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

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, Acting Chief Financial Officer/Deputy Finance Officer

Date: January 29th, 2021

At the February 2nd Commission meeting we will have the second hearing on the Department of Public Health's proposed budget for FY 2021-2022 and FY 2022-2023 (FY 2021-23). As you recall, our first hearing on January 19th included an overview of the Department's base budget and key areas of focus for the two upcoming fiscal years. In this second hearing, we will present our proposed budget submission, including revenues and emerging needs. We are requesting Commission approval of these initiatives for submission to the Controller and Mayor's Office.

As discussed in the last meeting the department's primary approach to meeting general fund reduction targets will center on revenue opportunities. Plans for two of the department's strategic priorities, COVID-19 response and behavioral health programming (including Mental Health SF) are being developed as part of citywide and/or stakeholder processes over the spring and will not be included as part of the February submission. Therefore, the proposals brought forward for the Commission's consideration will focus on revenue updates including changes under the State's California Advancing Innovations in Medi-Cal proposal (CalAIM), and increasing workforce equity. Staff will schedule a future hearing to discuss proposals for the citywide COVID-19 and Mental Health SF budgets.

This proposed budget meets DPH's 7.5% target for reducing the rate of growth in its required General Fund subsidy. However, it does not meet the additional 2.5% contingency target. If the additional contingency is needed to balance the budget, it could require difficult choices including expenditure reduction initiatives that could impact service levels for both civil service and community based programs. Due to the extraordinary effort underway by DPH to continue the COVID-19 response and vaccine program, the Mayor's Budget Office has authorized to delay development of specific plans for this 2.5% contingency until later in the budget process. If additional initiatives are required to meet this contingency target, DPH will return to the Commission with a proposal.

Revenue Initiatives

A1 - Changes to Medi-Cal Programming Under CalAIM - After indefinitely delaying the proposal last year, the Department of Healthcare Services (DHCS) issued an updated CalAIM proposal on January 8th. This proposal continues and expands the policy direction of existing waiver programs, many of which were scheduled to expire at the end of the December 2020, but extended for another year until December 2021. Significant work remains for the State, Counties and Medi-Cal Managed Care plans on the details of the CalAIM proposal, but the State's updated framework provides an initial guide for changes included in DPH's proposed budget. The first phase of CalAIM includes the following continuations and transitions to existing Medi-Cal programs:

> *Continuing the Global Payment Program (GPP)* – GPP is a points based incentive program to redesign services delivery for services to the uninsured population, is expected to continue in a similar manner and funding level to the current program. Annual net value for DPH is $55 million, a net increase of $1.6 million.
>
> *Transitioning Public Hospital Redesign and Incentives in Medi-Cal (PRIME) to the Quality Incentive Program* – Under the current proposal, PRIME, a pay for performance program will be discontinued and funds will shift to the current Quality Incentive Program, a similar pay for performance program. Annual net value of QIP with the PRIME transition is now projected at $85 million, a net increase of $13.6 million.
>
> *One Year Extension and Future Transition of the Whole Person Care Pilot (WPC) to the a new Enhanced Care Management (ECM) and In Lieu of Services (ILOS)* – The WPC pilot is a collaboration between DPH and the Department of Homelessness and Supportive Housing designed to to create a system of care that can respond to the needs and improving the health of high-risk, high-utilizing patients. In December, WPC was approved for a sixth and final year for 2021 while the State develops two new successor programs, the Enhanced Care Management (ECM) and In Lieu of Services (ILOS). Annual value net value for the current program is $9.5 million for DPH and $8.5 million for HSH and is assumed for an additional year. Revenue opportunities for FY 2022-23 are still unknown as program details are pending.

A2 - Baseline Revenues at Zuckerberg San Francisco General (ZSFG) – This initiative updates the revenue assumptions related to patient revenues and the Graduate Medical Education Program at Zuckerberg San Francisco General based on current projections. Baseline revenues are projected to increase by $18 million ongoing.

A3 - Baseline Revenues at Laguna Honda Hospital (LHH) – Laguna Honda Hospital's baseline revenues will increase by $0 in FY 2021-22 and $4,295,678 in FY 2022-23. The projected increase represents an estimated 2.1% increase in Medi-Cal Skilled Nursing Facility Per Diem Rates for FY 2022-23 pending final confirmation from the State.

A4 - Delay of Federal Reduction to Disproportionate Share Hospital - This initiatives recognizes the release of $51.6 million of deferred revenues held to offset a federal reduction to Disproportionate Share Hospital that was scheduled to go into effect in December 2020. In December, however, Congress passed legislation delaying the effective date FY 23-24. These revenues can be released help balance the FY 2021-22 and FY 22-23 budget.

A5 - Release of One-Time Revenue Deferrals in Mental Health – 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.

Emerging Needs

B1- Implementation of DPH Racial Equity Action Plan: 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. Additional requests to phase in a staffing increase for training, coordination and data analysis total $726,633 in FY 2021-22 and $1,481,924 in FY 2022-23.

Inflationary Costs

The following initaitives are costs assumed as part of the deficit and will not affect the department's general fund reduction target

C1 - DPH Pharmaceuticals and Materials and Supplies Inflation This initiative requests annual inflationary adjustments for expenses critical to network operations. This adjustment is critical to ensuring that DPH is able to continue to provide services and treatments to its patients. The department projects cost increases of 10% for pharmaceuticals and 3% for food. These proposed increases amount to $8.9M for FY 2022-23. Inflationary adjustments were already approved and included the FY 2021-22 base budget as part of of last years budget process.

C2 – University of California San Francisco (UCSF) Affiliation Agreement: This iniative requests annual adjustments to the long standing Affilation Agreement with UCSF for physican, clinical and ancillary services at Zuckerberg San Francisco General Hospital Medical Center. The proposed increase for FY 2022-23 is $18.5 million.

Balancing Summary

After accounting for all proposed revenues and emerging needs included in this budget proposal, the department would meet its 7.5% general fund reduction target and puts $1.1 million toward the 2.5% contingency. This calculation is summarized in the table below.

Budget Instructions	FY 21-22	FY 22-23	Two-Year Total
7.5% General Fund Reduction Target	$ (59,507,361)	$ (59,507,361)	$ (119,014,722)
Revenue Growth Assumed in Deficit	$ -	$ (17,841,075)	$ (17,841,075)
	$ (59,507,361)	**$ (77,348,436)**	**$ (136,855,797)**
2.5% Contingency	$ (19,835,787)	$ (19,835,787)	$ (39,671,574)
Health Commission Proposoal to Meet Target			
Revenue	$ 102,667,485	$ 37,476,088	$ 140,143,573
Emerging Needs	$ (726,633)	$ (1,481,924)	$ (2,208,557)
Total Proposed	**$ 101,940,852**	**$ 35,994,164**	**$ 137,935,016**
Net Balancing - Above/(Below) Target	**$ 42,433,491**	**$ (41,354,272)**	**$ 1,079,219**
	Remaining Contingency to Meet		$ (38,592,355)

These proposals represent the department's submission for FY 2021-22 and FY 2022-23.With your approval, we will submit the full proposal presented here to the Mayor and Controller's Office on February 22. 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.

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

			FY 21-22				FY 22-23				
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**
MAYOR'S INSTRUCTIONS											
		7.5% General Fund Reduction				$ (59,507,361)				$ (59,507,361)	
		Revenues Assumed In Deficit				$ -				$ (17,841,075)	
		Total Target General Fund Reductions				$ (59,507,361)				$ (77,348,436)	
		2.5% Contingency				$ (19,835,787)				$ (19,835,787)	
REVENUE AND SAVINGS											
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 $8.4 million in revenue deferrals previously anticipated as needed for repayment to the state.
TOTAL REVENUE			**-**	**$ 6,178,410**	**$ 108,845,895**	**$ 102,667,485**	**-**	**$ (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.
			$ -	$ -	$ -	$ -	-	$ -	$ -	$ -	
TOTAL EMERGING NEEDS			**-**	**$ 726,633**	**$ -**	**$ (726,633)**	**-**	**$ 1,481,924**	**$ -**	**$ (1,481,924)**	
OTHER INITIATIVES THAT DOES NOT AFFECT TARGET											
INFLATIONARY (Does not affect target)											
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 Affliation 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.

FY 2021-22 & 2022-23 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: **Medi-Cal Changes Under CalAIM**
TARGETED CLIENTS: n/a
PROGRAM CONTACT NAME/TITLE: **Matthew Sur, Reimbursement Manager**

FY2021-22 FTE Change	FY 2022-23 FTE Cumulative Change	FY 2022-23 General Fund Impact Favorable/(Unfavorable)	FY 2022-23 Cumulative Net General Fund Impact Favorable/(Unfavorable)
n/a	n/a	$24,593,430	$15,219,196

PROGRAM DESCRIPTION: (brief description of proposed change)

This initiative updates reflects revenue changes anticipated under the new California Advancing and Innovating Medi-Cal (CalAIM), the successor program to the current Medi-Cal Waiver. The Global Payment Program and the Quality Incentive Program are revenues that are included under Zuckerberg San Francisco General and Whole Person Care has been reflected under the San Francisco Health Network division, but are described in a single initiative to provide a clearer picture of the proposed changes. Note that the amounts described below are the net revenues after an intergovernmental payment (IGT), a required non-federal share as part of these programs.

JUSTIFICATION:

After indefinitely delaying the proposal last year, the Department of Healthcare Services (DHCS) issued an updated CalAIM proposal on January 8th. This proposal continues and expands the policy direction of existing waiver programs, many of which were scheduled to expire at the end of the December 2020, but extended for another year until December 2021. Significant work remains for the State, Counties and Medi-Cal Managed Care plans on the details of the CalAIM proposal, but the State's updated framework provides an initial guide for changes included in DPH's proposed budget.

With the input from an extensive Statewide stakeholder engagement process, in which many DPH staff participated, the stated goals of CalAIM are:

- Identifying and managing member risk and need
- Reducing complexity and increasing flexibility in the Medi-Cal system
- Improving quality outcomes and driving delivery system transformation through value-based initiatives, modernization of systems and payment reform.

While there are many innovative reforms proposed, including population health management, a new Serious Mental Illness demonstration pilot and behavioral health payment reform, many are still being designed and programs will be implemented in phases. Under the first phase of CalAIM, the continuations and transitions to three existing Medi-Cal programs are as follows:

- *Continuing the Global Payment Program (GPP)* – GPP, a points based incentive program to redesign service delivery to the uninsured population is expected to continue similar to the current program. Under GPP, each county is assigned a point based service level threshold global budget. Services provided to uninsured patients are assigned point values, while the costs of services are considered as part of the value system, primary care and preventative services are assigned a greater relative value. Emergency room and inpatient stays still retain a higher value recognizing the higher costs and importance of those services. Funding is determined based on the total number of points accrued relative to the global budget. This program was anticipated to continue and projected to increase by $1.6 million for a net annual value of $83 million.

- *Transitioning Public Hospital Redesign and Incentives in Medi-Cal (PRIME) to the Quality Incentive Program* – PRIME was a pay for performance delivery system transformation which used pay for performance and quality improvements to achieve performance targets and improvement health outcomes for patients. Funding was contingent on meeting targets and demonstrated continuous improvement. PRIME has been discontinued and funds transitioned to the Quality Improvement Plan (QIP) beginning in July 2020.

  QIP is a similarly structured pay for performance program, with a separate set of metrics that complement those of PRIME. As a result of the transition of PRIME into QIP, public healthcare systems now have 40 total measures, 20 required and 20 more selected from a pool of around 30 measures. Additionally, QIP measures and funding are linked to Medi-Cal managed care members, whereas PRIME measures applied to all Medi-Cal enrollees. As PRIME was expected to sunset, the associated revenues were removed for FY 21-22 as part of last years budget process. This program is expected to increase by $13.5 million for an net annual value of $47.2 million, mainly due to the reduced non-federal share financial responsibility for Medi-Cal Post-ACA patients.

- *Transitioning Whole Person Care (WPC) to the a new Enhanced Care Management (ECM) and In Lieu of Services (ILOS)* – Through a mix of financing structures that span from traditional fee-for-service and cost reimbursement to value based payments through incentives and pay for reporting/performance, the WPC pilot is designed to create a system of care that can respond to the needs and improving the health of high-risk, high-utilizing patients through the coordinated delivery of physical health, behavioral health, case management, housing support and other critical services. In December, WPC was approved for a sixth and final year for calendar year 2021. For the last five years DPH has worked closely with Department of Homelessness and Supportive Housing on the planning and implementation of San Francisco's pilot.

  Under CalAIM, WPC will be discontinued and replaced with two new programs, the Enhanced Care Management (ECM) and In Lieu of Services (ILOS). ECM would provide a managed care benefit for a whole-person approach to care that addresses the clinical and non-clinical circumstances of high-need Medi-Cal beneficiaries. ECM will be a collaborative and interdisciplinary approach to providing intensive and comprehensive care management services to individuals. Target populations include the most vulnerable adults and children in California with complex behavioral needs, experiencing or at risk of becoming homeless and/or have significant behavioral health needs. ILOS would support a menu of 14 flexible wraparound services to high-level risk members to address the social determinants of their health and avoid other more costly services such as hospitalizations and discharge delay. Eligible services could include housing supports, medical respite, sobering centers, diversion and personal care/homemaker services and food supports. Managed care plans will decide which services they will cover and may choose to ramp up over time. Program details are still being developed and funding levels are currently unknown. The FY 21-22 budget includes $9.3 million to reflect the expected DPH portion of revenues, but revenue projections related to ECM and ILOS will be delayed until additional program details are released.

Over the next several years the department will begin collaborating with key partners including the San Francisco Health Plan, Department of Homelessness and Supportive Housing and DHCS to understand the structure and requirements of these new programs and assess how our current programs might align. In addition, DPH will continue to monitor program updates under CalAIM for these and other programs.

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

None.

EXPENSE AND REVENUE IMPACT: (for both fiscal years)

Gross revenues will increase by $27,444,23 in FY 21-22 and IGT expense will increase by $6,523,402. In FY 22-23, gross revenues will increase by $8,695,794 and a decrease of $6,523,402 of IGT payments. Net impact is as follows:

GPP - $1,633,400 ongoing
QIP - $13,585,796 ongoing
WPC - $9,374,234 in FY 21-22 only

IMPACT ON DEPARTMENT'S WORKFORCE :

None.

INITIATIVE TITLE: A1- Changes to Medi-Cal Programming under CalAIM

Description			FY 2021-22		FY 2022-23	
Sources:						
	QIP		$	6,507,038	$	6,507,038
	GPP		$	2,188,756	$	2,188,756
	WPIC		$	18,748,469	$	-
		Subtotal Sources	$	27,444,263	$	8,695,794
Uses:	Salary and Benefits		$	-	$	-
	Operating Expense - IGT		$	2,850,833	$	(6,523,402)
		Subtotal Uses	$	2,850,833	$	(6,523,402)
Net General Fund Subsidy Required (savings)/cost (Uses less Sources)			$	(24,593,430)	$	(15,219,196)
Total FTE's			0.00		0.00	

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

Class	Title		FTE		FTE	
0			0.00		0.00	
0			0.00		0.00	
0			0.00		0.00	
		Total Salary	0.00	-	0.00	-
		Fringe				-
		Total Salary and Fringe	**0.00**	**0**	**0.00**	**0**

	Character/Subobject Code	FY 2021-22	FY 2022-23
527000	Professional Services	-	-
540000	Materials and Supplies	-	-
581000	Workorder	-	-
		$ -	$ -

Initiative Number – A2

FY 2021-22 & 2022-23 Program Change Request

DIVISION:

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

PROGRAM / INITIATIVE TITLE: **ZSFG Baseline Revenues**
TARGETED CLIENTS: N/A
PROGRAM CONTACT NAME/TITLE: **Matthew Sur, Finance Manager**

FY 2021-22 FTE Change	FY 2022-23 FTE Cumulative Change	FY 2021-22 Cumulative Net General Fund Impact Favorable/(Unfavorable)	FY 2022-23 Cumulative Net General Fund Impact Favorable/(Unfavorable)
n/a	n/a	($17,961,215)	($17,916,215)

PROGRAM DESCRIPTION: (brief description of proposed change)

This initiative adjusts Zuckerberg San Francisco General revenues to reflect current revenue baseline projections for net Patient, Graduate Medical Education (GME), Capitation and the Enhanced Payment Program (EPP) revenues.

JUSTIFICATION:

Baseline revenues at Zuckerberg San Francisco General (ZSFG) are being adjusted to reflect projected increases from the base budgets for FY 2021-22 and FY2022-23.

The Medicaid GME program is projected to add $0.6 million in FY 2021-22 and remain level into FY 2022-23. Capitation revenues are projected to increase by a total of $2.9 million in FY 2021-22 and ongoing. Revenues under the Enhance Payment Plan will add an additional $1.8M in FY 2021-22 base and roll through into the FY22-23 base. Note that these rates are net increases after considering matching Intergovernmental Transfer (IGT) payments.

In addition to these revenues, there are additional revenues that will be budgeted under Zuckerberg General that are described in a separate initiative for California Advancing Innovations in Medi-Cal or CalAIM.

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

No impact on clients.

EXPENSE AND REVENUE IMPACT: (for both fiscal years)

Net revenues will increase by a net $17.9 million in FY 2021-22 and remain level for FY 2022-23 and beyond. IGT expense will increase by $3.2M for these baseline revenues.

IMPACT ON DEPARTMENT'S WORKFORCE:

No impact on FTEs in both years.

INITIATIVE TITLE: A2- ZSFGH Baseline Revenues

Description	FY 2021-22	FY 2022-23
Sources:		
Net Patient Revenues	$ 12,592,797	$ 12,592,797
Medcaid GME	$ 2,125,033	$ 2,125,033
Capitation (rate range)	$ 2,340,182	$ 2,340,182
Enhanced Payment Program (EPP)	$ 4,230,780	$ 4,230,780
Subtotal Sources	$ 21,288,792	$ 21,288,792
Uses: Salary and Benefits	$ -	$ -
Operating Expense - IGT	$ 3,327,577	$ 3,327,577
Subtotal Uses	$ 3,327,577	$ 3,327,577
Net General Fund Subsidy Required (savings)/cost (Uses less Sources)	$ (17,961,215)	$ (17,961,215)
Total FTE's	0.00	0.00

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

Class	Title	FTE		FTE	
0		0.00		0.00	
0		0.00		0.00	
0		0.00		0.00	
	Total Salary	0.00	-	0.00	-
	Fringe				-
	Total Salary and Fringe	**0.00**	**0**	**0.00**	**0**

Code	Character/Subobject Code	FY 2021-22	FY 2022-23
527000	Professional Services	-	-
540000	Materials and Supplies	-	-
581000	Workorder	-	-
		$ -	$ -

Initiative Number – A3

FY 2021-22 & 2022-23 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**: Laguna Honda Hospital Baseline Revenues**
TARGETED CLIENTS:
PROGRAM CONTACT NAME/TITLE: **Matthew Sur, ZSFG Reimbursement Manager**

FY2021-22 FTE Change	FY 2022-23 FTE Cumulative Change	FY 2022-23 General Fund Impact Favorable/(Unfavorable)	FY 2022-23 Cumulative Net General Fund Impact Favorable/(Unfavorable)
			$ 4,295,678

PROGRAM DESCRIPTION: (brief description of proposed change)

Laguna Honda Hospital's baseline revenues will increase by $0 in FY 2021-22 and $4,295,678 in FY2022-23, the second year of the proposed budget.

JUSTIFICATION:

Every year Laguna Honda's Medi-Cal Skilled Nursing Facility Per Diem Rates are updated by the State to address operating cost increases. Ordinarily, the rates are updated in the fall and are effective for one year and using the updated rates, LHH updates its revenue projections for the two year budget. This year, however, the new rate for FY 2020-21 rate has been delayed, but expected at some time this year. The projected increase represents an estimated 2.1% increase in for FY 2022-23 pending final confirmation from the State. Since the prior year budget process already included an increase of $5.6 million in FY 2021-22 as compared to the prior year, no additional updates will be made for that year. Revenue projections will be updated when a new rate is established.

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

No impact

EXPENSE AND REVENUE IMPACT: (for both fiscal years)

Increase in revenues will reduce general fund subsidy for the department by $4.3 million in FY 22-23.

IMPACT ON DEPARTMENT'S WORKFORCE:

No impact.

INITIATIVE TITLE: A3 - Laguna Honda Baseline Revenues

Description		FY 2021-22	FY 2022-23
Sources:			
	Net Patient Revenue	$ -	$ 4,295,678
	Subtotal Sources	$ -	$ 4,295,678
Uses:	Salary and Benefits	$ -	$ -
	Operating Expense	$ -	$ -
	Subtotal Uses	$ -	$ -
Net General Fund Subsidy Required (savings)/cost (Uses less Sources)		$ -	$ (4,295,678)
Total FTE's		0.00	0.00

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

Class	Title	FTE		FTE	
0		0.00		0.00	
0		0.00		0.00	
0		0.00		0.00	
	Total Salary	0.00	-	0.00	-
	Fringe				-
	Total Salary and Fringe	**0.00**	**0**	**0.00**	**0**

	Character/Subobject Code	FY 2021-22	FY 2022-23
527000	Professional Services	-	-
540000	Materials and Supplies	-	-
581000	Workorder	-	-
		$ -	$ -

Initiative Number – A4

FY 2021-22 & 2022-23 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: Release of Deferred Reveenue for Federal Disproportionate Share Hospitals
TARGETED CLIENTS: n/a
PROGRAM CONTACT NAME/TITLE: **Jenny Louie, Acting CFO**

FY2021-22 FTE Change	FY 2022-23 FTE Cumulative Change	FY 2022-23 General Fund Impact Favorable/(Unfavorable)	FY 2022-23 Cumulative Net General Fund Impact Favorable/(Unfavorable)
n/a	n/a	$51,672,841	$0

PROGRAM DESCRIPTION: (brief description of proposed change)

This initiatives recognizes the release of $51.6 million of deferred revenue no longer needed for the two year budget period, as a result of federal legislation which delays proposed reductions to the federal Disproportionate Share Hospital program. These revenues can be used to help balance the FY 2021-22 and FY 22-23 budget.

JUSTIFICATION:

Section 12.6 of the administrative provisions of the Annual Appropriation Ordinance authorizes the Controller to defer surplus transfer payments, indigent health revenues, and Realignment funding to offset future reductions or audit adjustments associated with the Affordable Care Act and funding allocations for indigent health services. This provision was adopted by the Board of Supervisors to smooth volatile state and federal revenues that can lead to large variances between budgeted and actual amounts due to unpredictable timing of payments, major changes in projected allocations, and delays in final audit settlements.

Included in the deferrals was $51.6 million to buffer against an expected reduction to the Medicaid Disproportionate Share Hospital (DSH) funding by the federal government. DSH payments are statutorily required payments intended to offset hospitals' uncompensated care costs to improve access for Medicaid and uninsured patients as well as the financial stability of safety-net hospitals. The Affordable Care Act (ACA) included scheduled reductions to the DSH program that would be phased in over several years starting in 2014, in anticipation of increased coverage that would reduce the level of uncompensated care. Congress has repeatedly delayed the implementation of these reductions, with the most recent reduction scheduled for December 2020. Prior to the start of these reductions, Congress delayed these reductions for three years until FY 2023-24.

As these reductions will no longer be in effect over the next two years, the funds will be released and recognized as fund balance. DPH will continue to monitor any legislative changes related to DSH funding and will work closely with the Controller's Office and Mayor's Office to plan for any future reductions.

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

None.

EXPENSE AND REVENUE IMPACT: (for both fiscal years)

One-time release of revenues in FY 20-21 that can be used to reduce the general fund impact for the FY 21-22 and FY 22-23 budget.

IMPACT ON DEPARTMENT'S WORKFORCE :

None.

INITIATIVE TITLE: A4 - Release of Reserves for Federal Disproportionate Share Hospitals

	Description	FY 2021-22	FY 2022-23
Sources:			
	Disproportionate Share Hospital Reserves	$ 51,672,841	$ -
	Subtotal Sources	$ 51,672,841	$ -
Uses:	Salary and Benefits	$ -	$ -
	Operating Expense	$ -	$ -
	Subtotal Uses	$ -	$ -
Net General Fund Subsidy Required (savings)/cost (Uses less Sources)		$ (51,672,841)	$ -
Total FTE's		0.00	0.00

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

Class	Title	FTE		FTE	
0		0.00		0.00	
0		0.00		0.00	
0		0.00		0.00	
	Total Salary	0.00	-	0.00	-
	Fringe				-
	Total Salary and Fringe	**0.00**	**0**	**0.00**	**0**

	Character/Subobject Code	FY 2021-22	FY 2022-23
527000	Professional Services	-	-
540000	Materials and Supplies	-	-
581000	Workorder	-	-
		$ -	$ -

Initiative Number – A5

FY 2021-22 & 2022-23 Program Change Request

DIVISION:
☐ DPH – department wide ☐ Population Health ☐ SF Health Network Wide
☐ San Francisco General Hospital ☐ Laguna Honda Hospital X Ambulatory Care __________

PROGRAM / INITIATIVE TITLE:
TARGETED CLIENTS:
PROGRAM CONTACT NAME/TITLE:

FY2021-22 FTE Change	FY 2022-23 FTE Cumulative Change	FY 2022-23 General Fund Impact Favorable/(Unfavorable)	FY 2022-23 Cumulative Net General Fund Impact Favorable/(Unfavorable)
n/a	n/a	$8,440,000	$0

PROGRAM DESCRIPTION: (brief description of proposed change)

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 revenue deferral.

JUSTIFICATION:

Behavioral Health Medi-Cal revenue (Short Doyle or SDMC) is billed ongoing within 60 days of services but settled at fiscal year-end with state. Often the state makes payments at an initial interim rate which is set higher than the final rate at which the City can claim earned Medi-Cal. To protect the City from having to make large retro settlement payments DPH Finance defers payments equal to the amount we expect to pay back as a result of the difference between the interim and final rates. For years the state has been falling behind on completing reconciliations however, based on recent state information notice 20-009 we expect to complete final reconciliation of mental health cost reports for FY 2016-17 and FY 2017-18 in FY 2021-22. The revenue in this initiative recognizes both the accelerated pace of reconciliation and higher than expected final rate.

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

None.

EXPENSE AND REVENUE IMPACT: (for both fiscal years)

One time revenue increases of $8,440,000.

IMPACT ON DEPARTMENT'S WORKFORCE :

None.

INITIATIVE TITLE: Release of Revenue Deferrals for Mental Health

	Description	FY 2021-22	FY 2022-23
Sources:			
	SDMC Prior Year Reconciliation adjustments (one time)	$ 8,440,000	
	Subtotal Sources	$ 8,440,000	$ -
Uses:	Salary and Benefits	$ -	$ -
	Operating Expense	$ -	$ -
	Subtotal Uses	$ -	$ -
Net General Fund Subsidy Required (savings)/cost (Uses less Sources)		$ (8,440,000)	$ -
Total FTE's		0.00	0.00

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

Class	Title	FTE		FTE	
0		0.00		0.00	
0		0.00		0.00	
0		0.00		0.00	
	Total Salary	0.00	-	0.00	-
	Fringe				-
	Total Salary and Fringe	**0.00**	**0**	**0.00**	**0**

	Character/Subobject Code	FY 2021-22	FY 2022-23
527000	Professional Services	-	-
540000	Materials and Supplies	-	-
581000	Workorder	-	-
		$ -	$ -

Initiative Number – B1

FY 2021-22 & 2022-23 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: **Implementing DPH Racial Equity Action Plan (REAP)**
TARGETED CLIENTS: All DPH employees and patients
PROGRAM CONTACT NAME/TITLE: **Ayanna Bennett, MD**

FY2021-22 FTE Change	FY 2022-23 FTE Cumulative Change	FY 2022-23 General Fund Impact Favorable/(Unfavorable)	FY 2022-23 Cumulative Net General Fund Impact Favorable/(Unfavorable)
3.08	7.08	($726,633)	($1,481,924)

PROGRAM DESCRIPTION: (brief description of proposed change)

The Racial Equity Action Plan developed by the Office of Racial Equity is an ambitious plan that requires the Department of Public Health to undertake substantial new work to meet the requirements of the 2020 Racial Equity Action Plan Phase 1. Because of COVID response activities and the volume of activities required, the DPH Racial Equity Action Plan spreads the required work across the plans 3-year timeframe. In order to achieve these goals across this large and complex system, additional staff and funding are needed to support efforts outlined in the plan. The plan includes investments in the following areas:

- ✓ Policy and program development for responding to and preventing bias in the workplace.
- ✓ Implementation of staff and community support activities and recruitment programs.
- ✓ Development of data systems, tracking, analysis, evaluation and reporting of data, and the required annual reports to the Health Commission and Board of Supervisors.
- ✓ Extensive anti-racism, racial equity, and implicit bias training for all DPH Staff

JUSTIFICATION:

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 is a positive opportunity for DPH as we acknowledge the well documented issues of racial inequity in human resources outcomes, and continuing needs for a racially and culturally concordant staff to deliver quality care to all San Franciscans. DPH will work closely with the Office of Racial Equity, the Mayor's Office and the City's Department of Human Resources to implement the plan. Proposed activities for the two year budget cycle are described below.

In FY 2021-22, the first year of the plan, DPH will prioritize building data systems for required monitoring of hiring, promotion and discipline. The Office of Health Equity – Workforce Equity Strategies and Programs and the Human Resources Division will collaborate in the creation of policies and programs to support equity in all human resource functions, focused especially on supervisor behavior and discipline where we have evidence of current inequity.

In FY 2022-23, we will implement the trainings needed for staff to adhere to these new policies and for the specific trainings outlined in the REAP. We will also develop protocols and staffing to monitor and respond to inequities revealed through new data systems. In particular the deliverables for the requested staff in these two fiscal years (an ongoing thereafter) include the following REAP designated activities.

- *Policy development*: development, enforcement and evaluation of policies establishing acceptable workplace interactions; equitable and an inclusive Performance Management and Development and Recruitment and Hiring policy; standardized recruitment and hiring procedures, audit procedures to ensure feedback and accountability for managers

- *Training:* access to training for staff as well as funding and procedures to provide access to trainings specific to managers.

- *Data development and Analysis:* monthly, quarterly, annual tracking, analysis, and evaluation.

- *Program development:* development of recruitment and hiring policies for clinical services (Primary Care, Behavioral Health Services, Zuckerberg San Francisco General, Laguna Honda Hospital, Jail Health and Whole Person Integrated Care) that correct the under-representation of Black and Latino physicians, nurses, Advance Practice Providers, and Non-Clinical Professional staff; development of resource groups to support staff in marginalized groups; process to review complaints with equity leads; revision of *Performance Appraisals*, employee development programs, self-assessments; and development of systems for community input into public health programming.

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

Better service to patient/client populations overall (short-and-long-term) through increased satisfaction and engagement of staff and improved staff training. Improved access to employment within the department, a significant local employer, and access to equitable, culturally competent, and culturally specific care.

EXPENSE AND REVENUE IMPACT: (for both fiscal years)

No revenue impacts. Expenses will increase by $526,633 in FY 2021-22 and $1,481,924 in FY 2022-23.

IMPACT ON DEPARTMENT'S WORKFORCE:

FTE's will increase by 3.08 FTE in FY 2021-22 and 7.08 FTE in FY 2022-23 and annualizing to 8 FTE ongoing. In addition the following improvements for the workforce:

- ✓ Long-term increase in concordant staff
- ✓ Increased ability to enter the workforce
- ✓ Increased engagement and morale of employees
- ✓ Improved support and opportunities for staff from traditionally vulnerable communities
- ✓ Improved outcomes over time, reflected in DPH data, and the City's Annual Workforce Report

INITIATIVE TITLE: B1 - Implementing DPH Racial Equity Action Plan

Description		FY 2021-22	FY 2022-23
Sources:			
		$ -	$ -
	Subtotal Sources	$ -	$ -
Uses:	Salary and Benefits	$ 601,633	$ 1,356,924
	Operating Expense	$ 125,000	$ 125,000
	Subtotal Uses	$ 726,633	$ 1,481,924
Net General Fund Subsidy Required (savings)/cost (Uses less Sources)		$ 726,633	$ 1,481,924
Total FTE's		3.08	7.08

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

Class	Title	FTE	FY 2021-22	FTE	FY 2022-23
1232	Training Officer	0.77	93,744	3.31	423,088
1823	Senior Administrative Analyst	0.77	96,376	1.00	131,411
2593	Health Program Coordinator III	0.77	103,191	1.00	140,704
1054	IS Business Analyst-Principal	0.77	132,208	1.00	180,269
1844	Sr Management Assistant			0.77	90,618
	Total Salary	3.08	425,519	7.08	966,090
	Fringe	41.4%	176,113	40.5%	390,834
	Total Salary and Fringe	**3.08**	**601,633**	**7.08**	**1,356,924**

	Character/Subobject Code	FY 2021-22	FY 2022-23
527000	Professional Services (training)	50,000	50,000
540000	Materials and Supplies	75,000	75,000
581000	Workorder	-	-
		$ 125,000	$ 125,000

Initiative Number – C1

FY 2021-22 & 2022-23 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: **DPH Pharmaceuticals and Materials and Supplies Inflation**
TARGETED CLIENTS:
PROGRAM CONTACT NAME/TITLE: David Woods and Jenny Louie

FY2021-22 FTE Change	FY 2021-22 FTE Cumulative Change	FY 2022-23 General Fund Impact Favorable/(Unfavorable)	FY 2022-23 Cumulative Net General Fund Impact Favorable/(Unfavorable)
			($8,868,411)

PROGRAM DESCRIPTION: (brief description of proposed change)

This initiative requests annual inflationary adjustments for expenses critical to network operation. This adjustment is critical to ensuring that DPH is able to continue to provide services and treatments to its patients. The department projects cost increases of 10% for pharmaceuticals and 3% for food.

JUSTIFICATION:

Market dynamics over the past 5 years have been shifting in a way that has caused the pricing of certain pharmaceuticals to rise at an extraordinary rate. Projected nation-wide increases in drug expenditures of 7-10% are consistent among all settings. Primary causes for increase in expenditures include:

- Specialty Drugs are forecasted to be 50 percent of all drug expenditures in 2022. Novel, very expensive specialty treatments for conditions that previously had either limited to no medication therapy options are continually being approved. The therapeutic drug classes with the largest increases include autoimmune disorders, mental health, HIV and oncology.
- Increased utilization of medications: Prescription utilization is increasing as older patients live longer and healthier lives. Patients over 50 years of age are responsible for 77 percent of prescription growth since 2011. Categories making an impact on drug spend due to increased utilization include diabetes, inflammatory conditions, asthma and cardiovascular diseases.

The net result of factors that will increase and decrease drug costs at DPH are projected to lead to an overall increase in the cost of pharmaceuticals for the department of 10% in FY 2022-23. DPH will continue to utilize tight drug formulary control and aggressive use of lower cost generic drugs to help offset increases in expense.
In addition, DPH continues to leverage discounts for its food purchase, it expects a 3% increase in food costs in next fiscal year.

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

None.

EXPENSE AND REVENUE IMPACT: (for both fiscal years)

None

IMPACT ON DEPARTMENT'S WORKFORCE :

None.

ATTACHMENT B
SUMMARY OF PROGRAM COST

INITIATIVE TITLE: C1 DPH Pharmaceuticals and Materials and Supplies Inflation

Description	**FY 2021-22**	**FY 2022-23**
Sources:	$ -	$ -
Subtotal Sources	$ -	$ -
Uses:		
Operating Expenses	$ -	$ 8,868,411
Subtotal Uses	$ -	$ 8,868,411
Net General Fund Subsidy Required (savings)/cost (Uses less Sources)	$ -	$ 8,868,411
Total FTE's	n/a	n/a

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

Class	Title	FTE	FTE

Operating Expenses

Character/Subobject Code	FY 21-22	FY 22-23
544610 Pharmaceutical Supplies - ZSFG		4,543,177
544610 Pharmaceutical Supplies - LHH		1,509,998
544610 Pharmaceutical Supplies - Jail Health		564,016
544610 Pharmaceutical Supplies - Primary Care		263,238
544610 Pharmaceutical Supplies - CBHS		864,271
527000 Pharmaceutical Supplies - CBHS		525,383
546990 Food (LHH)		287,816
546990 Food (ZSFG)		310,512

Facilities Maintenance, and Equipment (List by each item by count and amount)

Initiative Number – C2

FY 2021-22 & 2022-23 Program Change Request

DIVISION:

☐ DPH – department wide ☐ Population Health ☐ SF Health Network Wide
☒ San Francisco General Hospital ☐ Laguna Honda Hospital X Ambulatory Care __________

PROGRAM / INITIATIVE TITLE: **UCSF Affiliation Agreement**
TARGETED CLIENTS:
PROGRAM CONTACT NAME/TITLE: **Susan Ehrlich, CEO ZSFGH**

FY2021-22 FTE Change	FY 2021-22 FTE Cumulative Change	FY 2022-23 General Fund Impact Favorable/(Unfavorable)	FY 2022-23 Cumulative Net General Fund Impact Favorable/(Unfavorable)
			($18,531,312)

PROGRAM DESCRIPTION: (brief description of proposed change)

Since 1878, the University of California, San Francisco (UCSF) has been providing physician, clinical, and ancillary services to the Zuckerberg San Francisco General. The services provided by UCSF are outlined in an Affiliation Agreement between the University of California San Francisco and the Department of Public Health. This initiative increases the budget for the DPH/UCSF Affiliation Agreement by $18.5 million dollars for FY 2022-23 to reflect changes in costs and revenues for UCSF.

JUSTIFICATION:

The increase in Affiliation Agreement costs of FY 2021-22 and FY 2022-23 can be attributed to three factors (1) increases to physician salaries, (2) ongoing increases to clinical staff salaries and (3) flat professional fee revenue. The University of California launched a system wide mandate increasing faculty salaries over several years to be competitive with market rates to retain faculty. Clinical staff, in areas such as the Clinical Laboratory, Respiratory Therapy, Ward 86 and Psychiatry, are mostly represented under collective bargaining agreements. These bargaining units have negotiated salary increases for their members. Professional Fee revenue has been relatively flat since FY 2015 and do not adequately cover the costs of services provided at ZSFG.

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

None.

EXPENSE AND REVENUE IMPACT: (for both fiscal years)

Expenditure appropriation will increase $18.5M for FY 2022-23

IMPACT ON DEPARTMENT'S WORKFORCE:

None.

INITIATIVE TITLE: C2 - UCSF Affiliation Agreement

Description	FY 2021-22	FY 2022-23
Sources:		
	$ -	$ -
Subtotal Sources	$ -	$ -
Uses: Salary and Benefits	$ -	$ -
UCSF Affiliation Agreement	$ -	$ 18,531,352
Subtotal Uses	$ -	$ 18,531,352
Net General Fund Subsidy Required (savings)/cost (Uses less Sources)	$ -	$ 18,531,352
Total FTE's	0.00	0.00

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

Class	Title	FTE		FTE	
0		0.00		0.00	
0		0.00		0.00	
0		0.00		0.00	
	Total Salary	0.00	-	0.00	-
	Fringe				-
	Total Salary and Fringe	**0.00**	**0**	**0.00**	**0**

	Character/Subobject Code	FY 2021-22	FY 2022-23
527000	Professional Services (UCSF Affiliation Agreement)	-	18,531,352
540000	Materials and Supplies	-	-
581000	Workorder	-	-
		$ -	$ 18,531,352