



**London N. Breed,
Mayor**

**Jenny Louie,
Chief Operating Officer**

MEMORANDUM

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

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

From: Emily Gibbs, Deputy Finance Officer

Date: June 3rd, 2024

The Mayor introduced her proposed budget for FY 2024-25 and FY 2025-26 to the Board of Supervisors on May 31st. Overall, the proposal grows the Department of Public Health (DPH)’s budget by about \$47 million, or 1.5%, to over \$3.2 billion in FY 2024-25 and includes similar funding in FY 2025-26. The budgeted General Fund contribution declines by nearly \$37 million from the current year, to about \$835 million, before increasing to \$956 million in FY 2025-26. The proposed budget includes updates to the Department’s February submission to reflect agreements made during labor negotiations, align to updated projections, and to balance the overall City deficit. We anticipate some of these changes will result in service impacts and reductions to some DPH programs.

Additional DPH Revenue Assumed in the Budget

The Department’s third quarter financials projected strong revenues, which allows the Department to project both one-time and ongoing revenues beyond what was included in the February proposal.

Additional DPH Revenue Growth	FY 2024-25	FY 2025-26
Laguna Honda one-time, Retroactive Distinct Part / Nursing Facility (DP/NF) Supplemental Payment	69,170,859	-
Additional ZSFG Baseline Revenue Growth	15,000,000	15,000,000
One-time Prior Year Settlements in BHS Revenues	7,100,000	-
One-time Medicare Settlements and One-time Graduate Medical Education Settlement	16,400,000	-
Leveraging MCAH Grants	833,077	833,077
Total	108,503,936	15,833,077

The Mayor’s proposed budget includes an additional \$15 million each year in growth in patient revenue at Zuckerberg San Francisco General (ZSFG) Hospital. It also adds \$23.5 million in one-time revenue in FY 2024-25 due to anticipated Medi-Cal funding in Behavioral Health, Medicare settlements, and Graduate Medical Education payments. Department also plans to utilize grant funding to support staffing within Maternal, Child and Adolescent Health (MCAH) for a savings of \$0.8 million.

Most significantly, the Department has also received further detail about State changes to Medi-Cal supplemental payments for Distinct Part Nursing Facilities, including Laguna Honda Hospital. The State is implementing a new allocation methodology for these payments, phasing it in with an interim policy before finalizing the new approach. The interim rates, which will be effective for three calendar years retroactive to January 2023, result in one-time revenue and are expected to be finalized in the fall 2024. The Department’s proposed budget reflects the expected one-time payment of \$69 million, including the retroactive amount.

Additional Proposed Reductions in the DPH Budget

While these revenues were sufficient to meet the Department’s contingency targets, given continued challenges to the City’s General Fund revenues, the Mayor’s proposed budget does require additional savings. Some of these efficiency savings assumed in the budget include: a savings of \$0.5 million a year from efficiencies in pharmacy purchases; and an annual general fund savings of \$1.8 million from pausing on a new sober living program not yet implemented. Funding for a \$3.7 million expansion of sober living remains part of the opioid settlement plan.

Additional DPH Reductions	FY 2024-25	FY 2025-26
SFHN Pharmacy Efficiencies	500,000	500,000
FY 2023-24 Addback for Sober Living (Not Implemented)	1,800,000	1,800,000
Shift of Sugary-Distributor Drink Tax Funding to Food Security	2,948,300	3,072,214
Assume CMS Certification of Chinese Hospital	-	6,600,000
Street Violence Intervention Program (SVIP)	2,474,563	2,474,563
Reduce DPH CBO General Fund for Unmatched / Discretionary Contracts by 5% in FY25-26	-	9,972,592
Total	7,722,863	24,419,369

The budget further assumes savings in General Fund-supported contracts with community-based organizations, some of which will result in reduced services. These savings are based on the following additional choices and assumptions:

- A shift in the City’s current allocation of funds from the sugary-drink distributors tax (“soda tax”) to increase investment in direct food security programs. The plan results in about a \$3 million a year reduction to the chronic disease prevention, urban farming, health education, oral health outreach, and healthy living programs administered by Population Health Division (PHD) and Primary Care staff. DPH will continue to administer around \$3 million in soda tax investments, including continued support for its dental program staffing through Primary Care and for some direct food support programs it administers.
- Savings starting in FY 2025-26 as Chinese Hospital is expected to achieve Medicare and Medi-Cal certification for its beds, reducing the annual contract with the San Francisco Health Network by \$6.6 million.
- \$2.4 million reduction in the Street Violence Intervention Program (SVIP). School-based services for youth under 18 are eliminated for this contract within DPH per changes to the Department of Children, Youth and Families (DCYF) budget. DCYF has restructured its violence prevention work in its recent procurement to include the new Citywide school crisis response initiative. An additional \$325,000 savings comes as part of re-sizing the contract in its new procurement this fall.

- An additional approximately \$10 million a year in savings, starting in FY 2025-26, in unmatched General Fund in contracts with community-based organizations. This represents an approximately 5% across-the-board reduction in these funds, split across the Behavioral Health Services (about \$7.3 million), the Population Health Division (about \$1.5 million), and the Ambulatory Care programs within SFHN (about \$1.1 million). DPH will develop more detailed plans for implementing these reductions across its next budget cycle.

Additional Investments in the DPH Budget and Revised Opioid Settlement Plan

The Mayor’s proposed budget also includes a handful of additional investments as follows:

- Wage increases agreed to in labor negotiations this spring, including those resulting from the agreement with the nurses, and the 47 full-time equivalent nursing positions agreed to with the union.
- Restoration of the proposed reduction put forward by the Department to contract out certain security posts currently manned by the Sheriff’s Office. The budget maintains funding for the current Sheriff’s staffing pattern. In addition, the budget also includes funding of \$1.4 million to continue staffing clinic community ambassadors in SOMA.
- It includes a 2.5% cost-of-doing business increase for community-based organizations in FY 2024-25 only. Finally, it also includes an allocation of \$4.2 million in FY 2024-25 and \$2.3 million in FY 2025-26 to address capital equipment needs across the department.

The budget also reflects an updated plan for using opioid settlement funding to address the overdose crisis, move more people into treatment, and save lives. This proposal includes \$15.4 million and 13 FTE to expand access to medications for opioid use disorder through telehealth and targeted navigation support. The opioid settlement funds also include 2 FTE and further funding to support investments in reducing overdose in the Black / African American community, with an emphasis on partnership with black-led organizations. There is a one-time investment in additional data to improve mortality surveillance and help target resources.

Focus Area	Program	FY 2024 - 25	FY 2025 - 26
Black / African American Overdose	Expand and strengthen Methadone Services with a focus on those serving the Black / African American community	\$945,000	\$3,090,000
	Funds to co-create substance use disorder services for the Black / African American community	\$130,000	\$2,260,000
	B/AA Services Sub-Total	\$1,075,000	\$5,350,000
Streets to Treatment	Expanding medications for opioid use disorder	\$3,558,600	\$4,117,200
	Additional Buprenorphine Supports: starts in Emergency Dept., post-overdose follow-up	\$563,026	\$1,063,026
	Tenderloin Night Navigators Program	\$900,000	\$1,000,000
	Safe Rest and Substance Use Disorder Navigation in the Mission	\$2,100,000	\$2,100,000
	Streets to Treatment Sub-Total	\$7,121,626	\$8,280,226
Data	Enhanced Mortality Surveillance	\$100,000	0
	Data Sub-Total	\$100,000	\$0
Grand Total		\$8,296,626	\$13,630,226

Next Steps

The Mayor's Proposed Budget now moves to the Board of Supervisors for review and the Department has begun working with the Budget and Legislative Analyst on their budget review. Two hearings on the Department's budget are currently scheduled for June 13th and June 20th. We will keep you informed of any changes that take place and will provide you a final update on the budget in August.