London N. Breed,
Mayor

Jenny Louie,
Chief Financial Officer

MEMORANDUM

To: President Laurie Green and Honorable Members of the Health Commission

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

From: Emily Gibbs, Deputy Finance Officer

Date: February 2nd, 2024

At the February 6th Commission meeting we will have the second hearing on the Department of Public Health (DPH)'s proposed budget for fiscal year FY 2024-25and FY 2025-26 (FYs 2024-26). As you recall, our first hearing on January 16th included an overview of the Department's base budget, the Mayor's Budget instructions, and reduction targets. In this second hearing, we will present our proposed budget submission to meet the initial ten percent general fund reduction target which includes revenues and savings concepts. We are respectfully requesting Commission approval of these initiatives for submission to the Controller and Mayor's Office.

As discussed in the first Health Commission meeting on the FYs 2024-26 budget, the Department's proposal focuses on maximizing revenue to meet general fund targets as well as support long-term financial stewardship. Given the significant reduction targets set by the Mayor's Office, the budget also makes targeted general fund reductions, with an eye towards minimizing service impacts. The proposal identifies revenue solutions for more than 80% of its reduction targets. To fully meet the initial ten percent, the Department is proposing a combination of updating cost projections, eliminating vacant positions, and contracting out some security services. Where these proposals will have service impacts, the initiatives provide additional detail.

The proposals presented at the February 6th meeting satisfy the initial General Fund savings target, but do not meet the Department's contingency target of an additional five percent per year. DPH is currently in discussions internally and with the Mayor's Office on how to approach this additional contingency. However, since revenue growth and efficiency ideas have been pledged to meet the first ten percent target, contingency reductions will require significantly more challenging proposals, some of which would affect service levels. These proposals would likely include reductions to contracted services, additional elimination of vacant positions, and additional proposals to contract out services. DPH staff will closely communicate with the Health Commission as we determine the approach to the five percent contingency target.

Proposals to Meet the Ten Percent Reduction Target

I. Revenues Initiatives

A1 - Baseline Revenues and Salary Structural Correction for the San Francisco Health Network (SFHN) and Zuckerberg San Francisco General (ZSFG): This initiative adjusts SFHN and ZSFG revenues to reflect current revenue baseline projections for Patient Revenues, Managed Care Supplemental, Pharmacy, Medi-Cal Graduate Medical Education (Medi-Cal GME), the Global Payment Program and Prior Year Settlements. Baseline revenues are projected to increase by $67.4 million in FY24-25 and $91.6 million in FY 2025-26. The initiative also includes a structural adjustment of $20 million of salary and fringe expenditure at ZSFG to reflect increases in the cost of "special class pay" such as holiday, premiums, and overtime pay due to increases in wages as mandated by the City's labor contracts.

Net General Fund Impact: FY 2024-25 ($52,759,139), FY 2025-26 ($75,131,596)

A2 – Enhanced Payment Program Supplemental Payment: The Enhanced Payment Program (EPP) is a supplemental payment program where the State directs managed care health plans to enhance contracted payments for the applicable provider classes of Designated Public Hospital systems by either uniform percentage or dollar amount add-on increases adjusted for each system. This initiative adjusts revenues and intergovernmental transfers to achieve $7.95 million of savings for FY 2024-25 and $15.9 million in FY 2025-26 for the EPP based on projected increases in the program proposed by the State. Approval of the changes by the Centers of Medicare and Medicaid Services is expected in the spring.

Net General Fund Impact: FY 2024-25 ($7,951,773), FY 2025-26 ($15,903,546)

A3 – Behavioral Health Baseline Revenues: This initiative adjusts budgeted revenue based on projections for 2011 Realignment, Short-Doyle and Drug Medi-Cal, and Pharmacy revenue changes for FY 2024-2025 and FY 2025-26 for the Behavioral Health Services (BHS) division. Current projection indicates $1.9 million of net revenue increase in FY 2024-2025 and $10.4 million in FY 2025-2026.

Net General Fund Impact: FY 2024-25 ($1,878,640), FY 2025-26 ($10,378,640)

A4 – Leveraging Growth in Grant Revenue: This initiative achieves general fund salary and fringe savings in two ways: 1) $2 million annually from reallocating administrative costs towards grant funding to reconcile to actual grant awards; and 2) approximately $1.5 million annually from shifting previously general fund supported personnel costs in the Population Health Department to ongoing grant funding.

Net General Fund Impact: FY 2024-25 ($3,500,000), FY 2025-26 ($3,500,000)

A5 – Improving Operating Room Capacity at ZSFG: Zuckerberg San Francisco General (ZSFG) will increase flow in operating rooms by increasing anesthesia attending staffing to provide additional perioperative and procedural capacity. This will improve the time to surgery for inpatients that require urgent surgeries/procedures and, by delivering services efficiently, generate a net revenue of $5 million a year.

Net General Fund Impact: FY 2024-25 ($5,221,457), FY 2025-26 ($5,095,030)

A6 – Specialty Pharmacy and Carousel Replacement: The San Francisco Health Network (SFHN) Pharmacy is in the process of expanding its specialty pharmacy services to contracted entities. It is also proposing to improve its existing pharmacy infrastructure by replacing its pharmacy carousel, which is approaching end of life. This initiative is cost neutral, leveraging revenues to cover increased expenditures.

Net General Fund Impact: FY 2024-25 ($0), FY 2025-26 ($0)

A7– Primary Care Performance Improvement Program (PIP) Appropriation: San Francisco Health Plan provides PIP funds to SFHN to meet State and National benchmarks across many metric areas. Primary Care will add a one-time, $4 million appropriation in FY 2024-25 to recognize incentives already earned by meeting metrics from SFHP in recent years. The additional funding will be used for continuous improvement and enhancement including: purchases of materials and equipment to improve clinics, programs serving patients including the acupuncture program, and additional staff who contribute to meeting SFHP metrics by providing patient outreach, analysis of metrics, and improving the patient's care and treatment experience within clinics.

Net General Fund Impact: FY 2024-25 ($0), FY 2025-26 ($0)

A8 – Healthy Steps: ZSFG Children's Health Center HealthySteps program provides added clinical support to identify and treat behavioral and developmental issues in patients aged 0-5 and their caregivers. HealthySteps launched with $2 million of grant funding directed to University of California – San Francisco (UCSF) Department of Pediatrics in 2019 and staffed by UCSF personnel based at ZSFG. Statewide changes to the Medi-Cal program, which grew out of these pilot efforts, have made these services newly reimbursable. This initiative brings the ongoing services into Primary Care, adding $715,537 in FY 2024-25 and $737,877 in FY 2025-26, backed by the additional revenue. It will provide services for over 1,100 patients and their families per year who are already engaged in the program.

Net General Fund Impact: FY 2024-25 ($0), FY 2025-26 ($0)

II. Expenditure Savings

B1 – Mid-Year Savings: The Department of Public Health will adjust its FY 2024-25 and FY 2025-26 budgets to reflect ongoing savings identified in its mid-year reduction in November 2023. These savings were detailed in a prior report to Commission.

Net General Fund Impact: FY 2024-25 ($7,641,094), FY 2025-26 ($7,808,996)

B2 - Healthy San Francisco Savings Due to Expanded Medi-Cal Eligibility: With the continued expansion of Medi-Cal eligibility in FY 2023-24, the projected enrollment in Healthy San Francisco Program (HSF) is expected to drop as members become eligible for Medi-Cal coverage. As a result, the City's costs paid to the San Francisco Health Plan to administer the program will be reduced to reflect an anticipated 50% reduction in enrollment. In addition, the fees to support services to the Private Provider Network, including SF Clinic Consortium and Kaiser, will also be reduced as their costs will now be reimbursed by Medi-Cal. These costs savings will be offset in part by reduced revenue from employers as fewer of their employees enroll in HSF. There will be no reductions to coverage for residents as a result of this shift in coverage.

Net General Fund Impact: FY 2024-25 ($2,441,878), FY 2025-26 ($3,761,878)

B3– Reducing COVID Testing and Vaccine Costs: As the Population Health Division (PHD) continues to integrate COVID-19 response functions into ongoing operations and to prioritize neighborhoods and populations disproportionately impacted by the virus, San Francisco remains in a strong position to response to the virus with high vaccination rates and availability of effective treatments. This initiative proposes to reduce ongoing COVID-19 resources for contracts for community-based testing and vaccines. The $2 million reduction aligns with the Department's current year spending and reflects the integration of COVID-19 prevention, testing, and treatment into the health care system.

Net General Fund Impact: FY 2024-25 ($2,000,000), FY 2025-26 ($2,000,000)

B4 – Shifts of Housing & Full-Service Partnership Programs to the Mental Health Services Act: This initiative proposes to leverage anticipated growth in Mental Health Services Act (MHSA) funding to cover $1.8 million in full-service partnership and $2.6 million in housing programs currently funded by general fund. This shift would align with current MHSA requirements and as well as the new changes proposed under Proposition 1.

Net General Fund Impact: FY 2024-25 ($4,497,155), FY 2025-26 ($4,632,070)

B5: Lease and IT Operating Costs Savings: The Department of Public Health (DPH) Operations Division continues to pursue strategic initiatives to reduce administrative costs and increase intradepartmental efficiencies, including proposals to consolidate building leases and lower IT and ancillary expenses. The core of this strategy is to consolidate various teams into a single location to streamline operations and reduce costs, saving $1.8 million in FY 2024-25 and $2.4 million in FY 2025-26.

Net General Fund Impact: FY 2024-25 ($1,769,018), FY 2025-26 ($2,393,028)

B6 – Reducing Vacant Positions: To meet general fund reduction targets, the Department is planning to eliminate 74.97 vacant, full-time equivalent positions for a savings of $7.5 million. DPH is approaching these reductions using a variety of strategies: 1) cleaning-up partial positions to align with current hiring and usage; 2) eliminating positions from expiring grants or projects that no longer have funding; 3) identifying operational efficiencies where responsibilities can be reorganized; and 4) eliminating difficult-to-fill positions where service impacts can be minimized.

Net General Fund Impact: FY 2024-25 ($7,567,068), FY 2025-26 ($7,849,660)

B7 – Reduction in University of California San Francisco (UCSF) Affiliation Agreement Costs: This initiative reduces the baseline budget for the University of California – San Francisco (UCSF) Affiliation Agreement, reflecting updated projections which reduced inflationary cost increases.

Net General Fund Impact: FY 2024-25 ($1,658,481), FY 2025-26 ($1,658,481)

B8 – Contracting Out Certain Security Services: Having successfully transitioned many primary care clinic posts to an ambassador-style security model, DPH proposes transitioning some additional security services at hospitals, health clinics, and administrative offices from the Sheriff's Department to private security contractors. In addition, Zuckerberg San Francisco General (ZSFG) Hospital will reduce five vacant positions that would have provided some navigation and security support.

Net General Fund Impact: FY 2024-25 ($1,538,520), FY 2025-26 ($2,914,191)

III. Inflationary Costs and Other Costs Assumed as Part of Citywide Deficit

The following initiatives are assumed as part of the deficit and will not affect the department's general fund target.

C1 – University of California San Francisco (UCSF) Affiliation Agreement Costs: This initiative requests annual adjustments to the long-standing Affiliation Agreement with UCSF for physician, clinical and ancillary services at ZSFG. The proposed increase is $15.9 million for FY 2025-26. Inflationary adjustments were already approved and included in the FY 2024-25 base budget as part of last year's budget process. (The initiative proposed in B7 adjusts the baseline downward to adjust for updated projections).

Net General Fund Impact: FY 2024-25 ($0), FY 2025-26 (-$15,924,535)

C2 - 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 can continue to provide services and treatments to its patients. The Department projects cost increases of 12% for pharmaceuticals at ZSFG, 9% for pharmaceuticals in other divisions of DPH, 10% for food, and 5% for laundry. The proposed increase is $11.8 million for FY 2025-26. It does not include increases for Laguna Honda Hospital, pending further updates of their revenues. Inflationary adjustments were already approved and included in the FY 2024-25 base budget as part of last year's budget process.

Net General Fund Impact: FY 2024-25 ($0), FY 2025-26 (-$11,754,823)

IV. Contingency Reductions and Further Balancing Efforts

This submission represents the first phase of the budget process. While this budget proposal does identify sufficient savings to balance the Mayor's ten-percent general fund reduction target, it does not address the additional, five-percent general fund contingency reduction target, which represents $46.9 million annually for DPH. As in prior years, the Department will continue to work with the Mayor's Office on its five-percent contingency target this spring.

Unfortunately, the City's fiscal picture is not expected to improve in the next round of projections. There is likely further weakness in local property taxes and other tax revenue, which could worsen the deficit. The Governor's budget proposal, released in early January, largely preserved the State's commitment to health services, sparing DPH targeted reductions from the State. The State proposal, however, does negatively impact other parts of the City's budget. Both changes will likely result in the need for some or all the contingency reduction to balance the budget. In addition, the City is actively negotiating the majority of its labor contracts. The outcome of those negotiations could substantially impact the deficit forecast.

DPH has identified some further reduction concepts that may be needed to meet the contingency reduction. These need additional refinement before being brought to the Commission with detailed proposals. The concepts include:

1. **Savings identified through cross-departmental discussions and working groups**. There are a number of issue areas which crosses multiple City departments, resulting potentially in inefficient or redundant programming. The Mayor's Office has initiated working groups and data-gathering in several of these areas to look for efficiencies in the City's administration of these programs and in its overall strategy. DPH is participating in discussions around food security, violence prevention and response, and services to children and youth. We expect there will be budget adjustments as a result of these discussions, which could include consolidating programs across departments and/or possible reductions. Other issue areas may still be identified.

2. **Reductions to community-based organization contracts that do not leverage State or federal revenue.** While the initial balancing proposal avoids significant reductions to agreements with our CBO partners to meet our targets, DPH expects that further reductions in the budget will require reductions to these contracts, programs, and activities – especially those that do not leverage outside funding. DPH has more than $165 million in General Fund-only supported services, primarily in Behavioral Health Services, Population Health, and other parts of the San Francisco Health Network.

3. **Further contracting out of services.** The Department is continuing to evaluate opportunities for cost-saving by contracting out certain services. DPH will work closely with finance, human resources, program, and other stakeholders to develop any contracting proposals, and to seek all necessary approvals associated with those changes, should they be deemed necessary.

4. **Additional deletion of positions.** DPH's current proposal includes reducing 80 vacant FTE, recognizing the need to slow our growth in staffing in the face of the current fiscal picture. While many of the targeted reductions to-date have been achieved through operational efficiency with minimal impact on client services, future reductions will likely require us to make difficult choices that impact client services and pause or cancel planned expansions of services or reduce hours of services offered.

5. **Revenue changes resulting from pending State policy changes.** While DPH has worked to identify all positive revenue changes first in this budget, we are still awaiting further detail from the State in two areas: 1) Laguna Honda Hospital revenues pending recertification and new, interim rates for the Distinct Part Nursing Facility (DP/NF) supplemental funding program, and 2) the expansion of Medi-Cal services to those incarcerated in jail. We believe both could have neutral to positive impacts on the budget, especially in FY 2025-26 and beyond, but we lacked sufficient detail to make full proposals at this time.

We recognize that the next wave of proposals will likely involve more difficult choices for the Department and for the City. As we refine the next set of proposals, we intend to bring them back to the Commission in the coming weeks for review and input.

In addition to these areas, DPH must work with the Mayor's Office to balance two important Behavioral Health Services funding sources in its budget. These are:

6. **Adjustments to the Our City, Our City Home Proposition C Fund (Prop. C)** – Similar to prior years, the budget for programs funded under Prop. C will be updated this spring in partnership with the Mayor's Office and with input from the Prop. C oversight committee. It is important to note that in November 2023, the Controller's Office projected revenue for DPH of around $70 million annually against the approximate $100 million annual spending plan. While one-time savings from prior years are available to partially cover the shortfall in the near term, DPH will also need to re-examine its plans to acquire buildings in-county to free-up some additional funds. A long-term plan to maintain support for these programs, which could require service reductions, is needed unless current revenue projections improve.

7. **Spending Plan for Opioid Settlement Funds** – DPH's FY 2023-24 budget included the first years of funding received by the City and County of San Francisco in response to settlement agreements with the major opioid manufacturers, distributors, and dispensers regarding their false marketing and failure to implement reasonable controls, which fueled the opioid epidemic. As the first year of programming has rolled out, there have been some savings from delays in start-up and procurement of new services. The DPH will be working with the Mayor's Office to update the spending plan, balancing the City's fiscal picture with the need for further opioid remediation efforts.

Between now and the final adoption of the budget, DPH will be working with policymakers, community stakeholders, and advisory bodies to further develop and refine these proposals. We will keep the Commission informed as well.

<u>Balancing Summary</u>

After accounting for all initiatives listed above as well as revenues assumed as part of the five-year forecast, the proposed budget meets the Mayor's Office general fund reduction targets over the two-year budget period. With your approval, we will submit the full proposal presented here to the Mayor and Controller's Office on February 21.

After February the February 21 submission, the budget process moves into the Mayor's Office phase, with continued changes likely. As noted above, we expect to return to the Commission this spring with an update and to provide detail on further changes needed to meet the contingency reduction target. 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.

DPH staff will continue to update the Commission as the budget process progresses.

DPH Budget Proposal		FY 24-25 General Fund Savings/(Cost)		FY 25-26 General Fund Savings/(Cost)		Two-Year Total
General Fund Reduction Targets	$	(93,820,000)	$	(93,820,000)		
Less Revenue Assumed in Budget	$	(16,776,176)	$	(34,216,796)		
Mid-Year Savings	$	7,641,094	$	7,808,996		
Total Targets	**$**	**(102,955,082)**	**$**	**(120,227,800)**		
Budget Initiatives						
Revenue Initiatives	$	71,311,009	$	110,008,812		
Expenditure Proposals	$	21,472,120	$	25,209,308		
Total Proposal	$	92,783,129	$	135,218,120		
(Short Target)/Over Target	$	(10,171,954)	$	14,990,320	$	4,818,366

DPH Budget Proposal		FY 24-25 General Fund Savings/(Cost)		FY 25-26 General Fund Savings/(Cost)		Two-Year Total
Contingency Target	**$**	**(46,910,000)**	**$**	**(46,910,000)**	$	(93,820,000)
Current balancing					$	4,818,366
					$	(89,001,634)

FY 2024-25 Budget Initiatives

			FY24-25				FY25-26				
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)**	**Summary**
		Ten Percent General Fund Reduction Target				$ (93,820,000)				$ (93,820,000)	Excludes five percent contingency
		ZSFG Revenue already assumed in 5-year				$ (16,776,176)				$ (34,216,796)	Increased revenue assumed in 5-year projection to offset inflationary cost growth.
	B1	Annualized Mid-Year Savings	(55.00)			$ 7,641,094	(55.00)			$ 7,808,996	Savings from reductions finalized in November 2023, including eliminating 55 vacant FTE.
		Total Savings Needed for Target	**(55.00)**	**$ -**	**$ -**	**$ (102,955,082)**	**(55.00)**	**$ -**	**$ -**	**$ (120,227,800)**	
REVENUE											
SFHN	**A1**	Baseline Revenues and Salary Structural Correction for the San Francisco Health Network (SFHN) and Zuckerberg San Francisco General (ZSFG)	-	$ 14,610,325	$ 67,369,464	$ 52,759,139	-	$ 16,418,665	$ 91,550,261	$ 75,131,596	This initiative adjusts San Francisco Health Network (SFHN) and Zuckerberg San Francisco General (ZSFG) revenues to reflect current revenue baseline projections for Patient Revenues, Managed Care Supplemental, Pharmacy, Medi-Cal Graduate Medical Education (Medi-Cal GME), the Global Payment Program and Prior Year Settlements. The initiative also includes a structural adjustment of $20 million of salary and fringe expenditure at ZSFG to reflect increases in the cost of “special class pay” such as holiday, premiums, and overtime pay due to increases in wages as mandated by the City’s labor contracts.
SFHN	**A2**	Enhanced Payment Program Supplemental Payment	-	$ 823,775	$ 8,775,548	$ 7,951,773	-	$ 1,647,550	$ 17,551,096	$ 15,903,546	The Enhanced Payment Program (EPP) is a supplemental payment program where the State directs managed care health plans (MCPs) to enhance contracted payments for the applicable provider classes of Designated Public Hospital systems by either uniform percentage or dollar amount add-on increases adjusted for each system. This initiative adjusts revenues for the Enhanced Payment Program (EPP) to reflect projected increases in the program proposed by the State to the Centers of Medicare and Medicaid Services (CMS) and is expected to be approved in the spring.
BHS	**A3**	Behavioral Health Services Baseline Revenue	-	$ -	$ 1,878,640	$ 1,878,640	-	$ -	$ 10,378,640	$ 10,378,640	This initiative adjusts budgeted revenue based on projections for 2011 Realignment, Short-Doyle and Drug Medi-Cal, and Pharmacy revenue changes for FY 2024-2025 and FY 2025-26 for the Behavioral Health Services (BHS) division. Current projection indicates $1.9 million of net revenue increase in FY 2024-2025 and $10.4 million in FY 2025-2026.
HAD and PHD	**A4**	Leveraging Growth in Grant Revenue	-	$ (3,500,000)	$ -	$ 3,500,000	-	$ (3,500,000)	$ -	$ 3,500,000	This initiative achieves general fund salary and fringe savings in two ways: 1) $2 million annually from reallocating administrative costs towards grant funding to reconcile to actual grant awards; and, 2) approximately $1.5 million annually from shifting previously general fund supported personnel costs in the Population Health Department to ongoing grant funding.
ZSFG	**A5**	Improving Operating Room Capacity at ZSFG	-	$ 4,528,543	$ 9,750,000	$ 5,221,457	-	$ 4,654,970	$ 9,750,000	$ 5,095,030	Zuckerberg San Francisco General (ZSFG) will improve flow and utilization in operating rooms by increasing anesthesia attending staffing to provide additional perioperative and procedural capacity. This increased capacity will reduce the time to surgery for inpatients and generate a net revenue of $5 million a year.
ZSFG	**A6**	Specialty Pharmacy and Carousel Replacement		$ 6,903,419	$ 6,903,419	$ -	-	$ 6,990,919	$ 6,990,919	$ -	The San Francisco Health Network (SFHN) Pharmacy is in the process of expanding its specialty pharmacy services to contracted entities to improve pharmacy access for our patients. It is also proposing to improve its existing pharmacy infrastructure by replacing its pharmacy carousel, which is approaching end-of-life. This initiative recognizes the additional expenditures and revenues needed to maintain and expand the program's capacity through contract and invests in the replacement of critical pharmacy equipment.
PC	**A7**	Primary Care Performance Improvement Program (PIP) Appropriation	-	$ 4,000,000	$ 4,000,000	$ -	-	$ -	$ -	$ -	San Francisco Health Plan (SFHP)’s Performance Improvement Program (PIP) requires the SFHN to meet State and National benchmarks across many metric areas. Primary Care will add a one-time, $4 million appropriation in FY 2024-25 to recognize incentives already earned by meeting metrics from SFHP in recent years. The additional funding will be used for continuous improvement and enhancement including: purchases of materials and equipment to improve clinics, programs serving patients including the acupuncture program, and additional staff who contribute to meeting SFHP metrics by providing patient outreach, analysis of metrics, and improving the patient’s care and treatment experience within our clinics.
PC	**A8**	HealthySteps Program		$ 715,537	$ 715,537	$ -		$ 737,877	$ 737,877	$ -	The ZSFG Children’s Health Center (CHC) HealthySteps program provides added clinical support to identify and treat behavioral and developmental issues in patients aged 0-5 and their caregivers. HealthySteps launched with $2 million of grant funding directed to University of California – San Francisco (UCSF) Department of Pediatrics in 2019 and staffed by UCSF personnel based at ZSFG. Statewide changes to the Medi-Cal program, which grew out of these pilot efforts, have made these services newly reimbursable. This initiative brings the ongoing services into Primary Care, adding $715,537 in FY 2024-25 and $737,877 in FY 2025-26, backed by the additional revenue. It will provide services for over 1,100 patients and their families per year who are already engaged in the program.
TOTAL REVENUE			**-**	**$ 28,081,599**	**$ 99,392,608**	**$ 71,311,009**	**-**	**$ 26,949,981**	**$ 136,958,793**	**$ 110,008,812**	

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)	Summary
EXPENDITURE SAVINGS												
HNS	**B2**	Healthy San Francisco Savings Due to Expanded Medi-Cal Eligibility	-	$ (3,380,000)	$ (938,122)	$ 2,441,878		-	$ (4,480,000)	$ (718,122)	$ 3,761,878	With the continued expansion of Medi-Cal eligibility in FY 23-24, the projected enrollment in Healthy San Francisco Program (HSF) is expected to drop as members become eligible for coverage. As a result, the City's costs paid to the San Francisco Health Plan to administer the program will be reduced to reflect an anticipated 50% reduction in enrollment. In addition, the fees to support services to the Private Provider Network, including SF Clinic Consortium and Kaiser, will also be reduced as their costs will now be reimbursed by Medi-Cal. These costs savings will be offset in part by reduced revenue from employers as fewer of their employees enroll in HSF. There will be no reductions to coverage for residents as a result of this shift in coverage.
PHD	**B3**	Reducing COVID Testing and Vaccine Costs	-	$ (2,000,000)	$ -	$ 2,000,000		-	$ (2,000,000)	$ -	$ 2,000,000	As the Population Health Division (PHD) continues to integrate COVID-19 response functions into ongoing operations and to prioritize neighborhoods and populations disproportionately impacted by the virus, San Francisco remains in a strong position to response to the virus with high vaccination rates and availability of effective treatments. This initiative proposes to reduce ongoing COVID-19 resources for contracts for community-based testing and vaccines. The $2 million reduction aligns with the Department's current year spending and reflects the integration of COVID-19 prevention, testing, and treatment into the health care system.
BHS	**B4**	Shifts of Housing & Full Service Partnership Programs to the Mental Health Services Act		$ (4,497,155)	$ -	$ 4,497,155	$-	-	$ (4,632,070)	$ -	$ 4,632,070	This initiative proposes to leverage anticipated growth in Mental Health Services Act (MHSA) funding to cover $1.8 million in full-service partnership and $2.6 million in housing programs currently funded by general fund. This shift would align with current MHSA requirements and as well as the new changes proposed under Proposition 1.
HAD	**B5**	Leases and IT Operating Cost Savings	-	$ (1,769,018)	$ -	$ 1,769,018		-	$ (2,393,028)	$ -	$ 2,393,028	The Department of Public Health (DPH) Operations division continues to pursue strategic initiatives to reduce administrative costs and increase intradepartmental efficiencies, including proposals to consolidate building leases and lower IT and ancillary expenses. The core of this strategy is to consolidate various teams into a single location to streamline operations and reduce costs, saving $1.8 million in FY 2024-25 and $2.4 million in FY 2025-26.
Dept wide	**B6**	Reducing Vacant Positions	(74.97)	$ (7,567,068)		$ 7,567,068		(74.97)	$ (7,849,660)		$ 7,849,660	In response to the current fiscal situation, the Department of Public Health (DPH) is planning to eliminate 74.97 vacant, full-time equivalent (FTE) positions for a savings of $7.6 million in FY 2024-25 and $7.9 million in FY 2025-26. DPH is approaching these reductions using a variety of strategies to prioritize staffing: 1) cleaning-up partial positions to align with current hiring and usage; 2) eliminating positions from expiring grants or projects that no longer have funding; 3) identifying operational efficiencies where responsibilities can be reorganized; and 4) eliminating difficult-to-fill positions where service impacts can be minimized.
ZSFG	**B7**	Reduction in University of California San Francisco (UCSF) Affiliation Agreement Costs	-	$ (1,658,481)	$ -	$ 1,658,481		-	$ (1,658,481)	$ -	$ 1,658,481	This initiative recognizes reduced costs in the University of California - San Francisco (UCSF) Affiliation Agreement, reflecting reduced inflationary pressures.
Dept wide	**B8**	Contracting Out Certain Security Services	(5.00)	$ (1,538,520)	$ -	$ 1,538,520		(5.00)	$ (2,914,191)	$ -	$ 2,914,191	Having successfully transitioned many primary care clinic posts to an ambassador-style security model, DPH proposes transitioning some additional security services at hospitals, health clinics, and administrative offices from the Sheriff's Department to private security contractors. In addition, Zuckerberg San Francisco General (ZSFG) Hospital will reduce five vacant positions that would have provided some navigation and security support.
TOTAL EXPENDITURE SAVINGS			(79.97)	**$ (22,410,242)**	**$ (938,122)**	**$ 21,472,120**		(79.97)	**$ (25,927,430)**	**$ (718,122)**	**$ 25,209,308**	
		Total All Initiatives and Targets	**(135)**	**$ 5,671,357**	**$ 98,454,486**	**$ (10,171,954)**		**(135)**	**$ 1,022,551**	**$ 136,240,671**	**$ 14,990,320**	
INFLATIONARY												
ZSFG	**C1**	University of California San Francisco (UCSF) Affiliation Agreement Costs	-	$ -	$ -	$ -		-	$ 15,924,535	$ -	(15,924,535)	This initiative requests annual adjustments to the long-standing Affiliation Agreement with UCSF for physician, clinical and ancillary services at Zuckerberg San Francisco General Hospital Medical Center.
DPH	**C2**	DPH Pharmaceuticals and Materials and Supplies Inflation	-	$ -	$ -	$ -		-	$ 11,754,823	$ -	(11,754,823)	This initiative requests annual inflationary adjustments for expenses critical to network operations. This adjustment is critical to ensuring that DPH can continue to provide services and treatments to its patients. The Department projects cost increases of 12% for pharmaceuticals at Zuckerberg San Francisco General Hospital, 9% for pharmaceuticals in other divisions of DPH, 10% for food, and 5% for laundry. It does not include increases for Laguna Honda Hospital, pending further updates of their revenues.
		Subtotal	**-**	**$ -**	**$ -**	**$ -**		**-**	**27,679,358**	**-**	**(27,679,358)**	

FY 2024-25 & 2025-26 Program Change Request

DIVISION:

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

PROGRAM / INITIATIVE TITLE: Baseline Revenues for the San Francisco Health Network (SFHN) and Zuckerberg San Francisco General (ZSFG) and Salary Structural Correction
TARGETED CLIENTS: N/A
PROGRAM CONTACT NAME/TITLE: **Matthew Sur, Reimbursement Director**

FY 2024-25 FTE Change	FY 2025-26 FTE Cumulative Change	FY 2024-25 General Fund Impact Favorable/(Unfavorable)	FY 2025-26 Cumulative Net General Fund Impact Favorable/(Unfavorable)
0	**0**	**$52,759,139**	**$75,131,596**

PROGRAM DESCRIPTION: (brief description of proposed change)

This initiative adjusts San Francisco Health Network (SFHN) and Zuckerberg San Francisco General (ZSFG) revenues to reflect current revenue baseline projections for Patient Revenues, Managed Care Supplemental, Pharmacy, Medi-Cal Graduate Medical Education (Medi-Cal GME), the Global Payment Program and Prior Year Settlements.

In addition, this initiative includes a $20 million salary structural correction for ZSFG to reflect the impact on overtime, premium and holiday pay of salary increases for current and prior year MOU wage increases.

JUSTIFICATION:

Baseline revenues at Zuckerberg San Francisco General (ZSFG) are being adjusted to reflect projected increases from the base budgets for FY 2024-25 and FY 2025-26.

- Net Patient Revenue is projected to increase by $25.9 million in FY 2024-25 and adjusted for inflation to $45.9 million in FY 2025-26.
- Prior Year Medicaid program related settlements are projected to experience a one-time increase of $8.0 million in FY 2024-25 and $11.0 million in FY 2025-26.
- The combined Pharmacy revenue for the ZSFG outpatient pharmacy and the 340b shared savings program is projected to increase by $20.4 million in FY 2024-25 and FY 2025-26.
- Quality Incentive and Rate Range Programs are projected to increase by $18.0 million in FY 2024-25 and FY 2025-26
- The combination of Medi-Cal GME and Global Payment Program revenues are projected to decrease by $4.9 million in FY 2024-25 and $3.8 million in FY 2025-26.
- Lastly, due to changes in supplemental payment programs, the Department projects intergovernmental transfer (IGT) payment savings of $5.4 million in FY 2024-25 and $3.6 million in FY 2025-26.

Offsetting these revenue projections and, in line with current projections, this initiative includes a $20 million salary structural correction for ZSFG to reflect the impact on overtime, premium and holiday pay of salary increases for current and prior year MOU wage increases. While the base budget is annually adjusted for MOU wage increases in base pay, wage increases also apply to other classes of pay. DPH has not adjusted these funds for several years and, as a result of significant recent wage increases, needs to address a structural shortfall in its expenditures by increasing the pay in line with these increases. These corrections are necessary to support the operations of ZSFG and to ensure that these revenue projections can be realized.

IMPACT ON CLIENTS: (units of service and/or number of clients affected, if applicable)
No impacts on clients.

EXPENSE AND REVENUE IMPACT: (for both fiscal years)
Revenues and IGT savings will increase by $52.8 million in FY 2024-25 and $75.1 million in FY 2025-26.
IMPACT ON DEPARTMENT'S WORKFORCE: (for both fiscal years)
No impact on FTEs in both years.

INITIATIVE TITLE: A1 - Baseline Revenues and Salary Structural Correction for the San Francisco Health Network (SFHN) and Zuckerberg San Francisco General (ZSFG)

	Description		FY 2024-25		FY 2025-26
Sources:					
	Patient Revenue	$	25,873,495	$	45,915,023
	Prior-Year Settlements	$	8,000,000	$	11,000,000
	Pharmacy - Retail and 340b Shared Savings	$	20,348,075	$	20,348,075
	Medi-Cal Graduate Medical Education Program	$	2,080,314	$	3,219,583
	Global Payment Program	$	(6,977,581)	$	(6,977,581)
	Quality Incentive Program	$	9,361,205	$	9,361,205
	Rate Range Program	$	8,683,957	$	8,683,957
	Subtotal Sources	$	67,369,464	$	91,550,261
Uses:	Salary and Benefits	$	20,000,000	$	20,000,000
	Operating Expense	$	-	$	-
	IGT	$	(5,389,675)	$	(3,581,335)
	Subtotal Uses	$	14,610,325	$	16,418,665
Net General Fund Subsidy Required (savings)/cost (Uses less Sources)		$	(52,759,139)	$	(75,131,596)
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	18,407,731	0.00	18,407,731
	Fringe	8.7%	1,592,269	8.7%	1,592,269
	Total Salary and Fringe	**0.00**	**20,000,000**	**0.00**	**20,000,000**

	Account Code	FY 2024-25	FY 2025-26
527000	Professional Services	-	-
540000	Materials and Supplies	-	-
581000	Workorder	-	-
		$ -	$ -

Initiative Number – A2

FY 2024-25 & 2025-26 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: Enhanced Payment Program
TARGETED CLIENTS: N/A
PROGRAM CONTACT NAME/TITLE: **Matthew Sur, Reimbursement Director**

FY 2024-25 FTE Change	FY 2025-26 FTE Cumulative Change	FY 2024-25 General Fund Impact Favorable/(Unfavorable)	FY 2025-26 Cumulative Net General Fund Impact Favorable/(Unfavorable)
-	-	**$7,951,773**	**$15,903,546**

PROGRAM DESCRIPTION: (brief description of proposed change)

The Enhanced Payment Program (EPP) is a supplemental payment program where the State directs managed care health plans (MCPs) to enhance contracted payments for the applicable provider classes of Designated Public Hospital (DPH) systems by either uniform percentage or dollar amount add-on increases adjusted for each DPH. This initiative adjusts revenues by $7.95 million for FY 2024-25 and $15.9 million for FY 2025-26 for the Enhanced Payment Program (EPP) to reflect projected increases in the program proposed by the State. Approval of the changes by the Centers of Medicare and Medicaid Services (CMS) is expected in the spring.

JUSTIFICATION:

The State's proposed preprint includes a 25% increase to the program applicable to half of FY 2024-25. Revenue is projected to increase by $8.8 million FY 2024-25 and $17.6 million in FY 2025-26. Due to the increase in revenue, the Department projects intergovernmental transfer (IGT) to increase by $0.8 million in FY 2024-25 and $1.6 million in FY 2025-26.

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

None.

EXPENSE AND REVENUE IMPACT: (for both fiscal years)

Revenues net of IGT will increase by $7,951,773 in FY 2024-25 and $15,903,546 in FY 2025-26.

IMPACT ON DEPARTMENT'S WORKFORCE: (for both fiscal years)

None.

INITIATIVE TITLE: A2 - Enhanced Payment Program Supplemental Payment

Description		FY 2024-25		FY 2025-26	
Sources:					
	Enhanced Payment Program Revenue	$	8,775,548	$	17,551,096
		$	-	$	-
	Subtotal Sources	$	8,775,548	$	17,551,096
Uses:	Salary and Benefits	$	-	$	-
	Operating Expense	$	-	$	-
	IGT	$	823,775	$	1,647,550
	Subtotal Uses	$	823,775	$	1,647,550
Net General Fund Subsidy Required (savings)/cost (Uses less Sources)		$	(7,951,773)	$	(15,903,546)
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**

	Account Code		
527000	Professional Services	-	-
540000	Materials and Supplies	-	-
581000	Workorder	-	-
		$ -	$ -

2/2/2024

FY 2024-25 & 2025-26 Program Change Request

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

PROGRAM / INITIATIVE TITLE: Behavioral Health Services Baseline Revenues
TARGETED CLIENTS: All Behavioral Health clients
PROGRAM CONTACT NAME/TITLE: Drew Murrell, Controller

FY 2024-25 FTE Change	FY 2025-26 FTE Cumulative Change	FY 2024-25 General Fund Impact Favorable/(Unfavorable)	FY 2025-26 Cumulative Net General Fund Impact Favorable/(Unfavorable)
-	**-**	**$ 1,878,640**	**$ 10,378,640**

PROGRAM DESCRIPTION: (brief description of proposed change)

This initiative adjusted budgeted revenue based on projections for 2011 Realignment, Short-Doyle and Drug Medi-Cal, and Pharmacy revenue changes for FY 2024-2025 and FY 2025-26 for the Behavioral Health Services (BHS) division. The Department of Public Health (DPH) projection indicates $1.9 million of net revenue increase in FY 2024-2025 and $10.4 million in FY 2025-2026. The net revenue increase is expected to sustain current BHS services while achieving DPH's FY 2024-2025 and FY 2025-2026 General Fund reduction target.

JUSTIFICATION:

2011 Realignment:
Starting in FY 2012-13, all State funding for behavioral health was "realigned" from the State to the counties. Each county receives a dedicated share of State sales tax and vehicle license fee revenue for these services but has become responsible for managing its risk within the "2011 Realignment" funding level. The county is also annually allocated a legislated portion of any sales tax revenue growth. DPH expects a decrease of $0.8 million from FY 2024-25 base budget due to lowered expectation of sales tax growth consistent with State's flat sales tax growth assumption and $1.9 million increase from FY 2025-26 base budgets to reflect 2.1% sales tax growth expected to be caught up.

Short Doyle and Drug Medi-Cal:
CalAIM payment reform seeks to move counties away from cost-based reimbursement to enable value-based reimbursement structures that reward better care and quality of life for Medi-Cal beneficiaries receiving behavioral health services. In FY 2023-24, the State began tying revenue to fixed rates by provider type for Medi-Cal behavioral health services. Based on rate adjustments and service units expected, we expect overall changes from base budget Short-Doyle and Drug Medi-Cal revenue to be a decrease of $1.2 million in FY 2024-25 and an increase of $2.6 million in FY 2025-26.

Prior-Year Short Doyle and Drug Medi-Cal settlements:
Following patterns from prior years, we expect the State to settle cost report and reimbursement for

fiscal years prior to the CalAIM payment reform, generating \$2 million additional revenue in FY 2024-25 and \$4 million in FY 2025-26. <u>Pharmacy prescription revenue:</u> BHS Pharmacy is projecting increase in \$1.5 million in Medi-Cal revenue and \$0.4 million in Medicare reimbursement revenue in FY 2024-25 and FY 2025-26 due to increased patients requiring more costly medication.

IMPACT ON CLIENTS: (units of service and/or number of clients affected, if applicable)
None

EXPENSE AND REVENUE IMPACT: (for both fiscal years)
FY24-25: Increase revenue of \$1,878,640; FY25-26: Increase revenue of \$10,378,640
IMPACT ON DEPARTMENT'S WORKFORCE: (for both fiscal years)
None

INITIATIVE TITLE: A3 - Behavioral Health Services Baseline Revenues

Description	FY 2024-25	FY 2025-26
Sources:		
2011 Realignment	$ (800,000)	$ 1,900,000
MH SDMC FFP revenues	$ (3,400,000)	$ (400,000)
MH SDMC SGF revenues	$ (500,000)	$ (200,000)
SUD DMC FFP revenues	$ 1,700,000	$ 2,100,000
SUD SDMC SGF revenues	$ 978,640	$ 1,078,640
Prior year settlement	$ 2,000,000	$ 4,000,000
Pharmacy Medicare	$ 400,000	$ 400,000
Pharmacy Medi-cal	$ 1,500,000	$ 1,500,000
Subtotal Sources	$ 1,878,640	$ 10,378,640
Uses: Salary and Benefits	$ -	$ -
Operating Expense	$ -	$ -
Subtotal Uses	$ -	$ -
Net General Fund Subsidy Required (savings)/cost (Uses less Sources)	$ (1,878,640)	$ (10,378,640)
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**

	Account Code	FY 2024-25	FY 2025-26
527000	Professional Services	-	-
540000	Materials and Supplies	-	-
581000	Workorder	-	-
		$ -	$ -

Initiative Number – A4

FY 2024-25 & 2025-26 Program Change Request

DIVISION:

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

PROGRAM / INITIATIVE TITLE: **Leveraging Growth in Grant Revenues**
TARGETED CLIENTS: None
PROGRAM CONTACT NAME/TITLE: **Drew Murrell, Controller**

FY 2024-25 FTE Change	FY 2025-26 FTE Cumulative Change	FY 2024-25 General Fund Impact Favorable/(Unfavorable)	FY 2025-26 Cumulative Net General Fund Impact Favorable/(Unfavorable)
-	-	$3,500,000	$3,500,000

PROGRAM DESCRIPTION: (brief description of proposed change)

This initiative achieves general fund salary and fringe savings in two ways: 1) $2 million annually from reallocating administrative costs towards grant funding to reconcile to actual grant awards; and, 2) approximately $1.5 million annually from shifting previously general fund supported personnel costs in the Population Health Department to ongoing grant funding.

JUSTIFICATION:

The Department of Public Health (DPH) is supported by grant funding typically awarded through competitive processes with the Centers for Disease Control and Prevention (CDC), California Department of Public Health, and other entities. In accordance with Controller's Office and grantor guidelines, DPH charges allowable indirect and administrative costs to grants. For several years budgeted administrative costs funded by grants have not been adjusted to reconcile to actual funding. The proposed $2 million in general savings reallocates these administrative support costs towards eligible grants funding in alignment with current grant funding.

Similarly, DPH has identified additional opportunities to shift General Fund salary and fringe costs in Population Health Division (PHD). Recent ongoing grants awards received by PHD, including the Future of Public Health grant and Project INVEST, have afforded new opportunities to reallocate operating costs to grant funding in order to fully spend grant awards.

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

None.

EXPENSE AND REVENUE IMPACT: (for both fiscal years)

Additional $3,500,000 in existing General Fund expenditures can be moved to existing grant expenditure authority, resulting from claimed revenue in FY 2024-25 and FY 2025-26.

IMPACT ON DEPARTMENT'S WORKFORCE: (for both fiscal years)

None.

INITIATIVE TITLE: A4 - Leveraging Growth in Grant Revenue

Description		FY 2024-25	FY 2025-26
Sources:			
	Revenues		
	Subtotal Sources	-	-
Uses:	Salary and Benefits	(1,500,000)	(1,500,000)
	Operating Expense	(2,000,000)	(2,000,000)
	Subtotal Uses	(3,500,000)	(3,500,000)
Net General Fund Subsidy Required (savings)/cost (Uses less Sources)		(3,500,000)	(3,500,000)
Total FTE's		-	-

New Positions

Class	Title	FTE		FTE	
0		-		-	
0		-		-	
0		-		-	
	Total Salary		(1,074,499)	-	(1,074,499)
	Fringe	40%	(425,501)	40%	(425,501)
	Total Salary and Fringe	**-**	**(1,500,000)**	**-**	**(1,500,000)**

	Account Codes	FY 2024-25	FY 2025-26
579990	Allocated Chrgs-Spec Sources	(2,000,000)	(2,000,000)
540000	Materials and Supplies	-	-
581000	Workorder	-	-
		$ (2,000,000)	$ (2,000,000)

Initiative Number – A5

FY 2024-25 & 2025-26 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: Increasing Operating Room Capacity at ZSFG
TARGETED CLIENTS: ZSFG Patients
PROGRAM CONTACT NAME/TITLE: **Patty Coggan, Nursing Director, Surgical and Procedural Services**

FY 2024-25 FTE Change	FY 2025-26 FTE Cumulative Change	FY 2024-25 General Fund Impact Favorable/(Unfavorable)	FY 2025-26 Cumulative Net General Fund Impact Favorable/(Unfavorable)
-	-	$5,221,457	$5,095,030

PROGRAM DESCRIPTION: (brief description of proposed change)

Zuckerberg San Francisco General (ZSFG) will improve flow and utilization in operating rooms by increasing anesthesia attending staffing to provide additional perioperative and procedural capacity. This increased capacity will reduce the time to surgery for inpatients and generate a net revenue of $5 million a year.

JUSTIFICATION:

There is an increase in the number of inpatients requiring non-elective, urgent surgery and procedures as well as outpatient surgery services. Delays in surgical care for inpatients lead to delayed discharges and increases in the hospital census. Increasing anesthesia staffing through the University of California - San Francisco (UCSF) Affiliation Agreement will more effectively leverage the current surgical staff and improve the scheduling and flow of the operating rooms. This will, in turn, enable more timely access to surgery among inpatients requiring surgeries and procedures.

In addition, this initiative proposes an annual budget of $2 million for lease costs related to the replacement of mobile operating room equipment including microscopes, C-arms, operating room tables, etc., which are approaching the end of their operational life cycle and require replacement. The operating room team is collaborating with the Biomed Department to adopt a phased strategy to systematically replace these devices on an ongoing cycle and to avoid any service disruptions.

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

Additional staffing will increase our capacity to perform three additional operations/procedures daily, Monday through Friday resulting in more timely surgical and procedural care for about 250 patients per year.

EXPENSE AND REVENUE IMPACT: (for both fiscal years)

This proposal anticipates generating an annual revenue of $9.75 million with an increase in expenditure costs totaling $4,528,543 in FY 2024-25 and $4,654,970 in FY 2025-26 with a net revenue generation of $5,221,457 and $5,095,030, respectively.

IMPACT ON DEPARTMENT'S WORKFORCE: (for both fiscal years)

None.

INITIATIVE TITLE: A5 - Increasing Operating Room Capacity at ZSFG

Description		FY 2024-25	FY 2025-26
Sources:			
	Patient Revenues	$ 9,750,000	$ 9,750,000
	Subtotal Sources	$ 9,750,000	$ 9,750,000
Uses:	Salary and Benefits		
	Operating Expense	$ 4,528,543	$ 4,654,970
	Subtotal Uses	$ 4,528,543	$ 4,654,970
Net General Fund Subsidy Required (savings)/cost (Uses less Sources)		$ (5,221,457)	$ (5,095,030)
Total FTE's			

	Account Code		
527000	Equipment Leases	2,000,000	2,000,000
527860	UC Medical Services	2,528,543	2,654,970
581000	Workorder	-	-
		$ 4,528,543	$ 4,654,970

Initiative Number – A6

FY 2024-25 & 2025-26 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: Specialty Pharmacy and Carousel Replacement
TARGETED CLIENTS: ZSFG Patients
PROGRAM CONTACT NAME/TITLE: David Smith, Chief Pharmacy Officer,

FY 2024-25 FTE Change	FY 2025-26 FTE Cumulative Change	FY 2024-25 General Fund Impact Favorable/(Unfavorable)	FY 2025-26 Cumulative Net General Fund Impact Favorable/(Unfavorable)
-	-	$0	$0

PROGRAM DESCRIPTION: (brief description of proposed change)

The San Francisco Health Network (SFHN) Pharmacy is in the process of expanding its specialty pharmacy services to contracted entities to improve pharmacy access for our patients. It is also proposing to improve its existing pharmacy infrastructure by replacing its pharmacy carousel, which is approaching end-of-life. This initiative recognizes the additional expenditures and revenues needed to maintain and expand the program's capacity through contract and invests in the replacement of critical pharmacy equipment.

JUSTIFICATION:

Zuckerberg San Francisco General Hospital (ZSFG) Specialty Pharmacy Program began in 2021 to ensure access to high-cost medications for our patients while minimizing cost and optimizing revenue capture. This program is part of pharmacy’s supply chain optimization efforts, which includes integration of our medication procurement, storage, and distribution and Epic within the ZSFG campus locations. Specialty Pharmacy medications are high-cost medications ($1000+/month/patient) which require insurance authorization and involve a high degree of patient management due to significant side effect or risk profiles. The program leverages the 340b Federal Drug discount program to purchase drugs at lower price while continuing to receive reimbursement by insurance. The medications required are difficult to obtain due to limited distribution and/or other unique requirements, which makes it challenging for retail pharmacies to handle and distribute these medications. Dedicated technicians at ZSFG clinic improved access via timely insurance authorization and delivery of medications. In FY 2022-23, approximately 4,500 patients were served. To further increase access, SFHN has been working to contract with pharmacies in the community. A contract is expected to be implemented by FY 2024-25 and will result in an increase of both revenue and expenditure, which is reflected in this proposal.

Essential to Pharmacy’s integrated medication process are the three large carousels and a medications packager that is integrated with our ADC, Epic, and purchasing systems and supports over 80% of the department’s drug distribution. This equipment is approaching end-of-life and must be replaced. This initiative also includes $1.9 million to purchase replacement pharmacy carousels and $1.5 million in constructions costs.

IMPACT ON CLIENTS: (units of service and/or number of clients affected, if applicable)
Improved access to Specialty Medications for SFHN patients

EXPENSE AND REVENUE IMPACT: (for both fiscal years)
This proposal includes expenditure costs totaling $6,903,419 in FY 2024-25 and $6,990,919 in FY 2025-26 with offsetting revenues in the same amounts.
IMPACT ON DEPARTMENT'S WORKFORCE: (for both fiscal years)
None.

INITIATIVE TITLE: A6 - Specialty Pharmacy and Carousel Replacement

Description	FY 2024-25	FY 2025-26
Sources:		
Specialty Drug Reimbursement	$ 6,903,419	$ 6,990,919
Subtotal Sources	$ 6,903,419	$ 6,990,919
Uses: Salary and Benefits	$ -	$ -
Operating Expense	$ 6,903,419	$ 6,990,919
Subtotal Uses	$ 6,903,419	$ 6,990,919
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)

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**

	Account Code	FY 2024-25	FY 2025-26
527000	Professional Services	190,919	190,919
544610	Pharmaceuticals	4,800,000	5,300,000
560000	Equipment Purhase	1,912,500	
581000	Capital Contstruction Costs	-	1,500,000
		$ 6,903,419	$ 6,990,919

Initiative Number – A7

FY 2024-25 & 2025-26 Program Change Request

DIVISION:

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

PROGRAM / INITIATIVE TITLE: Primary Care Performance Improvement Program (PIP) Appropriation
TARGETED CLIENTS: San Francisco Health Plan
PROGRAM CONTACT NAME/TITLE: **Jeffrey Drew, PC Budget Manager**

FY 2024-25 FTE Change	FY 2025-26 FTE Cumulative Change	FY 2024-25 General Fund Impact Favorable/(Unfavorable)	FY 2025-26 Cumulative Net General Fund Impact Favorable/(Unfavorable)
n/a	**n/a**	**$0**	**$0**

PROGRAM DESCRIPTION: (brief description of proposed change)

San Francisco Health Plan (SFHP) has a Performance Improvement Program (PIP) that requires the SFHN to meet State and National benchmarks across many metric areas. Primary Care has received PIP funds in the past and will add a one-time, $4 million appropriation in FY 2024-25 to recognize incentives already earned by meeting metrics from SFHP in recent years. The additional funding will be used for continuous improvement and enhancement including: purchases of materials and equipment to improve clinics, programs serving patients including the acupuncture program, and additional staff who contribute to meeting SFHP metrics by providing patient outreach, analysis of metrics, and improving the patient's care and treatment experience within our clinics.

JUSTIFICATION:

Pay-for-performance programs, including the PIP, offer financial incentives for meeting State and National benchmarks across many metric areas. As part of the San Francisco Health Network (SFHN), Primary Care participates in pay-for-performance programs, including CAPH's Quality Incentive Pool (QIP) and San Francisco Health Plan (SFHP)'s Performance Improvement Program (PIP). Primary Care earns PIP and QIP funds by meeting metrics such as rates of topical fluoride for children, well child visits, and colorectal cancer screening. Primary Care has consistently performed above its $2.5 million annual appropriation for the past few years. This is a one-time appropriation increase in FY 2024-25 to align actual revenue received, adding $4 million in expenditure.

The PIP Spending committee meets bi-monthly with members of Primary Care Leadership to track all expenditures and determine any emerging needs eligible for these funds. The goal of the program is to reduce health disparities, meet metric performance goals, and improve overall population health of SFHN patients. The spending focuses on staff who can provide patient outreach and assist with meeting quality improvement (QI) metrics as well as programs aimed at improving health for patients including the acupuncture and food voucher programs. PIP funds also support staff on the care experience and quality improvement teams, pharmacy techs to assist with pharmacy orders, and upgraded materials and capital equipment such as new x-ray software and patient exam chairs for the dental program.

IMPACT ON CLIENTS: (units of service and/or number of clients affected, if applicable)
Primary Care serves 90,000 across fourteen primary care clinics, five dental clinics, and a youth program.

EXPENSE AND REVENUE IMPACT: (for both fiscal years)
$4,000,000 in increased expenditure, one-time in FY2024-25, backed by prior-year revenues, with no general fund cost.
IMPACT ON DEPARTMENT'S WORKFORCE: (for both fiscal years)
N/A; no permanent FTE added.

INITIATIVE TITLE: A7 - Primary Care Performance Improvement Program (PIP) Appropriation

	Description	FY 2024-25	FY 2025-26
Sources:	Practice Improvement Fund	$ 4,000,000	$ -
	Subtotal Sources	$ 4,000,000	$ -
Uses:	Operating Expenses	$ 4,000,000	$ -
	Subtotal Uses	$ 4,000,000	$ -
Net General Fund Subsidy Required (savings)/cost (Uses less Sources)		$ -	$ -
Total FTE's		0.00	0.00

	Account Code	FY 2024-25	FY 2025-26
506070	Programmatic Projects-Budget	4,000,000	-
		$ 4,000,000	$ -

FY 2024-25 & 2025-26 Program Change Request

DIVISION:

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

PROGRAM / INITIATIVE TITLE: HealthySteps Program
TARGETED CLIENTS: Primary Care patients, ages 0-5 and their families
PROGRAM CONTACT NAME/TITLE: **Jeffrey Drew, Pr Administrative Analyst**

FY 2024-25 FTE Change	FY 2025-26 FTE Cumulative Change	FY 2024-25 General Fund Impact Favorable/(Unfavorable)	FY 2025-26 Cumulative Net General Fund Impact Favorable/(Unfavorable)
-	-	$0	$0

PROGRAM DESCRIPTION: (brief description of proposed change)

The Zuckerberg San Francisco General (ZSFG) Children's Health Center (CHC) HealthySteps program provides added clinical support to identify and treat behavioral and developmental issues in patients aged 0-5 and their caregivers. HealthySteps launched with $2 million of grant funding directed to University of California – San Francisco (UCSF) Department of Pediatrics in 2019 and staffed by UCSF personnel based at ZSFG. Statewide changes to the Medi-Cal program, which grew out of these pilot efforts, have made these services newly reimbursable. This initiative brings the ongoing services into Primary Care via the UCSF Affiliation Agreement, adding $715,537 in FY 2024-25 and $737,877 in FY 2025-26, backed by the additional revenue. It will provide services for over 1,100 patients and their families per year who are already engaged in the program.

JUSTIFICATION:

The HealthySteps program has been operated as a pilot program since 2019, staffed by UCSF Department of Psychiatry and Pediatrics personnel who bridge a gap in services for infants and toddlers. Since the program's inception, over 2,700 patients ages 0-5 and their families, who were not previously being served, have received preventative behavioral health and health promotion services. The program intervenes at a critical period of development that is shown to be most protective against future health concerns. The evidence-based HealthySteps program has demonstrated outcomes in improving well-child visit attendance, immunization rates, developmental screening rates, and linkage to child and caregiver-level services.

Building on the success of this pilot, the State developed a new "Dyadic Services" benefit, which is expected to bring in sufficient revenue to sustain the program under the San Francisco Health Network (SFHN). The continuing costs of the program at CHC, through the UCSF Affiliation Agreement, are $715,537 in FY 2024-25 and $737,877 in FY 2025-26. The funding supports the additional behavioral health clinician time as well as family navigation and care coordination.

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

HealthySteps serves 1,138 0–5-year-old unique patients last fiscal year, which doubles to 2,276 unique patients when taking into account at least one adult caregiver who are also served alongside their child. HealthySteps provided 1,609 encounters and 746 team-based well-child visits last fiscal year. This initiative maintains that service by bringing into the SFHN budget.

EXPENSE AND REVENUE IMPACT: (for both fiscal years)

Expenditures of $715,537 in FY 2024-25 and $737,877 in FY 2025-26, offset by additional Medi-Cal revenue.

IMPACT ON DEPARTMENT'S WORKFORCE: (for both fiscal years)

None.

INITIATIVE TITLE: A8 - HealthySteps

Description		FY 2024-25	FY 2025-26
Sources:	Patient Revenue	$ 715,537	$ 737,877
	Subtotal Sources	$ 715,537	$ 737,877
Uses:	Operating Expense	$ 715,537	$ 737,877
	Subtotal Uses	$ 715,537	$ 737,877
Net General Fund Subsidy Required (savings)/cost (Uses less Sources)		$ -	$ -
Total FTE's		0.00	0.00

Account Code		FY 2024-25	FY 2025-26
506070	Programmatic Projects-Budget	715,537	737,877
		$ 715,537	$ 737,877

Initiative Number – B2

FY 2024-25 & 2025-26 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: Healthy San Francisco Savings Due to Expanded Medi-Cal Eligibility
TARGETED CLIENTS: Newly Eligible Medi-Cal Participants
PROGRAM CONTACT NAME/TITLE: Stella Cao, Director of the Office of Managed Care

FY 2024-25 FTE Change	FY 2024-26 FTE Cumulative Change	FY 2024-25 General Fund Impact Favorable/(Unfavorable)	FY 2025-26 Cumulative Net General Fund Impact Favorable/(Unfavorable)
n/a	**n/a**	**$2,441,878**	**$3,761,878**

PROGRAM DESCRIPTION:

With the continued expansion of Medi-Cal eligibility, the projected enrollment in Healthy San Francisco Program (HSF) is expected to drop as members become eligible for coverage. As a result, the City's costs paid to the San Francisco Health Plan to administer the program will be reduced to reflect an anticipated 50% reduction in enrollment. In addition, the fees to support services to the Private Provider Network, including but not limited to, SF Clinic Consortium and Kaiser, will also be reduced as their costs will now be reimbursed by Medi-Cal. These costs savings will be offset in part by reduced revenue from employers as fewer of their employees enroll in HSF. There will be no loss in coverage for participants as a result of this initiative.

JUSTIFICATION:

HSF provides accessible and affordable health care services to uninsured City residents regardless of immigration status, employment status, or pre-existing medical conditions. HSF is a health access program for services in San Francisco but is not an insurance program as there is no coverage outside of San Francisco and not all healthcare providers participate in this program. HSF is administered by the San Francisco Health Plan (SFHP),

Starting in January 2024, a new California law expands full-scope Medi-Cal eligibility to adults aged 26 to 49, regardless of their immigration status. While other Medi-Cal eligibility criteria, such as income limits, remain in place, this expansion initiative significantly increases healthcare access.. At the start of the FY 23-24, the program served more than 11,000 clients living in households with incomes at or below 500% of the Federal Poverty Level who were not eligible for public insurance programs such as Medi-Cal or Medicare or have their own coverage.

In collaboration with the Human Services Agency (HSA) and SFHP, DPH is actively assisting clients to transition from HSF to Medi-Cal. DPH anticipates that about half of the current HSF clients will move to Medi-Cal over the next two years. Consequently, HSF expenditures are projected to decrease by $3.4 million in FY 24-25 and $4.5 million in FY 25-26. These significant cost-savings are largely attributed to the shift of participants at or below 100% of the FPL with a $0 monthly participant fee to Medi-Cal.

At the same time, HSF revenues are projected to decline by $0.9 million and $0.7 million, respectively. The primary reason for this decrease in revenue is the continuation of HSF's automatic no-cost extension, a pandemic-related initiative aimed at ensuring health coverage for HSF participants, coupled with a reduction in the number of participants enrolled in HSF. This revenue change represents a decrease of more than a third compared to the FY 23-24 budget.

IMPACT ON CLIENTS: (units of service and/or number of clients affected, if applicable)
Approximately half of HSF participants will shift to Medi-Cal coverage over two years; an estimated 5,000-6,000 participants will remain enrolled in HSF.

EXPENSE AND REVENUE IMPACT: (for both fiscal years)
Expenditure savings of $3,380,000 in FY 24-25, increasing to $4,480,000 in FY 25-26. Offset by revenue reductions of $938,122 in FY 24-25 and $718,122 in FY 25-26.
IMPACT ON DEPARTMENT'S WORKFORCE: (for both fiscal years)
N/A

INITIATIVE TITLE: B2 - Healthy San Francisco Savings Due to Expanded Medi-Cal Eligibility

	Description	FY 2024-25	FY 2025-26
Sources:			
	Participant Enrollment Fee Revenue Reduction	$ (938,122)	$ (718,122)
	Subtotal Sources	$ (938,122)	$ (718,122)
Uses:	Salary and Benefits	$ -	$ -
	Operating Expense	$ (3,380,000)	$ (4,480,000)
	Subtotal Uses	$ (3,380,000)	$ (4,480,000)
Net General Fund Subsidy Required (savings)/cost (Uses less Sources)		$ (2,441,878)	$ (3,761,878)
Total FTE's		0.00	0.00

	Account Code	FY 2024-25	FY 2025-26
527000	Professional Services	(3,380,000)	(4,480,000)
540000	Materials and Supplies	-	-
581000	Workorder	-	-
		$ (3,380,000)	$ (4,480,000)

Initiative Number – B3

FY 2024-25 & 2025-26 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: COVID-19 Contract Reductions
TARGETED CLIENTS: San Francisco residents and visitors
PROGRAM CONTACT NAME/TITLE: **Susan Philip, Health Officer, Population Health Director**

FY 2024-25 FTE Change	FY 2025-26 FTE Cumulative Change	FY 2024-25 General Fund Impact Favorable/(Unfavorable)	FY 2025-26 Cumulative Net General Fund Impact Favorable/(Unfavorable)
-	-	$2,000,000	$2,000,000

PROGRAM DESCRIPTION: (brief description of proposed change)

As the Population Health Division (PHD) continues to integrate COVID-19 response functions into ongoing operations and to prioritize neighborhoods and populations disproportionately impacted by the virus, San Francisco remains in a strong position to response to the virus with high vaccination rates and availability of effective treatments. This initiative proposes to reduce ongoing COVID-19 resources for contracts for community-based testing and vaccines. The $2 million reduction aligns with the Department's current year spending and reflects the integration of COVID-19 prevention, testing, and treatment into the health care system.

JUSTIFICATION:

Population Health Division (PHD)'s core functions are health protection, health promotion and education, prevention and control for infectious diseases, monitoring of threats to the public's health, emergency/disaster preparedness and response, and consumer safety. As the emergency response has wound down, PHD has integrated on-going COVID-19 response functions, including Equity and Community Engagement, Info & Guidance, Testing, Vaccination, as well as Epi& Surveillance into its core public health services for the City and County of San Francisco.

During the pandemic, DPH and community partners worked together to place low-barrier, neighborhood-based Covid-19 vaccination sites in areas most impacted by the virus, and this approach contributed to the high vaccination rates and low numbers of Covid hospitalizations and deaths in San Francisco compared to other cities. With the federal emergency ending, federal and state funding has largely ended; vaccines are now more readily available through health care systems and pharmacies. Natural and vaccine acquired immunity plus treatment have reduced the risk of severe illness for many people. Due to these and other factors, public use of neighborhood sites has decreased over time.

PHD will continue to address priority public health issues, with a focus on ensuring health equity, including COVID-19. This includes holding neighborhood-based vaccine pop-ups during the fall vaccination season next year, as this has proved to be valuable for COVID and MPX vaccine equity. The timeframe and scope for COVID pop-ups will be more limited next year, generating $2 million a year in savings; PHD will maintain a $1 million annual budget to operate neighborhood pop-ups for a few weeks. Furthermore, PHD will also maintain our ability to take in scientific and public health data to make policy as a department, and to clearly communicate public

health information to San Francisco stakeholders, including on our overdose prevention and behavioral health efforts.

IMPACT ON CLIENTS: (units of service and/or number of clients affected, if applicable)
Minimal, as funding is in line with current usage.

EXPENSE AND REVENUE IMPACT: (for both fiscal years)
Expenditure reduction of $2,000,000 in both FY 2024-25 and FY 2025-26.
IMPACT ON DEPARTMENT'S WORKFORCE: (for both fiscal years)
None.

INITIATIVE TITLE: B3 - Reducing COVID Testing and Vaccine Costs

Description		FY 2024-25	FY 2025-26
Sources:		$ -	$ -
	Subtotal Sources	$ -	$ -
Uses:	Salary and Benefits	$ -	$ -
	Operating Expense	$ (2,000,000)	$ (2,000,000)
	Subtotal Uses	$ (2,000,000)	$ (2,000,000)
Net General Fund Subsidy Required (savings)/cost (Uses less Sources)		$ (2,000,000)	$ (2,000,000)
Total FTE's		0.00	0.00

Account Code		FY 2024-25	FY 2025-26
527000	Professional Services	(2,000,000)	(2,000,000)
540000	Materials and Supplies	-	-
581000	Workorder	-	-
		$ (2,000,000)	$ (2,000,000)

Initiative Number – B4

FY 2024-25 & 2025-26 Program Change Request

DIVISION:

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

PROGRAM / INITIATIVE TITLE: Shifts of Housing & Full-Service Partnership Programs to the Mental Health Services Act
TARGETED CLIENTS: residents at risk for overdose, adverse mental health outcomes, and Black/African Americans
PROGRAM CONTACT NAME/TITLE: **Jessica Brown, Director of the Office of Justice, Equity, Diversity, and Inclusion**

FY 2024-25 FTE Change	FY 2025-26 FTE Cumulative Change	FY 2024-25 General Fund Impact Favorable/(Unfavorable)	FY 2025-26 Cumulative Net General Fund Impact Favorable/(Unfavorable)
-	-	$4,497,155	$ 4,632,070

PROGRAM DESCRIPTION: (brief description of proposed change)

This initiative proposes to leverage anticipated growth in Mental Health Services Act (MHSA) funding to cover $1.8 million in full-service partnership and $2.6 million in housing programs currently funded by the general fund. This shift would align with current MHSA requirements and as well as the new changes proposed under Proposition 1.

JUSTIFICATION:

The Mental Health Services Act (MHSA) was enacted through a ballot initiative (Proposition 63) in 2004. The measure established a one percent tax on personal income in excess of $1.0 million dollars and provides funding to expand and enhance mental health services. The Department is proposing the following two-year spending plan which uses MHSA funds to reduce general fund support of existing programs.

Shift of General Fund Housing Initiatives to MHSA Support: $2,664,858 in FY 2024-25 and $2,744,804 FY 2025-26

MHSA-funded housing helps address the need for accessible and safe supportive housing to help clients with serious mental illness or severe emotional disorders obtain and maintain housing. This service category includes Emergency Stabilization Housing, FSP Permanent Supportive Housing, Housing Placement and Support, ROUTZ Transitional Housing for TAY, and other MHSA Housing Services. Proposition 1 will require MHSA to allocate 35% of our budget to housing initiatives. MHSA will be used to replace general funds that support housing initiatives within our Adult and TAY systems of care. MHSA will support three housing sites for Baker PCR (AILP, BSLP, & Ferguson) and Progressive Foundation TAY Supportive Living. This will be an ongoing initiative to meet the new requirements under Proposition 1 and expand the MHSA portfolio.

Shift of General Fund Full-Service Partnership Programs to MHSA Support: $1,832,297 in FY 2024-25 and $1,887,266 FY 2025-26

Full-Service Partnership (FSP) programs reflect an intensive and comprehensive model of an integrated treatment case management based on a client- and family-centered philosophy of doing “whatever it takes” to assist individuals diagnosed with serious mental illness (SMI) or, for children with serious emotional disturbance (SED), to lead independent, meaningful, and productive lives. In this model, clients have access to 24/7 support and are working with someone they know.

FSP services at all programs consist of the following:

- Intensive case management
- Wraparound services
- Medication management
- Housing support
- Employment assistance and vocational training
- Substance use harm reduction and treatment
- Individual and group therapy and support groups
- Peer support
- Flex Funds for non-Medi-Cal needs

The Department will shift existing, general fund FSP programs costs so that all costs related to the programs are funded entirely by MHSA. This initiative includes Citywide Services for Supportive Housing, Citywide Linkage, and Citywide Homeless and Mentally Ill Outreach and Treatment (HMIOT). This will be an ongoing initiative to meet the new requirements under Proposition 1 and expand the MHSA FSP portfolio.

IMPACT ON CLIENTS: (units of service and/or number of clients affected, if applicable)
None.

EXPENSE AND REVENUE IMPACT: (for both fiscal years)
This initiative increases expenditures and revenues in MHSA by $4,497,155 in FY 2024-25 and reduces General Fund expenditures by the same amount. It similarly increases expenditures and revenues in MHSA by $4,632,070 in FY 2025-26 and reduces General Fund expenditures by the same amount.
IMPACT ON DEPARTMENT’S WORKFORCE: (for both fiscal years)
None.

INITIATIVE TITLE: Shifts of Housing & Full Service Partnership Programs to the Mental Health Services Act

Description		FY 2024-25	FY 2025-26
Sources:			
	MHSA Funds	$ 4,497,155	$ 4,632,070
	Subtotal Sources	$ 4,497,155	$ 4,632,070
Uses:	Salary and Benefits	$ -	$ -
	Operating Expense	$ -	$ -
	Subtotal Uses	$ -	$ -
Net General Fund Subsidy Required (savings)/cost (Uses less Sources)		$ (4,497,155)	$ (4,632,070)
Total FTE's		0.00	0.00

Account Code			
527000	Professional Services (General Fund support)	(4,497,155)	(4,632,070)
527000	Professional Services (MHSA support)	4,497,155	4,632,070
540000	Materials and Supplies	-	-
581000	Workorder	-	-
		$ -	$ -

2/2/2024

Initiative Number – B5

FY 2024-25 & 2025-26 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: **Lease and IT Operating Costs Savings**
TARGETED CLIENTS: n/a
PROGRAM CONTACT NAME/TITLE: Jenny Louie, CFO and Eric Raffin, CIO

FY 2024-25 FTE Change	FY 2025-26 FTE Cumulative Change	FY 2024-25 General Fund Impact Favorable/(Unfavorable)	FY 2025-26 Cumulative Net General Fund Impact Favorable/(Unfavorable)
-	-	$1,769,018	$2,393,028

PROGRAM DESCRIPTION: (brief description of proposed change)

The Department of Public Health (DPH) Operations Division continues to pursue strategic initiatives to reduce administrative costs and increase intradepartmental efficiencies, including proposals to consolidate building leases and lower IT and ancillary expenses. The core of this strategy is to consolidate various teams into a single location to streamline operations and reduce costs, saving $1.8 million in FY 2024-25 and $2.4 million in FY 2025-26.

JUSTIFICATION:

As part of the department-wide strategy to eliminate leases and consolidate department programs in fewer sites, DPH proposes to lease 1145 Market starting in FY 2024-25. This lease agreement will allow the department to terminate the lease at 101 New Montgomery and part of its lease at 1360 Mission, with staff moving to the new DPH administrative headquarters. DPH will realize $0.3 million of lease savings in FY 2024-25 and $0.6 million in FY 2025-26.

This consolidation not only leverages the favorable conditions of the commercial real estate market but also streamlines DPH staff resources by minimizing the need to manage and coordinate multiple leases and interactions with various building owners. It relocates key administrative and executive teams responsible for budgeting, facilities, equity, communications, contracting, and the Kaizen Promotion Office, centralizing essential operations and enhancing organizational efficiency. The new administrative headquarters also facilitates staff transition from 101 Grove, while realizing an additional $0.3 million in security cost savings in FY 2025-26 once the building is fully vacated.

DPH also expects to save approximately $1.5 million annually in FY 2024-25 and FY 2025-26 by implementing a series of IT cost-saving measures. These measures include consolidating IT infrastructure, targeted budget reductions, reducing software licenses, decommissioning systems, and cutting unnecessary expenses. A portion of these savings are due to consolidating office space at 1145 Market.

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

None.

EXPENSE AND REVENUE IMPACT: (for both fiscal years)
Expenditure savings of $1,769,018 in FY 2024-25, increasing to $2,393,028 in FY 2025-26.
IMPACT ON DEPARTMENT'S WORKFORCE: (for both fiscal years)
None.

INITIATIVE TITLE: B5 - Lease and IT Operating Costs Savings

Description		FY 2024-25	FY 2025-26
Sources:			
		$ -	$ -
	Subtotal Sources	$ -	$ -
Uses:	Salary and Benefits	$ -	$ -
	Operating Expense	$ (1,769,018)	$ (2,393,028)
	Subtotal Uses	$ (1,769,018)	$ (2,393,028)
Net General Fund Subsidy Required (savings)/cost (Uses less Sources)		$ (1,769,018)	$ (2,393,028)
Total FTE's		0.00	0.00

Account Code			
527610	Professional Services	(1,500,000)	(1,500,000)
530000	Lease Savings	(269,018)	(593,004)
540000	Materials and Supplies	-	-
581930	Sheriff Workorder	-	(300,024)
		$ (1,769,018)	$ (2,393,028)

FY 2024-25 & 2025-26 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: Reducing Vacant Positions
TARGETED CLIENTS: N/A
PROGRAM CONTACT NAME/TITLE: Greg Wagner, Chief Operating Officer

FY 2024-25 FTE Change	FY 2025-26 FTE Cumulative Change	FY 2024-25 General Fund Impact Favorable/(Unfavorable)	FY 2025-26 Cumulative Net General Fund Impact Favorable/(Unfavorable)
-74.97	-74.97	$7,567,068	$7,849,660

PROGRAM DESCRIPTION: (brief description of proposed change)

Over the last several years the department has added over 550 new FTE to the department and has budget authority for over 7,500 permanent FTE. Given the current fiscal situation, the department proposes to eliminate 74.97 vacant, full-time equivalent (FTE) positions for a savings of $7.6 million in FY 2024-25 and $7.8 million in FY 2025-26. DPH is approaching these reductions using a variety of strategies to prioritize staffing: 1) cleaning-up partial positions to align with current hiring and usage; 2) eliminating positions from expiring grants or projects that no longer have funding; 3) identifying operational efficiencies where responsibilities can be reorganized; and 4) eliminating difficult-to-fill positions where service impacts can be minimized. The positions included in this initiative are all currently vacant, so there is no change to current operations.

JUSTIFICATION:

To meet its savings targets, DPH proposes to delete 74.97 currently vacant FTE from across the department. Divisions have taken a strategic approach to these proposals, with an eye towards minimizing service impacts.

In Public Health Operations and Administration, the Department proposes reduction of 11 FTE that are no longer needed due to operational efficiencies and the end of short-term projects. The vacant positions identified across Operations are:

Dept ID Title	Job Class	Job Class Title	FTE
HAD DPH Admin MIS	1092	IT Operations Support Administrator II	-1
HAD DPH Admin Finance	1632	Senior Account Clerk	-1
HAD DPH Admin Exec	2587	Health Worker III	-2
HAD DPH Admin Exec	2593	Health Program Coordinator III	-1
HAD DPH Admin Exec	2822	Health Educator	-1
HAD DPH Human Resources	1241	Human Resource Analyst	-1
HNS Health Information Service	1404	Clerk	-1
HNS Managed Care	2119	Health Care Analyst	-1
HNS Electronic Health Record	1052	IS Business Analyst	-2

The Population Health Division will reduce 8 FTE of grant-funded positions that do not have continuing funding and 0.99 FTE total from six partial positions to align with current usage and need.

The Division will also reduce 2 FTE by adjusting workload across several positions in its HIV / AIDS prevention team to administer services more efficiently:

Dept ID Title	Job Class	Job Class Title	FTE
HPH Operations & Infrastructure	0931	Manager III	-1
HPH Operations & Infrastructure	2119	Health Care Analyst	-1
HPH Public Health Services	2320	Registered Nurse	-0.01
HPH Operations & Infrastructure	2463	Microbiologist I/II	-4
HPH Community Health	2585	Health Worker I	-1
HPH Operations & Infrastructure	2585	Health Worker I	-0.25
HPH Public Health Services	2587	Health Worker III	-1
HPH Operations & Infrastructure	2593	Health Program Coordinator III	-1
HPH Operations & Infrastructure	2803	Epidemiologist II	-0.03
HPH Public Health Services	2806	Disease Control Investigator	-0.15
HPH Environmental Health	6122	Senior Environmental Health Inspector	-0.35
HPH Community Health	9924	Public Service Aide - Health Services	-1
HPH Public Health Services	9924	Public Service Aide - Health Services	-0.2

The San Francisco Health Network will reduce 36.48 vacant FTE across its Divisions. These changes include:

- Reducing 4.1 FTE from grants or projects that have ended;
- Reducing 4.38 partial FTE across sixteen positions to align with current usage;
- Reducing 5 FTE through operational efficiencies in administrative, IT and facilities roles;
- Reducing 8 FTE in difficult to fill health worker and clinical positions in Primary Care and Maternal, Child, and Adolescent Health (MCAH). Primary Care will work to continue services, modifying its operations in line with current staffing and consolidating some services within the Children's Program for the Youth. MCAH will continue to manage the reduced staffing alongside a lower caseload.
- Reducing 15 positions at Laguna Honda in line with the restructuring of nursing leadership to have fewer layers and deleting vacant positions that have been difficult to fill and are in a class is typically not found at skilled nursing facilities.

The full list of positions:

Dept ID Title	Job Class	Job Class Title	FTE
HNS MCAH	1406	Senior Clerk	-1
HNS MCAH	1636	Health Care Billing Clerk II	-1
HGH Communications	1710	Chief Telephone Operator	-1
HNS HIV Health Services	1824	Principal Administrative Analyst	-1
HPC Dental Program	2202	Dental Aide	-2.06
HPC Dental Program	2204	Dental Hygienist	-1.25
HPC Primary Care Admin	2232	Senior Physician Specialist	-0.91
HNS WPIC	2232	Senior Physician Specialist	-0.28
HNS Managed Care	2320	Registered Nurse	-0.2
HPC Primary Care Admin	2320	Registered Nurse	-0.77
HPC Southeast Health Center	2320	Registered Nurse	-0.2
HPC Youth Programs	2328	Nurse Practitioner	-1
HNS WPIC	2430	Medical Evaluations Assistant	-0.02

HNS Electronic Health Record	2450	Pharmacist	-1
HNS SFHN Rehab Float	2548	Occupational Therapist	-0.19
HNS MCAH	2548	Occupational Therapist	-1
HNS SFHN Rehab Float	2556	Physical Therapist	-0.2
HNS MCAH	2556	Physical Therapist	-1
HPC Southeast Health Center	2585	Health Worker I	-1
HNS WPIC	2586	Health Worker II	-0.5
HPC Primary Care Admin	2587	Health Worker III	-2.9
HNS SFHN Admin	2587	Health Worker III	-1
HGH Environmental Services	2736	Porter	-1
HPC Capital Projects	5502	Project Manager I	-1
HLH LHH Administration	2322	Nurse Manager	-3
HLH LHH Skilled Nursing Facility	2583	Home Health Aide	-12

The Behavioral Health Services Division will reduce 16.5 vacant position in a variety of classifications. Faced with statewide shortages of candidates as it expands its services, BHS continues to prioritize its staffing to ensure it fills first those positions with the most impact on client services and marginalized populations. The vacancies are:

Dept ID Title	Job Class	Job Class Title	FTE
HBH Mental Health Children	1406	Senior Clerk	-0.26
HBH Mental Health Adult	1406	Senior Clerk	-0.74
HBH Mental Health Children	2320	Registered Nurse	-0.6
HBH Mental Health Adult	2565	Acupuncturist	-1
HBH Mental Health Adult	2574	Clinical Psychologist	-1
HBH Mental Health Children	2585	Health Worker I	-0.5
HBH Mental Health Children	2586	Health Worker II	-1
HBH Mental Health Adult	2587	Health Worker III	-2
HBH Mental Health Residential	2587	Health Worker III	-1
HBH Mental Health Residential	2593	Health Program Coordinator III	-1
HBH Managed Care	2820	Senior Health Program Planner	-1
HBH Mental Health Children	2930	Behavioral Health Clinician	-1.4
HBH Mental Health Adult	2930	Behavioral Health Clinician	-2
HBH Managed Care	2930	Behavioral Health Clinician	-1
HBH Mental Health Adult	2932	Senior Behavioral Health Clinician	-1
HBH Managed Care	2932	Senior Behavioral Health Clinician	-1

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

Minimal impacts. The positions are all currently vacant, so there is no change to current operations.

EXPENSE AND REVENUE IMPACT: (for both fiscal years)

This savings proposal will generate $7,567,068 in general fund savings in FY 2024-25 and $7,849,660 in FY 2025-26.

IMPACT ON DEPARTMENT'S WORKFORCE: (for both fiscal years)

Reduces 74.97 vacant positions in both fiscal years.

INITIATIVE TITLE: B6 – Reducing Vacant Positions

Description	FY 2024-25	FY 2025-26
Sources:		
	$ -	$ -
Subtotal Sources	$ -	$ -
Uses: Salary and Benefits	$ (7,567,068)	$ (7,849,660)
Operating Expense	$ -	$ -
Subtotal Uses	$ (7,567,068)	$ (7,849,660)
Net General Fund Subsidy Required (savings)/cost (Uses less Sources)	$ (7,567,068)	$ (7,849,660)
Total FTE's	(74.97)	(74.97)

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

Class	Title	FTE		FTE	
	See Commission Memo				
Total Salary		(74.97)	(5,439,215)	(74.97)	(5,654,500)
Fringe		39.1%	(2,127,853)	38.8%	(2,195,159)
Total Salary and Fringe		**(74.97)**	**(7,567,068)**	**(74.97)**	**(7,849,660)**

2/2/2024

Initiative Number – B7

FY 2024-25 & 2025-26 Program Change Request

DIVISION:

- ☐ DPH – department wide
- ☒ San Francisco General Hospital
- ☐ Population Health
- ☐ Laguna Honda Hospital
- ☐ SF Health Network Wide
- ☐ Ambulatory Care: ________

PROGRAM / INITIATIVE TITLE: Reduction in University of California San Francisco (UCSF) Affiliation Agreement Costs
TARGETED CLIENTS: None
PROGRAM CONTACT NAME/TITLE: Susan Ehrlich, ZSFG CEO

FY 2024-25 FTE Change	FY 2025-26 FTE Cumulative Change	FY 2024-25 General Fund Impact Favorable/(Unfavorable)	FY 2025-26 Cumulative Net General Fund Impact Favorable/(Unfavorable)
-	-	$1,658,481	$1,658,481

PROGRAM DESCRIPTION: (brief description of proposed change)

This initiative recognizes reduced costs in the University of California San Francisco (UCSF) Affiliation Agreement, reflecting updated projections by the University of California.

JUSTIFICATION:

Following updated projections from the University of California systems, the expected costs of UCSF physician salaries will see smaller increases than initially projected, due to reduced inflationary pressures in the economy. Previous estimates factored in UC-wide mandates for raising physician salary scales to ensure equitable and competitive compensation. However, the current guidance from the UC budget office suggests a more modest growth in physician salaries and labor agreements in the near term, resulting in $1.6 million in annual savings on the UCSF Affiliation agreement. As these costs were previously assumed in the budget and the deficit projection, a reduction in these costs can be reflected as savings over the upcoming two years. This amount will be reduced in the base ongoing. The inflation increases in initiative C1 are added to show the FY 2025-26 increase, on top of this reduced base.

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

None.

EXPENSE AND REVENUE IMPACT: (for both fiscal years)

This savings proposal will generate $1,658,481 in General Fund savings in both fiscal years.

IMPACT ON DEPARTMENT'S WORKFORCE: (for both fiscal years)

None.

INITIATIVE TITLE: B7 - Reduction in UCSF Affiliation Agreement

Description		FY 2024-25	FY 2025-26
Sources:		$ -	$ -
	Subtotal Sources	$ -	$ -
Uses:	Salary and Benefits	$ -	$ -
	Operating Expense	$ (1,658,481)	$ (1,658,481)
	Subtotal Uses	$ (1,658,481)	$ (1,658,481)
Net General Fund Subsidy Required (savings)/cost (Uses less Sources)		$ (1,658,481)	$ (1,658,481)
Total FTE's		0.00	0.00

	Account Code		
527860	UC Medical Services	(1,658,481)	(1,658,481)
540000	Materials and Supplies	-	-
581000	Workorder	-	-
		$ (1,658,481)	$ (1,658,481)

Initiative Number – B8

FY 2024-25 & 2025-26 Program Change Request

DIVISION:

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

PROGRAM / INITIATIVE TITLE: Contracting Out Certain Security Services
TARGETED CLIENTS: N/A
PROGRAM CONTACT NAME/TITLE: Basil Price, Director of Security

FY 2024-25 FTE Change	FY 2025-26 FTE Cumulative Change	FY 2024-25 General Fund Impact Favorable/(Unfavorable)	FY 2025-26 Cumulative Net General Fund Impact Favorable/(Unfavorable)
-5.0	-5.0	$ 1,538,520	$ 2,914,191

PROGRAM DESCRIPTION: (brief description of proposed change)

The Department of Public Health (DPH) proposes to contract out certain security services in its continued effort to balance the presence of sworn officers with other professionals, ensure consistent coverage aligned with current operations, and reduce costs. Having successfully transitioned many primary care clinic posts to an ambassador-style security model, DPH proposes transitioning some additional security services at hospitals, health clinics, and administrative offices from the Sheriff's Department (SHF) to private security contractors. In addition, Zuckerberg San Francisco General (ZSFG) Hospital will reduce five vacant positions that would have provided some navigation and security support but have never been filled. This proposal is anticipated to yield approximately $1.5 million savings in FY 2024-25 and $2.9 million in FY 2025-26 when the transition is complete.

JUSTIFICATION:

DPH currently has security services provided by both the Sheriff's department and private security across its locations. This initiative proposes to shift some security posts in FY 2024-25 from a traditional law enforcement-based security model provided by the Sheriff to an ambassador-style security model operated by a private contractor or contractors. The ambassador-style model proves especially beneficial in settings where traditional security measures could be viewed as intimidating or unwelcome, marking a shift towards a more holistic, empathetic, and community-oriented security approach. The proposal builds on and compliments DPH's multi-year effort to shift from law enforcement personnel to the use the Behavioral Health Emergency Response Team (BERT), which relies on clinical staff trained in de-escalation to be first responders in circumstances where law enforcement presence is not required.

More specifically, DPH proposes that ten posts shift from the Sheriff's Department (SHF) to a private security provider, and that three posts will have SHF presence reduced, mainly during the evening and weekend hours when there is less foot traffic. Sworn SHF staff would still be available to respond to calls where law enforcement intervention is required and would maintain a 24/7 presence on both hospital campuses, including in the ZSFG Emergency Department. DPH expects to phase this transition in across FY 2024-25. This change will reduce the Department's work order with SHF by $2.6 million in FY 2024-25 and by $5.3 million in FY 2025-26, which represents a 15% reduction in SHF hours at the clinics and administrative buildings and a 30%

reduction at ZSFG and Laguna Honda Hospital and Rehabilitation Center. Consequently, DPH will increase its professional services budget by $2.7 million annually to account for the new security services.

It should also be noted that the SHF has historically faced challenges in staffing many of the DPH security positions given Citywide hiring challenges and high demands on Sherriff personnel. By increasing the use of civilian ambassador-style posts and concentrating law enforcement resources in high-risk areas, the proposal would support consistent staffing at health care facilities and allow SHF to allocate scarce resources more effectively.

Additionally, the Department will eliminate five vacant, never-filled positions at Zuckerberg San Francisco General Hospital (ZSFG) to provide further cost savings toward this initiative. These positions had been added as part of an effort to add additional presence and navigation support for visitors on the ZSFG campus. Use of contracted security services is a cost-effective option for maintaining a presence on campus.

IMPACT ON CLIENTS: (units of service and/or number of clients affected, if applicable)
None.

EXPENSE AND REVENUE IMPACT: (for both fiscal years)
Expenditure savings of $1,538,520 in FY 2024-25, increasing to $2,914,191 in FY 2025-26.
IMPACT ON DEPARTMENT'S WORKFORCE: (for both fiscal years)
5.0 vacant, unfilled positions would be reduced.

INITIATIVE TITLE: B8 - Contracting Out Certain Security Services

Description	FY 2024-25	FY 2025-26
Sources:		
	$ -	$ -
Subtotal Sources	$ -	$ -
Uses: Salary and Benefits	$ (585,261)	$ (650,080)
Operating Expense	$ (953,259)	$ (2,264,111)
Subtotal Uses	$ (1,538,520)	$ (2,914,191)
Net General Fund Subsidy Required (savings)/cost (Uses less Sources)	$ (1,538,520)	$ (2,914,191)
Total FTE's	(5.0)	(5.0)

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

Class	Title	FTE	FY 2024-25	FTE	FY 2025-26
1406	Senior Clerk	(1.00)	(95,585)	(1.00)	(99,368)
2585	Health Worker I	(1.00)	(77,081)	(1.00)	(80,132)
2586	Health Worker II	(3.00)	(258,840)	(3.00)	(269,088)
	Total Salary	(5.00)	(431,506)	(5.00)	(448,588)
	Fringe	26.3%	(153,755)	31.0%	(201,492)
	Total Salary and Fringe	**(5.00)**	**(585,261)**	**(5.00)**	**(650,080)**

	Account Code	FY 2024-25	FY 2025-26
527000	Professional Services to replace Sheriff's posts	1,334,830	2,669,660
527000	Professional Services to replace ZSFG Health Workers	357,594	357,594
581930	Workorder	(2,645,683)	(5,291,365)
		$ (953,259)	$ (2,264,111)

Initiative Number – C1

FY 2024-25 & 2025-26 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: University of California San Francisco (UCSF) Affiliation Agreement Costs
TARGETED CLIENTS: N/A
PROGRAM CONTACT NAME/TITLE: Susan Ehrlich, CEO of ZSFGH

FY 2024-25 FTE Change	FY 2025-26 FTE Cumulative Change	FY 2024-25 General Fund Impact Favorable/(Unfavorable)	FY 2025-26 Cumulative Net General Fund Impact Favorable/(Unfavorable)
-	-	-	($15,924,535)

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 Hospital (ZSFG). The services provided by UCSF are outlined in an Affiliation Agreement between the University of California San Francisco and the Department of Public Health (DPH). This initiative increases the budget for the DPH/UCSF Affiliation Agreement by $15.92 M for FY25-26.

JUSTIFICATION:

The increase in Affiliation Agreement costs for FY 2025-26 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 does not adequately cover the costs of services provided at ZSFG. This amount of $15,924,535 reflects an adjustment from initiative B7.

The total baseline amount of the UCSF contract budgeted for FY 2024-25 will be $254,590,765 and for FY 2025-26 will be $270,515,300 reflecting all budget initiatives submitted as part of the department's February budget submission.

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

None.

EXPENSE AND REVENUE IMPACT: (for both fiscal years)

$15,924,535 in expenditure growth in FY 2025-26.

IMPACT ON DEPARTMENT'S WORKFORCE: (for both fiscal years)

None.

INITIATIVE TITLE: C1 - University of California San Francisco (UCSF) Affiliation Agreement Costs

Description		FY 2024-25	FY 2025-26
Sources:		$ -	$ -
	Subtotal Sources	$ -	$ -
Uses:	Salary and Benefits	$ -	$ -
	Operating Expense	$ -	$ 15,924,535
	Subtotal Uses	$ -	$ 15,924,535
Net General Fund Subsidy Required (savings)/cost (Uses less Sources)		$ -	$ 15,924,535
Total FTE's		0.00	0.00

	Account Code		
527000	Professional Services	-	15,924,535
540000	Materials and Supplies	-	-
581000	Workorder	-	-
		$ -	$ 15,924,535

2/2/2024

Initiative Number – C2

FY 2024-25 & 2025-26 Program Change Request

DIVISION:

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

PROGRAM / INITIATIVE TITLE: DPH Pharmaceuticals and Materials and Supplies Inflation
TARGETED CLIENTS: N/A
PROGRAM CONTACT NAME/TITLE: David Smith, Chief Pharmacy Officer, and Jenny Louie, Chief Financial Officer, DPH

FY 2024-25 FTE Change	FY 2025-26 FTE Cumulative Change	FY 2024-25 General Fund Impact Favorable/(Unfavorable)	FY 2025-26 Cumulative Net General Fund Impact Favorable/(Unfavorable)
-	**-**	**$0**	**($11,754,823)**

PROGRAM DESCRIPTION: (brief description of proposed change)

This initiative requests annual inflationary adjustments for expenses critical to Department of Public Health (DPH) operation, ensuring that DPH can continue to provide services and treatments to its patients. The Department projects cost increases of 12% for pharmaceuticals at Zuckerberg San Francisco General Hospital, 9% for pharmaceuticals in other divisions of DPH, 10% for food, and 5% for laundry.

JUSTIFICATION:

Market dynamics over the past five years have been shifting in a way that has caused the pricing of certain pharmaceuticals to rise at an extraordinary rate. Drug expenditures are projected to increase 8-10% nationwide consistently across all settings. Primary causes for increase in expenditures include:

- *Specialty Drugs* – Novel, very expensive specialty treatments for conditions that previously had either limited to no medication therapy options are continually being approved. Specialty drugs are forecasted to be 50 percent of all drug expenditures in 2023. The therapeutic drug classes with the largest increases include autoimmune disorders, mental health, HIV, and oncology.
- *Increased utilization of medications* – Prescription drug 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.

Overall, DPH projects a 9.6% increase in the cost of pharmaceuticals in FY 2025-26. DPH will continue to utilize tight drug formulary control and aggressive use of lower cost generic drugs to help offset increases in expense.

DPH is also requesting an 10% increase in food costs for FY 2025-26 budget. While DPH continues to leverage discounts for its food purchase, food costs have continued to jump in response to inflationary pressures. The City also recently re-procured laundry services and saw costs jumps; the 5% increase for laundry and linen costs reflects this growth.

Finally, DPH did not request adjustments for the Laguna Honda Hospital (LHH)'s materials and supplies costs in FY 2025-26. While underdoing the recertification process, LHH's revenues have been held at the prior baseline. In keeping with that, these inflationary costs are being held at current baseline as well. The Department will revisit those adjustments when it projects LHH revenues for FY 2025-26.

IMPACT ON CLIENTS: (units of service and/or number of clients affected, if applicable)
None.
EXPENSE AND REVENUE IMPACT: (for both fiscal years)
$11,754,823 in expenditure growth in FY 2025-26.
IMPACT ON DEPARTMENT'S WORKFORCE: (for both fiscal years)
None.

ATTACHMENT B
SUMMARY OF PROGRAM COST

INITIATIVE TITLE: C2 - DPH Pharmaceuticals and Materials and Supplies Inflation

Description	FY 2024-25	FY 2025-26
Sources:		
	$ -	$ -
Subtotal Sources	$ -	$ -
Uses:		
Operating Expenses	$ -	$ 11,754,823
Subtotal Uses	$ -	$ 11,754,823
Net General Fund Subsidy Required (savings)/cost (Uses less Sources)	$ -	$ 11,754,823
Total FTE's	n/a	n/a

Operating Expenses

Account Code	FY 24-25	FY 25-26
544610 Pharmaceutical Supplies - ZSFG		9,084,563
544610 Pharmaceutical Supplies - Jail Health		482,973
544610 Pharmaceutical Supplies - Primary Care		315,333
544610 Pharmaceutical Supplies - CBHS		984,515
527000 Pharmaceutical - CBHS		135,000
544610 Pharmaceutical Supplies - Population Health		43,560
546990 Food (ZSFG)		641,688
527000 Laundry Services & Linen (ZSFG)		67,192
Total		11,754,823