



**London N. Breed,
Mayor**

**Jenny Louie,
Chief Financial Officer**

MEMORANDUM

To: President Dan Bernal and Honorable Members of the Health Commission

Through: Dr. Grant Colfax, Director of Health
Greg Wagner, Chief Operating Officer

From: Jenny Louie, Chief Financial Officer

Date: June 1, 2021

On June 1, Mayor Breed submitted her Proposed Budget for FY 2021-2022 and FY 2022-2023. The Mayor's budget focuses on:

- Supporting small business and economic recovery
- Prioritizing programs with demonstrated outcomes centered around equity
- Implementing homelessness and mental health programming
- Continuing to respond to COVID-19

I am pleased to say that this budget continues to be a positive one for DPH - all of the initiatives that the department proposed in its February submission as well as additional initiatives in May have been included in the Mayor's budget. In addition, the Mayor's proposed budget includes a number of initiatives supporting the Department of Public Health's key strategic priorities for COVID response and Behavioral Health.

These increases along with negotiated increases for labor and associated fringe benefits, adjustments to interdepartmental workorders and other citywide costs are included in DPH's proposed budget of \$2.8 billion in FY 2021-22 – a year over year increase of over \$45.6 million compared to FY 2020-21. DPH's proposed budget in the second year, FY 2022-23 drops by \$63.5 million due to the reduction in one-time expenditures related to continued step down of our COVID-19 Response and Recovery Efforts and one-time acquisition and capital costs for Behavioral Health facilities. It is important to consider that the FY 2021-22 base budget approved as part of last year budget process was \$2.6 billion and the proposed budget represents a \$240 million increase compared to the base for FY 2021-22 and \$176 million for FY 2022-23. The assumptions for the second year will be revisited as part of next year's budget development process.

Summary of Total Budget	FY 20-21	FY 21-22 Base	FY 21-22	FY 22-23
Annual Budget	2,775	2,581	2,821	2,757
Year Over Year Growth			45.6	(-63.5)
Growth Compared to Approved Base			240	176

Major changes for DPH programs in the Mayor's budget are summarized in the attached table and include:

1. Enhancing COVID Community Response and Recovery
2. Increasing Behavioral Health Services and Continued Implementation of Mental Health SF
3. Transferring the Local Emergency Management Services Agency to the Department of Emergency Management

B2 Updated - Enhancing COVID Community Response and Recovery

In May, the Health Commission proposed \$98.1 million of proposed costs in FY 2021-22 for our COVID Response, which included the core health functions such contact tracing and case investigation, vaccination, testing, data and planning, isolation and quarantine units, community outreach as well as enhanced operating costs for the SF Health Network. The Mayor's Proposed Budget maintains the proposal and includes the following enhancements for FY 2021-22:

- \$3.1 million to continue services in Shelter-in-Place (SIP) Hotels following the finalization of the plan to wind down the SIP hotels beginning in the fall. This amount represents DPH supported behavioral and clinical services; operating and facilities costs are budgeted within the Human Services Agency and the Department of Homelessness and Supportive Housing
- \$22.4 million in additional community investments including two new grants to address Health Disparities (\$4.7 million), and increase the capacity for community healthworkers (\$2.6 million). These additional funds will enable the department to strengthen its outreach efforts in the community and help support recovery efforts including increased mental health services as a result of the pandemic.

The proposed COVID spending plan with the additional investments is summarized below.

DPH Proposed Covid Funding for FY 21-23	
DPH COVID Health Response	FY 21-22 Proposed Expenditures
CoVid Disease Control	14,407,254
Community Engagement	9,965,281
Community Engagement and Recovery - New	22,369,859
COVID Data Intelligence	1,876,143
COVID Testing Operations and Laboratories	11,676,448
COVID Vaccination	21,495,295
Department Operational Center	10,511,205
Non Health System Surge Capacity	4,295,773
Services for Shelter-In-Place Hotels - New	3,022,500
Operational Sustainability - Ambulatory	1,000,000
Operational Sustainability - LHH	4,199,156
Operational Sustainability - ZSFG	18,747,632
Total Expenditures	123,566,546

DPH’s Response is funded through a mix of sources including:

- \$32.2 million of new grants
- \$70.7 million of current year savings already appropriated
- Additional general fund support and FEMA revenue budgeted centrally by the Controller’s Office.

In addition to the proposed \$123 million of spending in DPH's FY 2021-22 budget and \$26.7 million in FY 2022-23, the Mayor’s Office is investing an additional \$233.8 million in other city departments for other recovery and response programs and coordination including food security, workforce, small business, and economic relief and COVID-19 shelter response.

B4/B5 - Increasing Behavioral Health Capacity and Continued Implementation of Mental Health SF under Proposition C

The Mayor’s proposed budget includes a spending plan for the remaining unprogrammed Proposition C funds, significant portion that was appropriated in the prior year budget, but portion remained on reserve pending a spending plan. This plan was developed through the Proposition C Our City, Our Home Oversight Committee and took into consideration, department proposals, feedback from stakeholder engagements and committee recommendations.

The proposal adds \$42.2 million of new programming in addition to the \$50.1 million of previously approved programs as part of last year’s FY 2020-22 budget process for a total of \$93.1 million in annual Proposition C spending. The plan continues the expansion of services under Mental Health SF and proposes significant increased in new residential treatment beds, programming, capacity and coordination for Behavioral Health Services to better serve people experiencing homelessness (PEH) and those transitioning

Increasing Services in the Streets

- Street Crisis Response Team - Launched in FY 2020-21, this new program provides appropriate interventions and connections for people who experience behavioral health crises on the streets of San Francisco, in partnership with the San Francisco Fire Department. The proposed budget includes an additional \$1.8 million annually to create an additional Street Crisis Response Team for a total of seven teams to serve the City.
- Expanding Street Medicine Capacity - \$2.7 million annually is added to expand DPH's capacity for our street medicine team that supports clients in the street, shelters and at our new Health Resource Center, a dedicated outpatient clinic for PEH. New costs will support increases in clinical and peer staffing, and transportation to get clients to services and treatment.

Expanding Services at the Behavioral Health Access Center - The spending plan includes an additional \$2 million in FY 2022-23 and ongoing to continue to expand the hours at Behavioral Health Access Center, a centralized drop-in Mental Health Service Center for people in need of immediate behavioral health care.

Targeted Services for Transgender and TAY clients - Recognizing the needs of transgender and TAY clients, the proposed budget carves out \$1.3 million annually for TAY mental health, care coordination, and case management services, and \$1.0 million annually for specialized transgender mental health services, specifically for transgender people experiencing homelessness.

Preventing Overdose -To address the significant increase in drug overdose deaths in San Francisco, the Mayor's budget invests \$13.5 million annually for four programs:

- Expand Medication Assisted Treatment and Contingency Management - \$5.4 million – To expand our known effective treatment strategies, this funding will increase opportunities for people who use drugs to engage in medications for addiction treatment and contingency management. Medication Assisted Treatment for opiate use disorder reduces an individual's risk of overdose and improve health outcomes overall. Contingency management (CM) is an evidence-based behavioral therapy utilized to treat stimulant use disorders by utilizing tangible reinforcements (e.g., food, gift cards) to incentivize healthier behavior.
- Street Overdose Response Team (SORT) - \$5.4 million – New in the budget, SORT is an immediate, street-based response for people experiencing homelessness with recent non-fatal overdose through engagement, care coordination, and low barrier treatment, including MAT. Team members will include peer specialists, substance abuse counselors, health workers, clinical behavioral health specialists, registered nurses, nurse practitioners, physicians and psychiatric nurse practitioners and psychiatrists. People who use drugs will be offered treatment and assistance as soon as possible after surviving an overdose. Care may be offered at initial

contact, but most importantly follow up care is offered to individuals whether they initially accepted MAT treatment or not.

- Establish a Culture of Harm Reduction & Supportive Care into High-Risk Settings - \$2.8 million. Expansion of low threshold buprenorphine and contingency management to high risk sites including SIPs, streets, and PSH. Expanded funding for harm reduction education and resources in low barrier harm reduction education and therapy to the public, either at a central site, as added services at an existing site, or through street-level engagement. Funds will also be used to expand access to safe consumption supplies at medical sites, including ZSFG and PC clinics as well as behavioral health treatment sites. This includes creating specific kits designed to reduce adverse health consequences from drug use.

Increasing Services for Clients in Shelters and Permanent Supportive Housing (PSH)
DPH will expand its presence at and collaboration with PSH sites and provide additional support to shelters and SIP hotels. Roving behavioral health and physical health staff will provide onsite services. Another important element of this initiative involves building the capacity of onsite PSH staff through training and consultation. Annual costs for this expansion is \$7.7 million.

B5 - Additional Behavioral Health Investments

Outside of Programs Funded by Proposition C for People Experiencing Homelessness, the Mayor's Proposed Budget includes \$0.5 million for three new positions to expand the coordination, care management and peer support for the Conservatorship Program. An additional \$1.3 million is proposed to expand the Educationally Related Mental Health Services (ERMHS) programs for qualifying students in San Francisco Unified School District (SFUSD) and will support additional assessments and services. The increases in the ERHMS program is offset with increases in Medi-Cal and funding from SFUSD.

B6 - Transferring the Local Emergency Management Services Agency to the Department of Emergency Management

DPH will transfer the Local Emergency Medical System Agency (LEMSA) to the Department of Emergency Management (DEM) to strengthen the connection between emergency response and medical oversight. This transfer shifts approximately \$2.5 million in funding from DPH's budget and into DEM's, but does not impact budgeted service levels.

The Mayor's Proposed Budget now moves to the Board of Supervisors for review. We have two hearings tentatively scheduled for June 16th and June 22nd. We have begun working with the Budget and Legislative Analyst on their budget review. We will keep you informed of any changes that take place and will provide you a final update on the budget in August.

DEPARTMENT OF PUBLIC HEALTH FY 2021-22 and 2022-23 PROPOSED BUDGET

Div	Item	Description	FY 21-22				FY 22-23				Comments
			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)	
REVENUE											
ZSFG	A1	Medi-Cal Changes Proposed Under California Advancing Innovations in Medi-Cal (CalAIM)	-	\$ 2,850,833	\$ 27,444,263	\$ 24,593,430	-	\$ (6,523,402)	\$ 8,695,794	\$ 15,219,196	Additional revenues to reflect a changes to Medi-Cal programs under CalAIM which includes the continuation of the Global Payment Program, changes to non-federal share matches to the Quality Incentive Program and a one year extension of the Whole Person Care Pilot.
	A2	Zuckerberg San Francisco General (ZSFG) Baseline Revenues	-	\$ 3,327,577	\$ 21,288,792	\$ 17,961,215	-	\$ 3,327,577	\$ 21,288,792	\$ 17,961,215	Annual adjustments to ZSFG and San Francisco Health Network revenue based on actual projections related to Medi-Cal, Capitation, Medicare and other patient revenues.
LHH	A3	Laguna Honda Hospital (LHH) Baseline Revenues	-	\$ -			-	\$ -	\$ 4,295,678	\$ 4,295,678	Estimated adjustment to baseline revenues at Laguna Honda Hospital pending state rate increase.
DPH	A4	Delay of Federal Reduction to Disproportionate Share Hospital	-	\$ -	\$ 51,672,841	\$ 51,672,841	-	\$ -	\$ -	\$ -	This initiatives recognizes the release of \$51.6 million under the DPH management reserve originally created to offset a federal reduction to Disproportionate Share Hospital that scheduled to go into effect in December 2020. Due to federal legislation, the implementation is delayed beyond the two-year budget period and the reserve is currently not needed.
BH	A5	Release of Revenue Deferrals for Mental Health	-	\$ -	\$ 8,440,000	\$ 8,440,000	-	\$ -	\$ -	\$ -	Behavioral Health will complete final reconciliation of prior year mental health cost reports for FY 2016-17 and FY2017-18 in FY 2021-22. The revenue in this initiative recognizes release of \$8.4 million in revenue deferrals previously anticipated as needed for repayment to the state.
GH	A6	One-time Revenue from Medi-Cal Settlements	-	\$ -	43,044,394	\$ 43,044,394	-	\$ -	\$ -	\$ -	As part of the Medi-Cal wavier negotiation between California and the federal Center for Medicare and Medicaid Studies (CMS), CMS has mandated that all open Wavers be closed and settled. This process began in calendar year 2020 and is expected to extended into 2021. Based on recent settlements, the department anticipates an additional \$43 million of one-time revenue.
TOTAL REVENUE			-	\$ 6,178,410	\$ 151,890,289	\$ 145,711,879	-	\$ (3,195,825)	\$ 34,280,264	\$ 37,476,089	

Div	Item	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)	Comments
EMERGING NEEDS - DPH											
	B1	Implementing the DPH Racial Equity Plan	-	\$ 726,633	\$ -	\$ (726,633)	-	\$ 1,481,924	\$ -	\$ (1,481,924)	The Racial Equity Action Plan is an opportunity and an obligation created by the legislation that established the Office of Racial Equity in 2019. The plan is required of all City departments every three years and this initial plan requires significant advancement and investment in workforce equity. This initiative phases staffing over the two-year period to support training, coordination and data analysis, DPH operational sustainability, Department Operations Center, Non-healthy system surge capacity, vaccination and testing.
	B2- Revised	Continuing COVID-19 Response		\$ 123,556,546	\$ 32,330,240	\$ (91,226,306)		\$ 26,699,172	\$ 12,700,271	\$ (13,998,901)	While San Francisco COVID-19 vaccination rates are rising and cases remain at relatively low levels, the City will require an ongoing COVID-19 response and recovery program lasting into the coming fiscal year and beyond. This budget will allow for continuing services for COVID Response, Community Engagement, Data Intelligence, department operations sustainability,, Department Operations Center, Non-Health System Surge Capacity, Vaccination and Testing. The Mayor's budget includes an increase of \$22.4 million of additional community response and recovery budgets as well as \$3 million for the continuation of DPH clinical services for SIP hotels.
	B3	DPH Security Services Staffing Changes	-	\$ 1,368,459	\$ -	\$ (1,368,459)	-	\$ 1,832,171	\$ -	\$ (1,832,171)	The proposed security staffing plan would replace uniformed Deputy Sheriffs with trained health care professionals and peers at several of the department's patient care sites. The DPH proposal would allow trained health care staff to be the primary responders to many of these incidents, with the ability to call upon law enforcement for help if necessary. The department will continue to maintain a Sheriff's Department presence for incidents that do require a law enforcement intervention. Additionally, the department will implement a more rigorous training program for DPH and Sheriff department staff to ensure they have the skills and tools to be as effective and supportive as possible in a patient care environment.

Div	Item	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)	Comments
	B4 - New	Behavioral Health Investments Funded Under Proposition C	-	\$ 39,151,523	\$ 39,151,523	\$ -		\$ 42,212,287	\$ 42,212,287	\$ -	The Mayor's proposed budget includes a spending plan for the remaining unprogrammed Proposition C funds, significant portion that was appropriated in the prior year budget, but portion remained on reserve pending a spending plan. The proposal adds \$42.2 million of new programming, continues the expansion of services under Mental Health SF. The proposal includes significant increased in new residential treatment beds, programming, capacity and coordination for Behavioral Health Services to better serve people experiencing homelessness (PEH) and those transitioning into permanent supportive housing.
	B5 - New	Behavioral Health Investments Funded Under Proposition C - One- Time Acquisitions	-	\$ 76,800,000	\$ 76,800,000	\$ -	-	\$ 45,500,000	\$ 45,500,000	\$ -	The Prop C spending plan includes \$122.3 million of one-time costs over the two year budget for site acquisition, rehabilitation and renovation.
	B6 - New	Additional Behavioral Health Investments for Conservatorship and ERMHS funding	2.31	\$ 1,451,416	\$ 1,125,000	\$ (326,416)	3.00	\$ 1,560,910	\$ 1,125,000	\$ (435,910)	Includes \$0.5 million for three new positions to expand the coordination, care management and peer support for the Conservatorship Program. An additional \$1.3 million is proposed to expand the Educationally Related Mental Health Services (ERMHS) programs for qualifying students in San Francisco Unified School District (SFUSD) and will support additional assessments and services. The increases in the ERHMS program is offset with increases in Medi-Cal and funding from SFUSD.
	B7 - New	Transfer of Local Emergency Services Management Services to Department of Emergency Management Services	-	\$ -	\$ -	\$ -	-	\$ -	\$ -	\$ -	DPH will transfer the Local Emergency Medical System Agency (LEMSA) to the Department of Emergency Management (DEM) to strengthen the connection between emergency response and medical oversight. This transfer shifts approximately \$2.5 million in funding from DPH's budget and into DEM's, but does not impact budgeted service levels.
TOTAL EMERGING NEEDS			2.31	\$ 243,054,577	\$ 149,406,763	\$ (93,647,814)	3.00	\$ 119,286,464	\$ 101,537,558	\$ (17,748,906)	
OTHER INITIATIVES THAT DOES NOT AFFECT TARGET											
INFLATIONARY											
DPH	C1	Pharmacy and Other Inflationary Costs	-	\$ -	\$ -	\$ -	-	\$ 8,868,411	\$ -	\$ (8,868,411)	Increased expenditure authority related to pharmaceuticals and food to reflect inflation on the price of these critical supplies.
ZSFG	C2	UC Affiliation Agreement Costs		\$ -	\$ -	\$ -	-	\$ 18,531,312	\$ -	\$ (18,531,312)	This initiative proposes to increase the budget for the DPH/UCSF Affiliation Agreement to cover the costs of services provided at ZSFG.