

DEPARTMENT OF PUBLIC HEALTH

BUDGET UPDATE

HIV/AIDS FUNDING UPDATE

Board of Supervisors Budget and Finance Committee
March 27, 2013

Overview



1. Budget Overview

- ☐ **Current Year Financial Shortfall**
- ☐ **Implications for FY 13-14 and 14-15 Budget**

2. HIV-AIDS Funding Update

Overview

DPH FY 2012-13 Budget

Revenues	Department Revenues	City General Fund Subsidy	Total
San Francisco General Hospital	\$ 585,122,020	150,701,229	\$ 735,823,249
Laguna Honda Hospital	\$ 137,964,937	67,034,764	\$ 204,999,701
Health at Home	\$ 2,654,631	3,841,726	\$ 6,496,357
Jail Health	\$ 409,321	28,421,892	\$ 28,831,213
Mental Health	\$ 201,169,244	41,991,610	\$ 243,160,854
Primary Care	\$ 26,724,250	51,021,436	\$ 77,745,686
Public Health	\$ 243,227,708	67,810,154	\$ 311,037,862
Substance Abuse	\$ 29,291,641	35,741,369	\$ 65,033,010
Total	\$ 1,226,563,752	\$ 446,564,180	\$ 1,673,127,932

36%

Department of Public Health Financial Position



□ **DPH is facing very significant financial challenges**

- \$45.9 million current-year deficit in Controller's 6-Month Report
 - Supplemental Appropriation Introduced March 26
 - General Fund shortfall reduced to \$31M since 6-Month through one-time and ongoing savings (approximately half and half)
- Large year-over-year increases in projected General Fund support projected in 5-Year Financial Plan

□ **Causes of Deficit**

- 1. Historical "Structural" Issue
- 2. Rapid cost inflation
- 3. State and Federal reductions
- 4. Patient revenues not keeping pace with costs

Department of Public Health

Second Quarter Financial Report

Table A2.3. Department of Public Health by Fund (\$ Millions)

	Sources Surplus/ (Shortfall)	Uses Savings/ (Deficit)	Net Surplus/ (Shortfall)
Public Health General Fund	(15.6)	4.7	(10.8)
Laguna Honda Hospital	16.8	(11.0)	5.8
San Francisco General Hospital	(24.0)	(16.8)	(40.8)
Total - All Funds	(22.7)	(23.1)	(45.9)

What is Causing Deficits at DPH?

1. Historical “Structural” Deficit

“Structural” Deficit

- DPH has historically been under-budgeted for salaries and fringe benefits
- In the past, this was less of a problem because DPH was able to cover some or most of its overspending with excess revenues
- But the imbalance has grown with salary and benefit cost increases
- As a result the General Fund has borne more of these costs

History of DPH Structural Deficit (\$ Millions)

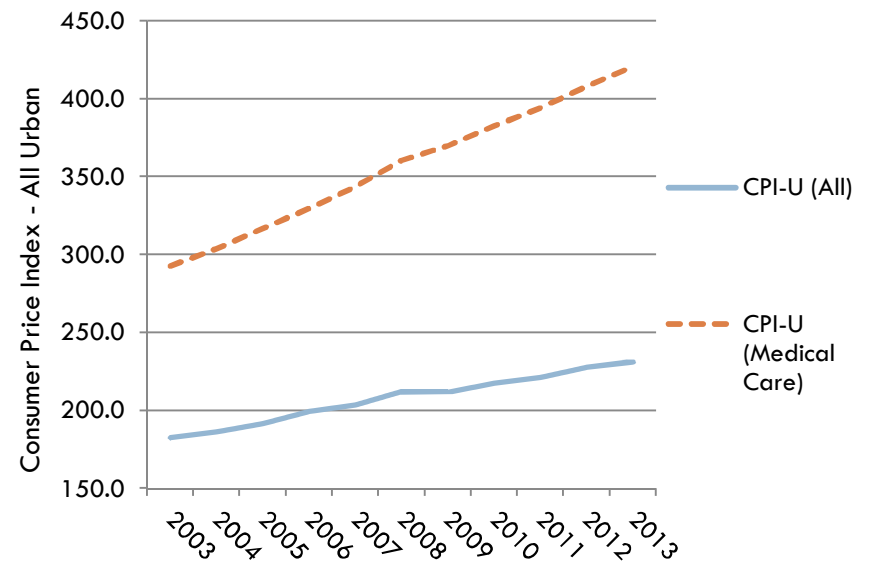
FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
\$ 23.30	\$ 16.86	\$ 14.15	\$ 20.81	\$ 29.49	\$ 41.25

What is Causing Deficits at DPH?

2. Rapid Cost Inflation

- Like other healthcare systems, costs are growing faster than general inflation
- ~\$50 *Million per year* growth in personnel and other costs (pharmacy, medical supplies, etc) just to maintain existing service levels (5-Year Financial Plan)

Medical Inflation has Significantly Outpaced General Inflation



What is Causing Deficits at DPH?

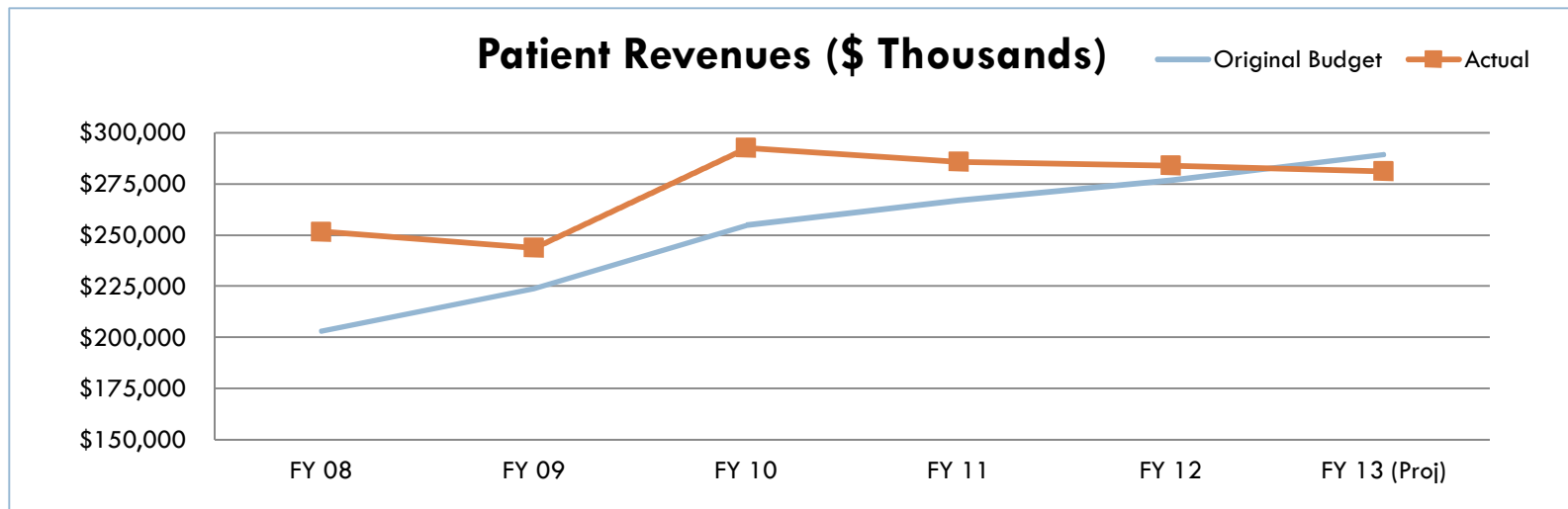
3. State and Federal Reductions

- State Skilled Nursing Facility rate cut (\$30+M)
- Failure to Approve Mental Health Reimbursement Program (\$16M)
- Managed Care rates for Seniors and Persons with Disabilities (\$19M)
- Federal Grants – HIV, TB, etc
- Realignment?

What is Causing Deficits at DPH?

4. Patient Revenues Not Keeping Pace with Costs

- Expiration of federally enhanced payments
- Transition to Managed Care Reimbursement Model
- More aggressive revenue budgets to minimize service reductions, but limits “upside” available to cover costs



5-Year Projection

Table 26: Base Case Projections for the Department of Public Health (DPH) FY 2014-18 (\$ in millions)

	FY 13-14	FY 14-15	FY 15-16	FY 16-17	FY 17-18
SOURCES Increase / (Decrease)					
DPH Revenues	10.8	17.0	24.7	23.8	23.7
USES Decrease / (Increase)					
Salaries and Benefits	(44.6)	(35.6)	(28.6)	(30.6)	(32.3)
SFGH Rebuild on-going and one-time FF&E costs	(40.0)	(25.0)	15.0	23.8	(1.3)
Annualization of Anticipated Supplemental	(37.6)	(2.2)	(2.4)	(2.5)	(2.7)
Inflation on non-personnel costs and grants to non-profits	(6.7)	(20.7)	(20.7)	(19.9)	(19.8)
Annualize State Supplemental	(3.0)				
Health Care Reform, Regulatory and Other	(21.0)	(3.1)	(5.2)	(8.2)	(16.3)
TOTAL CHANGES TO USES	(152.8)	(86.6)	(41.8)	(37.5)	(72.5)
Projected Growth (Shortfall) vs. Prior Year	(141.9)	(69.7)	(17.1)	(13.7)	(48.8)
Cumulative Growth	(141.9)	(211.6)	(228.7)	(242.4)	(291.2)
Portion of General Fund Growth Assumed for DPH	85.0	22.4	18.6	14.3	19.4
Remaining Surplus (Shortfall) vs. Prior Year	(57.0)	(47.3)	1.5	0.6	(29.4)
Cumulative Projected Surplus (Shortfall)	(57.0)	(104.2)	(102.7)	(102.1)	(131.5)

5-Year Projection



Absent changes, DPH will require an increasing share of the General Fund. Drivers include:

- Correction of historical “structural” deficit (\$37M per year)
- New SFGH Building - Non-bond-eligible costs for FF&E, transition planning, operations (\$125M)
- Projected increases in labor and non-labor costs (~\$50M per year)

This level of growth is not sustainable for DPH or the City’s General Fund

Budget Outlook for FY 13-14 and FY 14-15

- DPH is currently considering short-term and long-term options to address its financial future. Strategies include:
 - Reorganize DPH to act as a single network, so financial incentives and services are coordinated to ensure the best outcomes at the lowest cost
 - Prioritize services eligible for Medi-Cal and other reimbursement; we may no longer be able to afford to provide some services that rely purely on General Fund
 - Invest in primary care and population health systems that reduce more expensive care later
 - Invest in organizational infrastructure necessary to protect payer mix and revenues in the new Affordable Care Act environment; if we fail to do so, we will not have the funding to maintain critical safety net services
 - Managed Care infrastructure
 - Information Technology
 - Data-based clinical and financial decision-making
 - Emphasis on organizational and administrative efficiency
- **This process will require decisions that are difficult, but necessary to assure a sound financial footing in the new health care world**

Budget Outlook for FY 13-14 and FY 14-15



- **Reduction options we will need to consider or re-visit**
 - Reductions to un-matched General Fund programs
 - RFP process to re-align and reduce cost of services
 - Position eliminations and layoffs
 - Changes in policies on who accesses DPH services, and at what cost
 - Program Reorganizations to increase efficiency
 - Lay groundwork to preserve/enhance revenue base

HIV/AIDS Funding Update



- **Funding challenges:**

- Continue to manage FY 12-13 Reductions to federal funding
- Additional reductions in FY 13-14
- Potential impacts of federal sequester

HIV/AIDS Funding Update



□ Agenda

- Program Overview and History
 - Ryan White
 - HIV Prevention
- Budget Outlook
 - Current Financial Projections
 - Federal Sequester

HIV/AIDS Funding Update

- 15,489 people living with HIV and/or AIDS in SF As of 12/31/11
- AIDS cases peaked in 1992 with 2,330 cases diagnosed - has declined since then.
- The sharpest decline occurred between 1995 and 1997, due to the impact of antiretroviral therapies (ART).
- The number of people living with AIDS has continued to rise every year since 1980, due to effective ART and lower number of deaths. There were 9,533 SF residents living with AIDS by end of 2011.
- New diagnoses of HIV:
 - 2011: 392
 - 2010: 430
 - 2009: 452
 - 2008: 503
 - Though the trend is not statistically significant, the number of new infections is trending downward.

HIV/AIDS Funding Update

□ Ryan White Part A (RWPA)

□ Consists of three parts:

1. RWPA Formula

- Award amount is formula driven
- (2/3 of total federal RWPA funds)

2. RWPA Supplemental

- Competitive amount determined by strength of yearly application solicitation
- (1/3 of total federal RWPA funds)

3. Minority AIDS Initiative (MAI)

- Award amount is formula driven
- Separate from funding levels of rest of RWPA

HIV/AIDS Funding Update



- **Ryan White Part A (RWPA)**

- Anticipate 6.8% reduction, or \$1.2M in FY 13-14
- Still awaiting final award information for FY2013 (3/1/13 to 2/28/14)

HIV/AIDS Funding Update

□ Recent History of Ryan White Funding Reductions in San Francisco EMA

- FY 2007 - (\$8,500,000)
As part of Ryan White Care Act Reauthorization, there was a reduction of \$8.5 million to San Francisco EMA. This reduction was due to a shift in funding from allocations based on a competitive process (supplemental funding) to allocations based on a Formula. The allocation of Formula/Supplemental funds went from 50%/50% to 67%/33%). Also, a change in policy eliminated Housing Subsidies from RWPA allowable expenses. As part of the response the Mayor's Office backfilled approximately \$4.0 Million in local General Funds to cover the cost of these services. Additional local General Fund dollars were identified for the remaining shortfall in SF County.
- FY 2008 - (\$4,700,000)
The U.S. Government added "Stop Loss" funds of \$4.7 Million to the RWPA grant to offset some of the previous year's resulting reduction. The SF Health Department returned \$4.0 Million of this to the City to replace the General Fund backfill. Between the RWPA and General Fund, plus an additional grant of \$1.0 Million from the Center for Medicare and Medicaid Studies (CMMS) allowed SF DPH programs to continue to be levelly funded in FY 2008.
- FY 2009
The RWPA "Stop Loss" funds increased from \$4.7m to \$6.25 Million (increase of \$1.55 Million) and were used retroactively to fully fund programs for SF GF FY 2008 and RWPA FY 2009.
- FY 2010 - (\$1,000,000)
The RWPA "Stop Loss" funding was decreased, resulting in a \$1.0 Million reduction to RWPA funding to San Francisco EMA. Due to the previous year increase, there were no reductions to programmatic funding.

HIV/AIDS Funding Update

□ Recent History of Ryan White Funding Reductions in San Francisco EMA (Cont'd)

□ FY 2011 - (\$570,000)

Funding was reduced by \$360,000 in RWPA, and \$200,000 in RWPB funds, resulting in a 3% reduction to all programs in the "Core Services" category (e.g. Primary Care, Medical Case Management, Dental, Mental Health, etc.) These cuts were not backfilled by SF General Fund.

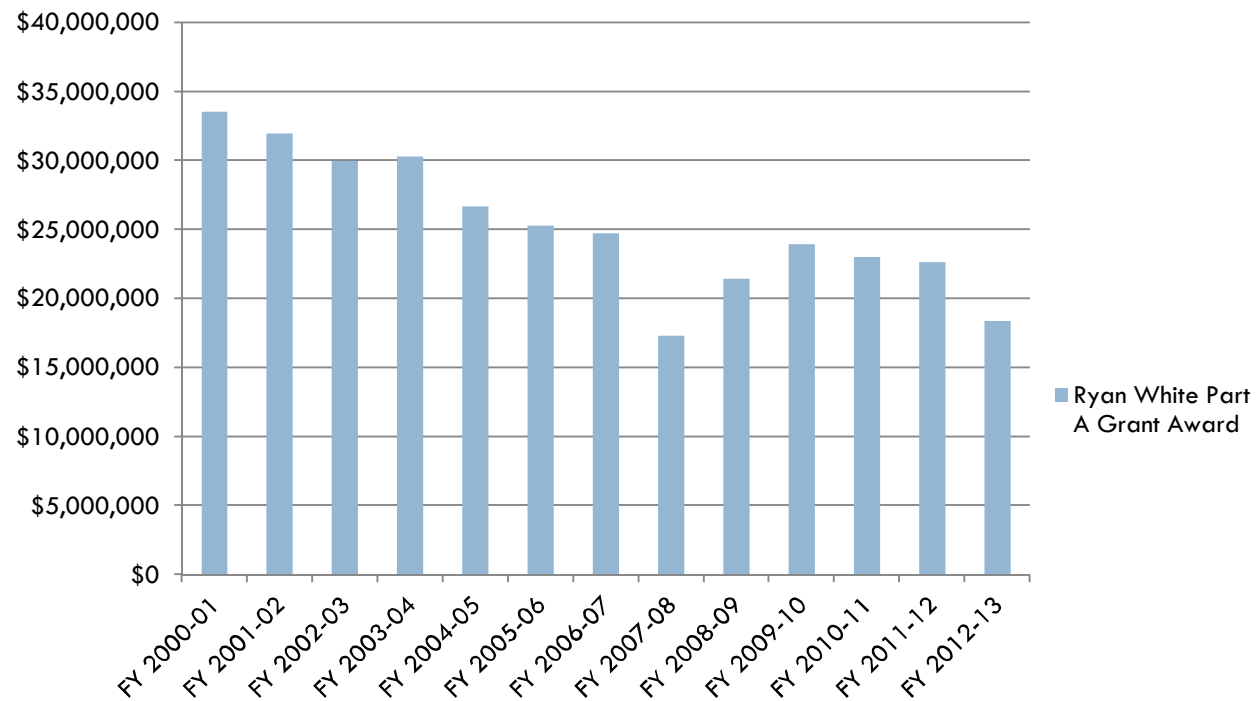
□ FY 2012

(\$4,200,000) - The U.S. Government discontinued RWPA Stop Loss Funding, resulting in a 20% reduction of the total RWPA award amount. The Mayor's Office and the Board of Supervisors restored all of the shortfall for one year, with a reduction to 50% restoration in FY13-14.

(\$500,000) - Reduction in total amount of funding of RWPD (targeted funding for women and children). This funding went directly to a community based organization, and did through the City. The Mayor's Office and the Board of Supervisors restored all of the shortfall.

HIV/AIDS Funding Update

Ryan White Part A Grant Award



HIV/AIDS Funding Update

□ CDC HIV Prevention Funding

- 2010 National HIV/AIDS Strategy required funding realignment.
- CDC realigned its funding formula based on the number of people living with HIV through 2008
- Due to this realignment, San Francisco will lose 47% of its core CDC funds incrementally from 2011 to 2016 (a decrease every year)
 - Total CDC funds for core services (Part A) in 2011: \$8,824,991
 - Total CDC funds for core services (Part A) in 2016: \$4,667,344
- Funding gap for 2012-13 was \$2.2 million
- Projected gap of \$1.8 in HIV prevention funds for 2013-14
- The HIV Health Services Planning Council and the HIV Prevention Planning Council have set up a work group to explore closer planning for services with an eye to efficiencies and cost savings

HIV/AIDS Funding Update

Federal Reductions	FY 12-13		FY 13-14		FY 14-15		Cumulative Total
Ryan White	\$	(4,317,897)	\$	(1,207,788)	\$	-	\$ (5,525,685)
CDC - HIV Prevention	\$	(2,756,281)	\$	(1,202,384)	\$	(841,999)	\$ (4,800,664)

Does Not Include Impacts of Sequester

FY 14-15 Ryan White Award Value Unknown

HIV/AIDS Funding Update

Funding Reductions	FY 12-13	FY 13-14	FY 14-15
Ryan White	(4,317,897)	(5,525,685)	(5,525,685)
CDC - HIV Prevention	(2,756,281)	(3,958,665)	(4,800,664)
Total	(7,074,178)	(9,484,350)	(10,326,349)
Restorations and Other Funding	7,074,178	5,074,544	5,161,316
Remaining Reductions			
Ryan White	-	(2,586,301)	(2,566,563)
CDC - HIV Prevention	-	(1,823,506)	(2,598,471)
Total	-	(4,409,807)	(5,165,034)

HIV/AIDS Funding Update

Additional Sequestration Estimates	FY 13-14	FY 14-15
Ryan White	(888,079)	(888,079)
CDC - HIV Prevention	(411,170)	(411,170)
Total	(1,299,249)	(1,299,249)

HIV/AIDS Funding Update



□ Impact of Funding Reductions

□ Ryan White Funding:

- Impact dependent on implementation
- 1,700 Unduplicated Clients (7%)
- 54,360 (5.4%) Units of Service

□ CDC HIV Prevention Funding:

- decrease in Number of Contacts (NOC) of 17,316 (15.6% of the total HIV prevention NOC annually)