State Plan Amendment to access federal matching funding for Short-Doyle \ Medi-Cal excess costs. While we do not expect to receive that funding this year, it should be available during the 2010-11 budget year.

Substance Abuse: We are projecting a $0.2 million favorable variance in personnel service costs.

Conclusion: With eight months of the fiscal year on which to base projections, and five months remaining, we can project a favorable revenue variance at SFGH sufficient to provide a funding source for a supplemental appropriation to address overspending in the hospitals divisions. The Department has submitted a revenue supplemental appropriation to the Board of Supervisors.