



**London N. Breed,
Mayor**

**Jenny Louie,
Acting 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: January 13, 2022

Scheduled for the January 18th Commission meeting is the first hearing on the Department of Public Health's proposed budget for FY 2022-2023 and FY 2023-2024 (FY 2022-24). A second hearing is planned for the February 1st Commission meeting, followed by periodic updates throughout the budget process. These two hearings will comply with Section 3.3 of the Administrative code which requires City departments to have at least two public hearings on budget prior to February 14th, one week before department budget submissions are due.

Subject matter to be addressed at the two budget hearings will be as follows:

January 18

- Overview of FY 2022-23 approved base budget and approach to budget planning
- Projection on current year salary spending (also required under Section 3.3)
- The City's Five-Year Financial Projection and Mayor's Budget Instructions
Department goals and priorities for FY 2022-23 and FY 2023-24

February 1

- Proposed balancing plan with detailed initiatives
- Request for Health Commission approval of proposed budget for submission to
Controller and Mayor's Office

A third meeting will be scheduled for February 15 if needed to address follow-up issues raised at the second meeting, as well as additional meetings as necessary throughout the spring to keep the Commission apprised of the latest developments.

The City's Five Year Financial Projection and Mayor's Budget Instructions

In December, the Mayor's Office issued its five-year financial outlook for the City and budget instructions for City departments.

Due to increases in federal funding, an improvement in returns on retirement, and constrained spending, the City projects a surplus of \$26.2 million in FY 2022-23 and \$81.9 million in FY 2023-24 for a total of \$108.1 million over the two year budget.

As a result of this surplus, the Mayor's Office is not instructing departments to propose reductions to general fund support as it has in years past, but instead to improve core services without adding net new costs.

The Mayor's policy priorities for this upcoming budget are:

- (1) restoring vibrancy to San Francisco, including improved public safety and street conditions;
- (2) recovery of the local economy;
- (3) reprioritization of funding to improve core service delivery;
- (4) accountability and equity in delivery of programs, services, and spending.

DPH Strategic Goals and Priorities for FY 2022-23 and FY 2023-24:

Aligned with the Mayor's policy priorities, DPH's budget investments for the upcoming budget cycle will focus on continuing to meet strategic goals from prior year:

- Transitioning COVID-19 response functions into operations
- Continuing investment in and re-envisioning Behavioral Health Services and Support for People Experiencing Homelessness
- Strengthening core operating functions to support service delivery and improving Workforce and Health Equity
- Implementing new program and benefits under CalAIM

Incorporating COVID-19 Response into DPH Core Programs

More than two years into the pandemic, it clear that the department's multi-faceted response which includes testing, community outreach, outbreak management, isolation and quarantine units, supporting hospital and clinical capacity, and vaccinations, will remain necessary and core to supporting economic recovery. DPH staff is in the process of evaluating the mid-term and long term needs to address the pandemic, as well as operational support readiness. While in prior years this work was centrally managed through either a citywide COVID Command or DPH COVID Task Force, starting in FY 22-23, the department will look to incorporate these functions into regular DPH operations. Significant planning work is needed to evaluate operational readiness program structures to prepare existing programs to integrate these additional services.

As part of the last year's budget process, DPH's base budget allocates \$26.7 million of funding in FY 22-23, including \$8 million in grant funding and only \$14 million in general fund, but currently no ongoing funding sources.

As part of the budget development for this year, DPH will be working with the Mayor and Controller's Office to identify revenue sources in addition to general fund. FEMA reimbursement which has supported a majority of the expenditures since the beginning of the pandemic is expected to expire on April 1, 2022. It is possible that this deadline could be extended, but it would not be known until closer to the expiration. The Governor's Proposed Budget includes \$2.7 billion of spending for COVID. While details are pending on the spending plan, it is our current understanding that these funds will not be allocated directly to counties. It is possible, however, that some of the services planned by the State could offset some of the City's response needs.

Given the complexity of this analysis and pending evaluation of state and federal funding sources, the Mayor's Office has agreed to delay the completion of the COVID response budget to the Spring. Therefore, the department will not submit a COVID response budget during the February submission but will work to develop the plan over the next few months. Once the funding and service levels are finalized, the proposal will be brought back to the Commission for consideration and approval.

Re-envisioning Our Behavioral Health System of Care and Supporting Our Most Vulnerable

The department will continue to implement and refine the foundational Behavioral Health investments established in the last budget cycle completed in August. As a reminder, the base budget includes funding for the following:

Bed Capacity

- \$122 million one-time funding for site acquisition and facilities renewal
- \$30 million ongoing for approximately 200 beds annually. Bed types include Board and Care, Residential Step Down, Transitional Aged Youth (TAY) residential treatment, Managed Alcohol Program (MAP), and co-op housing beds.

Increasing Services in the Streets

- \$12 million for seven Street Crisis Response Teams to provide 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
- \$2.5 million to expand Shelter Health and Street Medicine capacity and will support increases in clinical and peer staffing, transportation to get clients to services and treatment as well as telehealth.

Expanding Services at the Behavioral Health Access Center (BHAC)

- \$6 million annually to expand hours at the BHAC and pharmacy services to evenings and weekends as well as a centralized drop-in Mental Health Service Center for people in need of immediate behavioral health care.

Targeted Services for Transgender and TAY clients

- \$2.3 million for mental health, care coordination, and case management services for TAY and Transgendered clients experiencing homelessness.

Overdose Prevention

- \$5.4 million for Street Overdose Response Team (SORT) a street-based response for people experiencing homelessness with a recent non-fatal overdose through engagement, care coordination, and low barrier treatments like Medication Assisted Treatment (MAT)
- \$5.4 million for Medication Assisted Treatment and Contingency Management
- \$2.8 million in Harm Reduction Services and naxolone distribution

Behavioral and Health Services at Permanent Supportive Housing Sites (PSH)

- \$7.7 million for DPH to expand its presence at PSH sites and provide additional support to shelters and SIP hotels through mobile teams of behavioral health and physical health staff to provide onsite services.

Programs are in various stages of implementation. As work continues and service models may be refined and additional initiatives may be identified to meet service gaps and improve coordination. Areas of growth will also include programs under Mental Health Services Act initiatives under CalAIM.

Investing in DPH Operations to Ensure Successful Service Delivery

DPH operations and central administrations provides the backbone support for the successful implementation of these new strategic initiatives and all of DPH's core services. Office of Health Equity, Information Systems, Finance, Business Office and Contracts, Human Resources, Security, Office of Privacy and Compliance (OCPA) and Facilities provide key functions such as hiring, contracts development, IT and data systems, facilities and space, ensuring adherence to regulatory requirements, and budgeting and payment processing. In years past our budget initiatives have focused on increasing service levels but there has not been a corresponding investment in operations. Given the major initiatives in the department including COVID-19, Racial Equity and Behavioral Health Services, to insure successful and timely implementation of services and strategic goals, additional investment is needed to right size the operating functions to meet the needs of programs.

Implementing New Programs Under California Advancing and Innovating Medi-Cal (CalAIM)

The State of California will continue its multi-year roll out of CalAIM, a new framework that encompasses a broad-based delivery system, program, and payment reform across the Medi-Cal program, with the focus of a whole-person care approach.

The State has provided a rough outline of CalAIM programs with the implementation timeline currently scheduled to take place through January 2027. Program details including eligibility, funding guidelines and funding allocations are still being developed and generally are not released until a few months prior to the application. Most relevant for the FY 2022-23 and FY 2023-24 budget are three new benefits that will be implemented over the next twelve months.

- Enhanced Care Management – At the beginning of this month, the San Francisco Health Plan (SFHP) and Anthem Blue Cross (BX) implemented the first new benefit, Enhanced Care Management (ECM). ECM will be a whole-person, interdisciplinary approach to comprehensive care management that addresses the clinical and non-clinical needs of high-cost, high-need managed care members through systematic coordination of services that is community-based, interdisciplinary, high-touch, and person-centered. To start, the first clients to be enrolled into this benefit are existing SFHN Whole Person Care clients who were actively receiving services for the last 90 days. Over the coming months, SFHP and BX are expected to enroll additional clients to DPH.
- Community Supports (formerly known as In-Lieu of Services) – Community Supports or CS are medically appropriate and cost-effective alternatives to services covered under the State Plan. Community Supports are optional services for Medi-Cal managed care plans (MCPs) to provide for managed care members. DPH is currently working with the SFHP and BX to implement new benefits for its Medical Respite for this month and Sobering Center Services for July of 2022. Outside of DPH, the Department of Homelessness and Supportive Housing (HSH) is also working with SFHP and BX to develop a housing navigation and support benefit for their clients.
- Justice-Involved Pre and Post Release Services – The State will begin mandating a county pre-release Medi-Cal application process for incarcerated individuals, allowing Medi-Cal reimbursement for services in the 90-day time period prior to release, and to encourage a facilitated referral and linkage to health services. This benefit will not be available until January 2023 and details on the fund are not yet available.

To support counties with the transition and implementation of these benefits, the State is establishing two programs to provide one time capacity building funds, Providing Access and Transforming Health (PATH) Initiative and Behavioral Health Quality Improvement Plan

The goal of PATH is to provide one-time funding over the course of the CalAIM implementation for the following purposes:

1. Provide infrastructure and readiness support for the CalAIM initiatives noted above
2. Transition WPC
3. Support for justice involved services

Additional details on the first two PATH programs listed above are expected to be released by the end of March. At this time, no timeline for the release of details for Justice Involved Services has been provided.

Behavioral Health Quality Improvement Program (BH-QIP) will become effective this month through June 2024. This program will incentivize system changes and process improvements to county-operated community mental health and substance use disorder systems to help counties prepare for opportunities made available CalAIM. This funding will be located in the form of incentive payments to be used to support reporting, billing and data collection and exchanges.

In addition to direct funding for county managed health services, county health plans will also receive infrastructure funding. It is possible that DPH and HSH may partner with SFHP on additional initiatives.

Budget Submission at the Next Health Commission

At the next Health Commission meeting, staff will provide a budget proposal which addresses these strategic goals, including detailed initiatives, for your approval. Should additional review be necessary, a third hearing at the Health Commission will be scheduled for February 15th, prior to the department's submission on February 22nd.