

DEPARTMENT OF PUBLIC HEALTH

FY 14-15 & 15-16 BUDGET

February 18, 2014

FY 14-16 Financial Outlook

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- City General Fund situation has improved, but still facing \$100.7 M and \$118.3 M deficits for FY 14-15 and FY 15-16, respectively
- Much of the projected City revenue growth has already been assumed as part of the FY 14-16 budget

FY14-16 Financial Outlook

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- DPH is in a much stronger financial position than in previous years, however, it must prepare to be financially stable in a changing healthcare world.
- Current year surplus, due to one-time hiring delays and deferred State and Federal revenue changes, is not expected to continue
- Structural budget correction means that DPH will no longer be able to request supplemental appropriations and must budget accurately

Financial Challenges Ahead

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- Adjustments to Realignment - \$16.7 M reduction in 13-14, doubling to \$34.4 M in FY14-15
- Disproportionate Share Hospital Funding – federal take back was delayed until 2016, impact still to be determined
- Revenue uncertainty due to the shift from fee for service to capitated rates, as well as the level of enrollment and patient retention in the SF Health Network.

Financial Challenges Ahead

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- State pilot of the Coordinated Care initiative and Transfer of Dual Eligibles into Managed Care
- Continued inflationary increases in personnel and non-personnel expenses which outpace revenue growth
- Developing an organizational infrastructure that remain competitive in healthcare reform

Continuing Budget Initiatives from FY 13-15:

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- CBO COLA from FY13-14 continues in the 14-16 budget but does not increase
- Community Programs Reduction of \$8.8 M in FY 14-15 annualizing to \$17.7 M in FY 15-16 remains in the budget

FY 14-16 Proposed Budget

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Because several large variables (enrollment and revenue data, realignment, and labor costs) are still difficult to predict, it is too early to finalize a budget balancing plan

As a result, DPH's February budget submission contains only known initiatives, including operating costs for the new SFGH

Over the next two months we will continue to work with the Mayor's Office to develop a balanced 14-16 Budget

FY 14-16 Proposed Budget

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| Description | 14-15 FTE Change | 14-15 Net GF Cost/ (Savings) | 15-16 FTE Change | 15-16 Net GF Cost/ (Savings) |
|---|------------------|------------------------------|------------------|------------------------------|
| Inflationary | | | | |
| Pharmaceutical and Materials & Supplies Inflation | 0.00 | - | 0.00 | 2,084,399 |
| Annual Increases for Direct Access to Housing | 0.00 | - | 0.00 | 587,819 |
| Budget Neutral | | | | |
| Environmental Health - Fee Adjustments | | | | |
| LHH Hepatitis C Pharmacy Services | 0.00 | - | 0.00 | - |
| Denti-Cal Expansion | 2.60 | - | 4.00 | - |
| Primary Care Expansion | 10.91 | - | 11.55 | - |
| Non Specialty Mental Health Services | 1.54 | - | 2.00 | - |
| Emerging Needs | | | | |
| LHH Administrative Building Operating Costs | 6.22 | 1,066,703 | 6.42 | 1,106,245 |
| SFGH New Hospital Supplemental Operating Budget | 34.84 | - | 96.74 | 26,853,346 |
| Total Costs/(Savings) | 41.06 | 1,066,703 | 103.16 | 27,959,591 |

FY14-16 Budget Summary

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| REDUCTION TARGET | 14-15 | 15-16 |
|-------------------------------------|--------------------|---------------------|
| 1.5% Ongoing Reduction | (8,200,000) | (8,200,000) |
| 1% Reduction in Year 2 | - | (5,470,000) |
| 1% Contingency Year 2 | - | (5,470,000) |
| Total GF Target Reduction | (8,200,000) | (19,140,000) |
| INITIATIVES | | |
| Costs not Assumed in Deficit | | |
| Annual Housing Cost Increases | | (587,000) |
| LHH Admin Building Operating Costs | (1,066,703) | (1,106,245) |
| DPH Share of SFGH Operating Costs | - | (10,100,000) |
| Current Requests | (1,066,703) | (11,793,245) |
| Current (Shortfall)/Surplus | (9,266,703) | (30,933,245) |



Service Changes at New SFGH

- ↑ ED adult visits by 10% or 5,000/year.
- ↑ ED pediatric visits by 10,400/year.
- ↑ Surgical procedures by 17% or 1,250/year.
- ↑ Endoscopy procedures by 28.5 sessions per week or 1,500 procedures/year.
- ↓ Inpatient bed days by 5,475/year, with 210 budgeted beds.
- ↑ Workforce by approximately 133 FTEs.

Next Steps

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- March/April/May – Additional Health Commission Budget Hearing(s)
- June 1 – Mayor’s Balanced Budget Submission
- June – Board of Supervisors Budget (BOS) Hearings
- June 28 – BOS Budget and Finance Committee approves amended budget
- Mid-July – Final BOS approval of Budget