

DEPARTMENT OF PUBLIC HEALTH FY 2024-26 BUDGET

February 6, 2024

FY 2024-26 Budget Development

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January 16th

- Budget Overview
- Five Year Outlook and Mayor's Budget Instructions

February 6th

- Detailed proposed initiatives for FY 2024-26
- Request for Health Commission approval of proposed budget for submission

Contingency Target (TBD)

- Feb 6th proposal does not meet contingency target

Contingency Proposals and Continued Financial Uncertainty

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- DPH will continue to develop proposals
- If required, contingency would require more challenging expenditure and service level reductions
- Significant uncertainty
 - State Budget News – No direct impacts to health but impacts in other areas of the City
 - Updated Six-Month Report is not expected to show improvement in the City
 - Labor negotiations this Spring

Approach for FY 2024-26 Budget

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- Leverage additional revenues to meet general fund reduction targets
- Targeted reductions and expenditure savings, working to minimize service impacts including:
 - ▣ Adjusting budgets for updated cost projections
 - ▣ Finding operating efficiencies
 - ▣ Eliminating vacant positions
 - ▣ Contracting out some security services

Balancing Summary

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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 Growth	\$ 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)

Revenue Initiatives

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REVENUES

		FY 2024-25	FY 2025-26
		Net GF Impact Savings/(Cost)	Net GF Impact Savings/(Cost)
A1	Baseline Revenues and Salary Structural Correction for the San Francisco Health Network (SFHN) and Zuckerberg San Francisco General (ZSFG)	\$52,759,139	\$75,131,596
A2	Enhanced Payment Program Supplemental Payment	\$7,951,773	\$15,903,546
A3	Behavioral Health Services Baseline Revenue	\$1,878,640	\$10,378,640
A4	Leveraging Growth in Grant Revenue	\$3,500,000	\$3,500,000

Revenue Initiatives

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REVENUES	FY 2024-25	FY 2025-26
	Net GF Impact Savings/(Cost)	Net GF Impact Savings/(Cost)
A5 Improving Operating Room Capacity at ZSFG	\$5,221,457	\$5,095,030
A6 Specialty Pharmacy and Carousel Replacement	\$-	\$-
A7 Primary Care Performance Improvement Program (PIP) Appropriation	\$-	\$-
A8 HealthySteps Program	\$-	\$-
Total Revenue Initiatives	\$ 71,311,009	\$110,008,812

Expenditure Savings Initiatives

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EXPENDITURE SAVINGS		FY 2024-25	FY 2025-26
		Net GF Impact Savings/(Cost)	Net GF Impact Savings/(Cost)
B2	Healthy San Francisco Savings Due to Expanded Medi-Cal Eligibility	\$2,441,878	\$3,761,878

- With the continued expansion of Medi-Cal eligibility in FY 2023-24, the enrollment in Healthy San Francisco Program (HSF) is expected to drop by 50%
 - Reduces costs paid to the San Francisco Health Plan to administer the program
 - Reduces fees to support services to the Private Provider Network, including SF Clinic Consortium and Kaiser
 - Offset in part by reduced revenue from employers as fewer of their employees enroll in HSF

Expenditure Savings Initiatives

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EXPENDITURE SAVINGS

		FY 2024-25	FY 2025-26
		Net GF Impact Savings/(Cost)	Net GF Impact Savings/(Cost)
B3	Reducing COVID Testing and Vaccine Costs	\$2,000,000	\$2,000,000

- 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
 - With the federal emergency ending, federal and state funding has largely ended
 - Vaccines are now more readily available through health care systems and pharmacies
 - Public use of neighborhood sites has decreased over time
- \$2 million reduction aligns with the Department's current year spending; leaves \$1 million a year for a fall vaccine push

Expenditure Savings Initiatives

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EXPENDITURE SAVINGS

		FY 2024-25	FY 2025-26
		Net GF Impact Savings/(Cost)	Net GF Impact Savings/(Cost)
B4	Shifts of Housing & Full-Service Partnership Programs to the Mental Health Services Act	\$4,497,155	\$4,632,070

- Significant changes to the Mental Health Services Act (MHSA) are on the ballot in March 2024 as part of Proposition 1
 - Would redirect significant portions and prioritize housing, overdose prevention, substance use, and full-service partnership (FSP) initiatives
- Due to these prospective reforms as well as the City's fiscal situation, DPH is proposing to use anticipated growth in MHSA funding to cover programs currently funded by the General Fund:
 - \$2.6 million in housing programs
 - \$1.8 million in full-service partnership programs

Expenditure Savings Initiatives

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EXPENDITURE SAVINGS		FY 2024-25	FY 2025-26
		Net GF Impact Savings/(Cost)	Net GF Impact Savings/(Cost)
B5	Leases and IT Operating Cost Savings	\$1,769,018	\$2,393,028

- DPH proposes to lease 1145 Market starting in FY 2024-25
 - Terminate the lease at 101 New Montgomery and part of its lease at 1360 Mission, moving to the new DPH administrative headquarters
 - Will realize \$0.3 million of lease savings in FY 2024-25 and \$0.6 million in FY 2025-26
 - Additional \$0.3 million in security cost savings in FY 2025-26
- DPH also expects to save approximately \$1.5 million implementing a series of IT cost-saving measures.

Expenditure Savings Initiatives

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EXPENDITURE SAVINGS

		FY 2024-25	FY 2025-26
		Net GF Impact Savings/(Cost)	Net GF Impact Savings/(Cost)
B6	Reducing Vacant Positions	\$ 7,567,068	\$ 7,849,660

- Reduce 74.97 vacant, full-time equivalent (FTE) positions
- 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;
 4. Eliminating difficult-to-fill positions where service impacts can be minimized.

Expenditure Savings Initiatives

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EXPENDITURE SAVINGS

	FY 2024-25	FY 2025-26
	Net GF Impact Savings/(Cost)	Net GF Impact Savings/(Cost)
B7 Reduction in University of California San Francisco (UCSF) Affiliation Agreement Costs	\$1,658,481	\$1,658,481
B8 Contracting Out Certain Security Services	\$1,538,520	\$2,914,191
Total Expenditure Savings	\$ 21,472,120	\$ 25,209,308

Balancing Summary

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Concepts for Further Reductions to Meet Contingency Targets

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Savings identified through cross-departmental discussions and working groups

- Mayor's Office has initiated working groups to look for efficiencies in the City's administration and strategy around shared issues
- DPH is participating in discussions around food security, violence prevention and response, and services to children and youth.

Reductions to community-based organization contracts that do not leverage State or federal revenue

- Initial balancing proposal avoids major reductions to agreements with our CBO partners
- DPH expects that contingency targets will require reducing contracted services that do not leverage outside funding

Further contracting out of services

- DPH is evaluating options for cost-saving by contracting out additional service in ways that will not negatively impact clients or patients

Additional deletion of positions

- Current proposal recognizes the need to slow growth in headcount
- Future reductions will likely require additional position reductions

Revenue changes resulting from pending State policy changes

- Recertification of LHH
- New formula for the Distinct Part Nursing Facility (DP/NF) supplemental funding program for LHH
- Expansion of Medi-Cal services to those incarcerated in jail

Additional Budget Proposals to Come

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Proposition C

- Persistent, projected shortfall in revenues
- Will need to revisit acquisition plans along with one-time savings to carry programs through the two-year budget
- Still need long-term plan needed to sustain \$100 M spending plan

Opioid Settlement Funds

- One-time funding to be disbursed over several years. Possible uses can include
 - i. address or prevent the misuse and risks of opioid products
 - ii. treat or mitigate opioid use or related disorders, or
 - iii. mitigate other alleged effects of the opioid epidemic
- Need to revisit plan to reflect delays in start-up of some programs

Next Steps

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- February 21st:
 - Submission to Controller and Mayor's Office
- March – May (Mayor Phase):
 - Collaborative on Citywide savings approaches
 - Develop additional detail on contingency reduction proposals
- June 1:
 - Mayor's Proposed Budget
- June – July:
 - Board Review of Budget