



London N. Breed,
Mayor

Jenny Louie,
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 – Fourth Quarter FY 2020-21

This report presents the fourth quarter statement of revenues and expenditures for the Department of Public Health for fiscal year 2020-21 (FY 2020-21). These figures are based on revenue collected and billed, and expenses incurred beginning July 1, 2020. Figures reported include projected balances based on actual revenues and expenditures as of June 30, 2021. At year end, the department projects a net general fund surplus of \$85.5 million. The department projects operating expenditures to be above budget by \$0.8 million, and revenues to be above budget by \$84.3 million. As stated in the second quarter financials, the department also projects an additional \$51.7 million due to the release of deferred revenues, which have been reserved in anticipation of scheduled federal reductions to Disproportionate Share Hospital (DSH) funds. In addition, \$44.6 million of surplus balance will be deposited into the DPH management reserve

Fourth Quarter Projected FY 2020-21 Surplus/(Deficit) (in Millions)

For FY 2020-21, financial statements for DPH divisions do not reflect any variances related to the Citywide COVID-19 project which is comprised of new costs and revenues budgeted in FY 2020-21 and is managed by the City's Central COVID Command (C3). At the end of this memo, projections for the DPH's response are included for the Commission's awareness. These projections are outside of the operating budget and not included as part of our operating year end balances.

DPH Fourth Quarter Financials	Revenue			Expenditure			Total
	Revised Budget	Current Projection	Surplus/ (Deficit)	Revised Budget	Current Projection	Surplus/ (Deficit)	Surplus/ (Deficit)
Zuckerberg SF General	\$ 1,009.5	\$ 1,056.8	\$ 47.3	\$ 1,138.8	\$ 1,137.4	\$ 1.4	\$ 48.7
Laguna Honda Hospital	\$ 226.8	\$ 250.5	\$ 23.7	\$ 296.4	\$ 296.4	\$ -	\$ 23.7
Behavioral Health	\$ 189.6	\$ 248.6	\$ 59.0	\$ 349.6	\$ 349.6	\$ -	\$ 59.0
Health at Home	\$ 2.4	\$ 3.5	\$ 1.1	\$ 8.7	\$ 8.6	\$ 0.1	\$ 1.1
Primary Care	\$ 20.7	\$ 21.3	\$ 0.5	\$ 74.9	\$ 74.9	\$ 0.0	\$ 0.5
Jail Health	\$ 0.6	\$ 0.6	\$ 0.0	\$ 37.1	\$ 37.7	\$ (0.6)	\$ (0.6)
Health Network	\$ 54.6	\$ 18.2	\$ (36.5)	\$ 137.8	\$ 137.8	\$ -	\$ (36.5)
Public Health Administration	\$ 55.8	\$ 58.4	\$ 2.6	\$ 191.9	\$ 192.0	\$ (0.1)	\$ 2.6
Population Health Division	\$ 64.0	\$ 50.4	\$ (13.6)	\$ 306.0	\$ 306.0	\$ (0.0)	\$ (13.6)
Total Operating	1,623.9	1,708.2	84.3	2,541.2	2,540.4	0.8	85.0
				Release of ZSFG Deferred Revenues			\$ 51.7
				Less deposit into DPH Revenue Management Reserve			\$ (44.6)
						Total Surplus/Deficit	\$ 136.7

The fourth quarter financial report reflects several adjustments beyond routine year end balancing directed by the Controller's Office to better align the City's financial statements to federal reporting guidelines for COVID-19 funding and reimbursement. One change realigns a total of \$67.7 million of CARES Provider Relief Fund (PRF) into operating funds. \$44.5 million was previously budgeted in nonoperating funds and \$22.8 million in new revenue was recognized to align with the expenditures associated with the claims in DPH operations. Both revenue budget and actuals are revised to reflect this adjustment.

Another second change is a reallocation of budgeted spending authority within DPH to align the salary and fringe budget and costs of DPH existing employees deployed to the COVID response. Previous reports showed a significant shortfall in the Public Health Administration division as deployed staff from all DPH divisions were charged and subsequent positive variances in other divisions. In this report, the actual costs continue to be recorded within the Public Health Administration division, but the budget was reallocated to match where the salary and fringe spending was incurred. Consequently, all divisions no longer show the significant positive and negative variances as seen in previous reports. Overall, approximately \$70 million of DPH personnel costs was redirected to the response.

Public Health Administration: This division projects a \$2.6 million surplus comprised of revenue increases. Revenues are projected to be \$2.6 million higher than budgeted due to \$1.7 million in Medi-Cal Administrative Activities and \$0.7 million related to a one-time prior year settlement and \$0.3 million in fee revenue.

Zuckerberg San Francisco General Hospital: ZSFG projects a \$48.7 million favorable variance compared to budget comprised of \$47.3 million in favorable variances in revenues and \$1.4 million in favorable expenditures described below:

- Patient revenues are overall \$75.04 million better than budgeted. The budget assumed a slow recovery in revenue based on the losses incurred in Q4 of FY19-20. Utilization was higher than expected, driven partially by the surges in COVID admissions
- Other revenues project a shortfall of \$27.7 million from the following variances
 - \$45.2 million combined shortfall related to shift in payments for the Quality Incentive Program and a delay in expected Medicaid Waiver settlements
 - \$2.2 million shortfall in capitation
 - The combined \$21.9 in better than expected revenue in Medi-Cal Administrative Activities and Other State/Miscellaneous is driven by better than budgeted revenue in Medi-Cal Administrative Activities, Medicaid GME, Hospital Quality Assurance Program and 340b.
- Expenditures are \$1.4 million under budget due to
 - \$2.3 million favorable variances in personnel
 - \$1.9 million in surplus for facilities and debt service
 - \$2.4 million shortfall in contracts and \$0.3 million shortfall in materials.

Laguna Honda Hospital: LHH projects a surplus of \$23.7 million comprised of revenue surpluses of:

- \$23.5 million in improved patient revenue due to better than budgeted Medi-Cal SNF per diem rates and prior year DP/NF interim settlements.
- \$0.2 million in additional fee revenue related to parking and cafeteria

Behavioral Health: Behavioral Health projects a net surplus of \$59 million due to improved revenues as follows:

- \$26.7 million surplus in patient revenues, primarily under Medi-Cal which was not impacted as significantly by the pandemic as anticipated in the budget.
- \$32 million of increased revenue due to accelerated State reconciliation process for prior year Behavioral Health services
- \$1.35 million shortfall in State Substance Use Prevention and Treatment revenue
- \$1.7 million positive variance in 2011 Realignment allocated by the State,

Primary Care: Primary Care projects a surplus related to \$0.5 million in revenue surplus, primarily due to

- \$1.2 million surplus in patient revenues due to better than budgeted Federally Qualified Health Center (FQHC) billable visit volumes as a result of the continued expansion of telehealth flexibilities throughout the duration of the Public Health Emergency.
- This surplus is offset by \$0.4 million shortfall in capitation and \$0.3 shortfall in other State revenue.

Jail Health Services: Jail Health projects a \$0.6 million shortfall in materials and supplies.

Health at Home: Health at Home projects \$0.8 million in better than expected patient revenues and \$0.3 million increase in capitation.

Health Network Services: The Health Network Division projects an overall deficit of \$36.5 million comprised of a revenue deficit of \$36.5 million and expenditures equal to budget.

- \$12.0 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.
- \$24.3 million in shortfall of deactivated funds as transfer of deactivated City Option funds to DPH as revenue is on hold while DPH works with San Francisco Health Plan to search for individual account holders more exhaustively. This shortfall includes \$20.6 million in one-time deactivations that were assumed in the budget to cover costs of a cash grants program for enrollees in the San Francisco City Option Program and the Workers and Families First program at the Mayor's Office of Economic and Workforce Development to provide expanded sick leave benefits for employees affected by COVID-19. This revenue shortfall will not affect the implementation of these programs.

In future years DPH anticipates re-purposing any deactivated funds deemed abandoned according to state escheatment law. Further details of changes to program structure and financial policies for City Option programs will be presented to the Health Commission at the December 7th hearing.

Population Health Division: The Population Health Division projects a \$13.6 million shortfall in revenues due to a:

- \$2.6 million shortfall due to a delay in implementing Epic at PHD clinics, resulting in reduced billing.
- \$5.3 million loss in reduced activity and collection of fees within Environmental Health as staff was deployed to the responses
- \$5.7 million reduction of in-kind revenue, moving revenue from DPH operating balances as recorded during FY2019-20 to the COVID project in order to align with how the donated assets are recorded by the Controller.

Comments to DPH Operating Budget

- This report assumes no variance from budget in 1991 State Realignment revenues. Because these revenues affect multiple departments they are monitored and projected centrally by the City Controller's Office and reported separately in the Controller's 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 \$44.6 million, approximately 50% of the projected revenue surplus, into the reserve. Total balance for the reserve at the end of the first quarter is \$104 million which represents 4.59% of DPH's Medi-Cal, Medicare and Patient Revenue budget over the two years.

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
			Current Management Reserve Balance		59,450,638
			Additional Deposit by the Controller		44,600,000
			Ending Reserve Balance		104,050,638
			Reserve as a percentage of Two year Medi-Cal, Medicare and Patient Revenues		4.59%

COVID-19 response

At the time of this writing a Citywide summary has not been completed by the Controller's Office. In lieu of this summary, we are providing a summary of projected DPH costs in the COVID-19 response. Overall, the COVID project will end the year with \$21.7 million in surplus

budget and encumbrances across our COVID response. This positive variance is consistent with the Controller's projected fund balance in the Citywide COVID budget at the nine-month report. The approved FY 2021-22 budget assumed these balances to be available to support the FY2021-22 spending plan for COVID response, as well as new appropriation supported by new state and federal grants and general fund.

	Revised Budget	Expenses	Surplus/(Deficit)
Medical Services	\$ 28.4	\$ 19.5	\$ 8.9
Info & Guidance	\$ 1.7	\$ 1.6	\$ 0.1
Contact Tracing & Case Investigation	\$ 9.6	\$ 5.5	\$ 4.1
Community Services	\$ 25.9	\$ 31.8	\$ (5.8)
Testing	\$ 61.5	\$ 72.4	\$ (10.8)
Vaccination	\$ 22.4	\$ 6.8	\$ 15.6
Alternate Care Sites	\$ 14.3	\$ 19.1	\$ (4.8)
Isolation & Quarantine	\$ 6.3	\$ 15.9	\$ (9.6)
Planning	\$ 0.3	\$ 1.1	\$ (0.8)
PPE & Scarce Resources	\$ 45.2	\$ 28.4	\$ 16.8
Finance	\$ 2.1	\$ 0.1	\$ 2.0
Laguna Operational Response	\$ 10.9	\$ 10.0	\$ 0.8
ZSFG Operational Response	\$ 37.1	\$ 31.8	\$ 5.3
Total	\$ 265.7	\$ 244.0	
Available for FY22 Carryforward			\$ 21.7

Major variances in DPH program areas include:

- Medical Services: Prior projections across multiple project areas anticipated the costs of additional temporary and contracted staff that were not incurred. Instead, functions were supported by existing staff in disaster service worker deployments. This dynamic impacted Medical Services response in particular, where a majority of FY2020-21 new staffing costs were budgeted.
- Vaccination –The savings relative to budget reflect a high level of in-kind staffing support from state contractors deployed at SFHN vaccine sites through June 30 and continuing through at least the first half of FY2021-22 and slightly lower than expected volume of vaccine administration at end-to-end contractor vaccine sites.
- Isolation & Quarantine - The budget for FY2020-21 supported two I&Q sites but COVID-19 response and procurement challenges required supporting 5 different sites at different points during FY2020-21.
- Personal Protective Equipment (PPE) – Actuals reflect only PPE used or distributed to end users by June 30th, 2021.