



**London N. Breed,  
Mayor**

**Greg Wagner,  
Chief Financial Officer**

**MEMORANDUM**

December 1, 2021

To: President Dan Bernal and Honorable Members of the Health Commission

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

From: Jenny Louie, Chief Financial Officer

RE: Revenue and Expenditure Projection Report – First Quarter FY 2021-22

This report presents the first quarter statement of revenues and expenditures for the Department of Public Health for fiscal year 2021-22. These figures are based on revenue collected and billed, and expenses incurred for the fiscal year beginning July 1, 2021. Figures reported include projected balances based on actual revenues and expenditures as of September 30, 2021. At the end of the first quarter, the department projects a net general fund surplus of \$10.5 million. The Department projects operating expenditures to be above budget by \$0.7 million, and revenues to be above budget by \$9.7 million. Following the deposit of 50% of the surplus revenue into the DPH management reserve, the net balance is \$5.7 million.

First Quarter Projected FY 2021-22 Surplus/(Deficit) (in Millions)

First Quarter FY 2021-22	Revenue			Expenditure			Total
	Revised Budget	Current Projection	Surplus/ (Deficit)	Revised Budget	Current Projection	Surplus/ (Deficit)	Surplus/ (Deficit)
Zuckerberg SF General	\$ 997.3	\$ 1,020.3	\$ 23.1	\$ 1,027.5	\$ 1,030.8	\$ (3.3)	\$ 19.8
Laguna Honda Hospital	\$ 206.1	\$ 206.1	\$ -	\$ 308.6	\$ 304.2	\$ 4.4	\$ 4.4
Behavioral Health	\$ 224.0	\$ 236.1	\$ 12.1	\$ 377.1	\$ 377.4	\$ (0.3)	\$ 11.8
Primary Care	\$ 19.6	\$ 18.4	\$ (1.2)	\$ 110.2	\$ 105.9	\$ 4.2	\$ 3.0
Jail Health	\$ 0.4	\$ 0.4	\$ -	\$ 39.5	\$ 40.7	\$ (1.2)	\$ (1.2)
Home Health	\$ 2.3	\$ 2.3	\$ -	\$ 9.2	\$ 8.5	\$ 0.6	\$ 0.6
Health Network Services	\$ 30.4	\$ 9.8	\$ (20.5)	\$ 172.3	\$ 172.5	\$ (0.3)	\$ (20.8)
Population Health Division	\$ 26.6	\$ 24.4	\$ (2.2)	\$ 104.8	\$ 107.0	\$ (2.2)	\$ (4.4)
Public Health Administration	\$ 39.8	\$ 38.3	\$ (1.5)	\$ 157.4	\$ 158.7	\$ (1.3)	\$ (2.8)
<b>Total Operating</b>	<b>1,546.4</b>	<b>1,556.1</b>	<b>9.7</b>	<b>2,306.5</b>	<b>2,305.7</b>	<b>0.8</b>	<b>10.5</b>
						Less 50% revenue surplus into management reserve	(4.9)
						<b>Net Surplus/(Deficit)</b>	<b>5.7</b>

COVID-19 Costs in FY 2021-22

The costs related to existing staff that are deployed as disaster service workers to the COVID-19 response for this fiscal year are maintained within their “home” divisions and included in the salary and fringe benefit projections. This reporting methodology is different from prior years which had these costs centralized within the Public Health Administration division.

As in the previous fiscal year, DPH operating divisions will not reflect any variances related to COVID-19 Task Force project costs budgeted in FY 2021-22. DPH finance is working with the Controller's Office to finalize the reporting methodology and will provide updated projections for the department's COVID as part of the second quarter report.

**Zuckerberg San Francisco General Hospital:** ZSFG projects a \$19.8 million favorable variance compared to budget comprised of variances in revenues and expenditures described below:

- \$16.1 million in better than expected performance in the Global Payment Plan
- \$3.6 million in one-time settlements of prior year cost reports
- \$3.4 million in better than expected revenue from the Graduate Medi-Cal education program
- \$3.3 million shortfall in salary and fringe benefit costs.
- 

**Laguna Honda Hospital:** LHH projects to have a \$4.4 million surplus related to \$5 million in underspending for personnel costs offset by \$0.5 million of interdepartmental workorder savings related to public utilities and workers compensation.

**Behavioral Health:** Behavioral Health projects a net surplus of \$11.8 million due to:

- \$15 million increase in 2011 realignment revenue, due to increased State sales tax growth in for FY 20-21.
- \$2.9 million in lower than expected patient revenue
- \$0.25 million shortfall in salary and fringe

**Primary Care:** Projects a net surplus of \$3 million due to a \$1.2 million shortfall in patient revenues as a result of lower than expected billing offset by \$4.2 million in salary and fringe savings.

**Jail Health Services:** Jail Health projects \$1.2 million shortfall in personnel costs savings.

**Health at Home:** Health at Home expects a \$0.6 surplus in salaries and fringe.

**Health Network Services:** The Health Network Division projects an overall deficit of \$20.8 million comprised of:

- \$14.5 million shortfall in Healthy San Francisco (HSF) Revenues. This drop in HSF revenues reflect ongoing reductions in HSF enrollments as more people enroll in SF Covered MRA and SFMRA options.
- \$6.0 million in shortfall in deactivated funds as transfer of deactivated City Option funds to DPH. As will be presented on the December 7<sup>th</sup> Health Commission meeting, the City Attorney has recommended a three-year escheatment process prior to recognizing these funds. With this recommendation, the budget will be realigned as part of the FY 2022-24 budget process.
- \$0.3 million in surplus in salary and fringe costs.

**Population Health Division:** Population Health Division projects a \$4.4 million shortfall due to \$2.2 million lower than expected patient revenues due to reduced billings as a result of implementing Epic at PHD clinics. Expenditures also reflect \$2.2 million shortfall in personnel costs.

**Public Health Administration:** This division projects a total shortfall of \$2.8 million due to \$1.5 million shortfall in Medi-Cal administrative activities (MAA) billing and a \$1.3 million expenditure deficit for salaries and fringes.

**Comments**

- The positive balance projected in this report (along with other projected variances from adopted budget), will be applied to offset the City’s projected General Fund deficit
- As in previous fiscal years, this report assumes no variance from budget in 1991 State Realignment revenues. As these revenues affect multiple departments they are monitored and projected centrally by the City Controller’s Office and reported separately in the Controller’s 6-Month Report.
- Section 12.6 of the administrative provisions of the Annual Appropriation Ordinance authorizes the Controller to defer surplus transfer payments, indigent health revenues, and Realignment funding to offset future reductions or audit adjustments associated with funding allocations for indigent health services. This provision was adopted by the Board of Supervisors to smooth volatile state and federal revenues that can lead to large variances between budgeted and actual amounts due to unpredictable timing of payments, major changes in projected allocations, and delays in final audit settlements.

Following the deposit policy for the DPH Revenue Management Reserve the Controller will deposit \$4.9 million, 50% of the projected revenue surplus, into the reserve. Total balance of the reserve at the end of the first quarter is \$108.9 million which represents 4.81% of DPH’s Medi-Cal, Medicare and Patient Revenue budget over the two years.

<b>DPH Revenue Management Reserve as of Q1 2021-22</b>					
<b>Budgeted Revenues</b>	<b>Medi-Cal</b>	<b>Medicare</b>	<b>Patient Revenues</b>	<b>Less IGT</b>	<b>Annual total</b>
21-22	933,070,146	163,838,477	143,467,856	(89,491,155)	1,150,885,324
22-23	895,154,928	168,125,980	143,833,827	(92,557,601)	1,114,557,134
			Total Revenues Over Two Years		2,265,442,458
			Reserve Balance as of Q4 FY 20-21		104,050,638
			FY 21-22 Q1 Deposit		4,850,000
			Current Reserve Balance		108,900,638
			Reserve as a percentage of Two year Medi-Cal, Medicare and Patient Revenues		4.81%