



# San Francisco Department of Public Health

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Updates to the DPH Revenue Management Reserve



# Background – Section 12.6 of the AAO

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- 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 due to
  - Policy changes which may affect projected allocations
  - Unpredictable timing of payments



# Current Calculation

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- Identified and significant revenue risks due to potential policy changes including Medi-Cal programs and federal funding programs
  - Federal funding for Disproportionate Share Hospitals
  - Changes to EPP formula
- Unpredictable in timing of payments
  - revenue assumed to help balance the follow years budget, but received earlier.
- No current cap on amount of reserve



# Proposed Change to the Calculation

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- Reserve balances based on a percentage of budgeted DPH Medi-Cal, Medicare and patient revenues rather than identifying specific potential adverse events
- Advantages
  - Simplifies calculation
  - Establishes clear criteria for when deposits and withdrawals can be made
  - Allows DPH to be able to buffer against general variability in a under value-based payment structure as well as large policy changes
  - Creates a more stable and predictable reserve



# Proposed Level of Reserve

Maximum reserve of 5% of revenues for DPH's budgeted net Medi-Cal, Medicare and Patient Revenues (less IGT) for all divisions over the two-year approved budget.

For FY 2021-22 the calculation is as follows:

Budgeted Revenues	Medi-Cal	Medicare	Patient Revenues	Less IGT	Annual total
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
				5% Reserve Over Years	113,272,123



# Deposits and Withdrawals

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## *Deposits:*

- If DPH revenues exceed budgeted revenues in any given quarter, 50% of the balance will be deposited by the Controller up to the 5% cap.
- If budget revenues are lower, the reserve will be adjusted down to reflect the updated two-year revenue budget

## *Withdrawals:*

- When DPH's projected revenues in the quarterly reports are below budget, reserves will be released to balance shortfalls
- Consistent with the City's Rainy Day reserve policy, up to 50% of the reserve may be used in a given fiscal year, but the withdrawal should not exceed DPH's projected revenue deficit.
- Mayor and the Board may choose to appropriate this reserve through the supplemental or budget appropriations process as outlined in the City Charter.



# Use Reserve to Address Timing of Payments

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- DPH will continue to use management reserve to reflect issues regarding timing of payments to meet budgeted assumptions
- Withdrawals will be made in the year the revenue was appropriated.
- These deposits for payment timing will be in excess of the 5% calculation.

# Questions

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Thank You