



City and County of San Francisco
Daniel L. Lurie
Mayor

San Francisco Department of Public Health

Daniel Tsai
Director of Health

MEMORANDUM

DATE: May 4, 2026

TO: President Laurie Green, MD and the Honorable Members of the Health Commission

THROUGH: Daniel Tsai, Director of Health
Jenny Louie, Chief Operating Officer
Drew Murrell, Chief Financial Officer

FROM: Matthew Sur, Revenue Cycle & Reimbursement Director

RE: FY 2026-27 & FY 2027-28 Patient Rates Ordinance

As part of the FY 2026-27 and FY 2027-28 proposed budget, the San Francisco Department of Public Health (DPH) is requesting the Health Commission's approval of an ordinance updating the Department's patient rates.

DPH charges fees for certain health care services provided in its clinics and hospitals. Revenue from billing Medicare, Medi-Cal and private insurance is critical to sustain DPH's services. The majority of the department's budget relies on external revenue, reducing the need for City General Fund subsidy.

Over the past 6 months, DPH partnered with the Controller's Office City Performance Unit to engage with Health Management Associates (HMA). HMA conducted a market benchmarking analysis, developed a patient rate-setting model for future updates, and is currently drafting related policies and procedures. This work helps ensure that DPH's rates are rational, defensible, and aligned with the market.

In development of the FY 2026-27 and FY 2027-28 patient rates, HMA compared its rates with 7 peer hospitals, Medicare fee schedules, and other publicly available data. DPH used the results of rate study to propose an update to its patient rates ordinance.

Based on the results of the HMA benchmarking study and other applicable changes to allowable Medi-Cal services, the department proposes increasing patient rates in select areas. The proposed modifications to rates are:

1) Extension of Existing Rates

For services where DPH rates exceed market benchmarks, DPH proposes extending the current rate authorization through FY 2027–28 (one year beyond the existing authorization). This includes, but is not limited to, Non-ICU Inpatient Services and Trauma Services.

2) Revisions to the Rate Schedule for FY 2026–27 and FY 2027–28

- Increase Intensive Care Unit (ICU) rates by 6% to stay consistent with market average
- Add rates for Specialty Mental Health Services related to Traditional Healer, Community In Reach and High Fidelity Wrap services.
- Remove fees for document reproduction and Medical Marijuana ID cards
- For all other Community Behavioral Health Services including Specialty Mental Health and Drug Medi-Cal Organized Delivery System, rates consistent with the BHS Medi-Cal Fee Schedule in FY 2026-27, with a 3.10% increase in FY 2027-28
- For all other physical health services where market comparisons are not available, increase rates by 2.18% in FY 2026-27 and 3.04% in FY 2027-28 consistent with the Controller's Office CPI Fees and Fines guidance.

Adopted patient rates have minimal impact on what patients actually pay at DPH facilities. Most DPH patients are covered by Medicare, Medi-Cal, or are uninsured; their payments are based on public insurance fee schedules or other discounted arrangements. Setting competitive rates is important primarily to ensure appropriate reimbursement from commercial insurers.

DPH also maintains several policies to protect patients from unexpected medical bills:

- The **Patient Cap and Out of Network policy** establishes a maximum obligation that patients are held responsible and caps the maximum obligation amount commercially insured patients receiving services out-of-network at ZSFG to no more than the in-network amount the patient would owe at an in-network hospital.
- The **Charity Care and Discount Program policy** policy that creates an income-based out-of-pocket maximum payment for SFHN and CBHS patients scaled according to income level.