City and County of San Francisco
Daniel L. Lurie
Mayor

**San Francisco Department of Public Health**
Daniel Tsai
Director of Health

**MEMORANDUM**

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

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

From: Emily Gibbs, Deputy Finance Officer

Date: February 2nd, 2026

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At the February 2nd Commission meeting, we will have the second hearing on the San Francisco Department of Public Health (SFDPH)'s proposed budget for fiscal year FY 2026-27 and FY 2027-28 (FYs 2026-28). Our first hearing on January 5th included an overview of the Department's base budget and the Mayor's Budget instructions. In this second hearing, we will present our proposed budget submission which includes revenues and savings concepts in line with the Mayor's directive. We look forward to feedback from the Commission and intend to incorporate this feedback into our department submission to the Mayor's Office on February 23rd. We anticipate a full vote on the proposal at the March 2nd Health Commission meeting.

This memorandum outlines SFDPH's proposed FY 2026–27 and FY 207-28 budget and provides context for the fiscal conditions and policy decisions that shape this proposal.

**San Francisco and SFDPH Budget Context**

As outlined in the Mayor's budget instructions to city departments, San Francisco faces a structurally constrained budget. The City continues to project a significant multi-year deficit, driven by expenditures outpacing General Fund revenues, slower economic growth, and reduced state and federal funding, including Medi-Cal. Over the next two years, the City anticipates a $936 million structural deficit: $296 million in FY 2026-27 and $640 million in FY 2027-28, respectively. Projected expenditure growth of $1.8 billion over five years far exceeds expected revenue growth of $617 million, highlighting the City's ongoing fiscal challenges.

In response, the Mayor directed all departments to reduce General Fund spending by $400 million on an ongoing (annual) basis through restructured service delivery and targeted program eliminations. Each department must help close this gap while protecting core services.

In recent years, SFDPH's budget has grown by an average of 5.4% annually, outpacing General Fund growth. These investments have strengthened the public health safety net but have also increased the portfolio that must now be balanced in a deficit environment.

The deficit projection already assumed several changes to SFDPH's budget. These include:

1) $17 million in reductions to community-based organization (CBO) contracts beginning in FY 2026-27, approved by the Mayor and Board of Supervisors. This reduction was needed in last year's two-year City budget (FY 2025-26 and FY 2026-27) to balance the City's projected deficit as part of an overall budget package for SFDPH that included $572 million in revenue growth, $102 million in expenditure reductions, and the reduction of 219 full-time equivalent (FTE) positions with no layoffs. The $17 million in reductions is detailed in a separate memo, including cuts to the University of California San Francisco (UCSF) Affiliation Agreement, reductions to capacity building and training, and other reductions.

2) As a result of H.R. 1 and state budget changes, SFDPH revenues will be reduced by $65.0 million and $195.8 million in FY 2026-27 and FY 2027-28, respectively, or $260.8 million over the two-year budget cycle. This revenue impact is separate and apart from the revenue changes proposed in the current submission and is already included in the Citywide structural deficits outlined by the Mayor's Budget Office.

In addition to these changes assumed in the Citywide deficit, structural shortfalls in the current year at Zuckerberg San Francisco General Hospital (ZSFG) pose challenges for budget planning. In its upcoming mid-year financial projection, SFDPH anticipates both an expenditure overage and a revenue shortfall at ZSFG. The expenditure overage reflects high rates of P103 (per diem) nurse usage, even as overall vacancy rates at ZSFG have fallen, resulting in a shortfall of $19.5 million in salary and fringe costs. On the revenue side, a fall in census from April to October 2025, relative to 2024, has resulted in a projected annual revenue shortfall of $26 million at ZSFG. As discussed below, SFDPH's budget proposal must address both issues as well as meet the Mayor's directive to reduce spending. These concurrent pressures reinforce the need for disciplined financial stewardship, revenue maximization, and targeted structural changes across the Department.

**SFDPH FYs 2026-28 Budget Proposal**

Our mission is to protect and improve the health of everyone in San Francisco, guided by our vision of making San Francisco the healthiest place on earth *for all people*. To achieve this, we focus on three priorities: reducing health disparities, building the best health care system, and tackling the behavioral health and homelessness crisis. We act on these priorities by using data and evidence to guide decisions, working as one integrated system, maintaining financial stability, as well as engaging with community and investing in our people to ensure safe, high-quality, and compassionate care for all.

As context, SFDPH's $3.6 billion budget is primarily comprised of the $3.2 billion in operating costs for running the City's safety net health system, including more than $1.5 billion for ZSFG, close to $400 million for Laguna Honda Hospital (LHH), and operating costs for the City's primary care clinics, behavioral health clinics and behavioral health treatment services (including residential treatment beds).

Driven by our mission in this constrained fiscal environment, SFDPH's FY 2026-28 budget proposal prioritizes maximizing revenue, strengthening long-term financial stewardship, and protecting direct patient care. As noted in our first budget meeting, SFDPH approaches the budget with the following principles:

1. Focus on core priorities and services, including implementation of initiatives already funded in prior budgets;
2. Identify alternative cost-saving measures to limit the growth of new expenditures;
3. Maximize revenue to offset General Fund supports while fostering long-term financial stewardship;
4. Review funding provided to CBOs to maximize strong outcomes and cost effectiveness, focused on direct services to clients; and
5. Coordinate with the Mayor's Office on processes they are convening to look at Citywide savings ideas and opportunities for efficiencies across departments.

The budget proposal identifies these solutions *and* advances key department priorities. These include major investments to improve the safety and security of SFDPH facilities and operations and expanding the number of residential care and treatment beds for people with behavioral health conditions, while giving existing staff the option of relocating or staying at their current location. This proposal reflects SFDPH's responsibility to operate within the City's fiscal constraints while protecting core services, strengthening accountability, and aligning investments with measurable impact to improve health outcomes and reduce health disparities for San Franciscans.

*Summary budget*

The following table summarizes SFDPH's proposed budget for FY26-27 and FY 27-28. The numbers below:

- Reflect the significant impact of federal (H.R.1) and state budget and other Medi-Cal cuts, though we also outline what revenue and General Fund expenditure trends would be without those federal and state cuts.
- Include $218 million of General Fund savings proposals relative to SFDPH's budget baseline.

Overall, SFDPH anticipates growth in expenditures of $198 million in FY 2026-27 and $221 million in FY 2027-28. Revenues grow by $106 million in FY 2026-27 before falling by $23 million in FY 2027-28, as a result of H.R. 1.

**SFDPH budget proposal - summary**

| | FY24-25 | FY25-26 | FY 26-27 Proposed | FY 26-27 $ growth | FY 26-27 % growth | FY 27-28 Proposed | FY 27-28 $ growth | FY 27-28 % growth |
|---|---|---|---|---|---|---|---|---|
| Total expenditures | $ 3,232 | $ 3,366 | **$ 3,564** | $ 198 | 5.9% | **$ 3,785** | $ 221 | 6.2% |
| Revenues | $ 2,402 | $ 2,588 | **$ 2,693** | $ 106 | 4.1% | **$ 2,670** | $ (23) | -0.9% |
| General Fund | $ 830 | $ 779 | **$ 871** | $ 92 | 11.9% | **$ 1,115** | $ 244 | 28.0% |
| | | | | | | | | |
| General fund solves (total $218 million) | | | $ (81) | | | $ (137) | | |
| | | | | | | | | |
| *Note: what this would be without federal (HR.1) and state Medicaid cuts* | | | | | | | | |
| Revenues | 2,402 | 2,588 | **2,758** | 171 | 6.6% | **2,865** | 107 | 3.9% |
| General Fund | 830 | 779 | **806** | 27 | 3.5% | **920** | 114 | 14.2% |

The table below summarizes the components of SFDPH's budget by category and drivers of growth.

| in $Ms | FY25-26 | FY 26-27 Proposed | FY 27-28 Proposed | Change FY27-28 from FY 25-26 | % Annual Growth |
|---|---|---|---|---|---|
| **Total Expenditures** | **$ 3,366** | **$ 3,564** | **$ 3,785** | **$ 419** | **6.0%** |
| Personnel | $ 1,738 | $ 1,842 | $ 1,996 | $ 258 | 7.2% |
| Contracts (including UC Affiliation) | $ 964 | $ 998 | $ 1,040 | $ 76 | 3.9% |
| Intergovernmental Transfer | $ 158 | $ 228 | $ 234 | $ 75 | 21.5% |
| M&S, Capital, Work Orders | $ 506 | $ 496 | $ 515 | $ 9 | 0.9% |

- Personnel costs ($1.7 billion in FY2025-26) account for over 50% of SFDPH's budget and are projected to comprise approximately 62% ($258 million) of SFDPH's growth from FY 25-26 to FY27-28. The growth is primarily driven by cost-of-living adjustment increases (COLAs), not increases in FTEs, consistent with agreed upon MOUs in FY 2026-27 (about $75 million) and increases in line with the consumer price index (CPI) in FY 2027-28 (estimated at more than $150 million).

- Contracts ($964 million, primarily for CBOs and UCSF) account for 28% of SFDPH's budget and are projected to account for approximately 18% ($76 million) of budget growth.

- Intergovernmental Transfers (IGT) are a function of public financing and are a required accounting mechanism with the state to draw down federal participation for Medicaid programs.

- Other costs in the SFDPH budget ($506 million)—primarily materials and supplies, including pharmaceutical, food and supplies purchases at the hospitals, and interdepartmental work orders, as well as some small capital and equipment investments—are flat in the proposal, reflecting inflationary growth offset by the removal of one-time investments.

*Overview of DPH Balancing Plan*

The table below summarizes the specific budget solves included in SFDPH's proposed budget.

| | FY 26-27 General Fund Savings/(Cost) | FY 27-28 General Fund Savings/(Cost) | Two-Year Total |
|---|---|---|---|
| **Negative exposures vs. baseline budget** | **(20.3)** | **(20.9)** | **(41.1)** |
| Higher than budgeted per diem nurse spending | (20.3) | (20.9) | (41.1) |
| | | | |
| **Required budget solves** | **81.3** | **117.5** | **198.8** |
| **Revenue initiatives (above baseline) (A1-A10)** | **67.7** | **108.6** | **176.3** |
| **Expenditure Savings - already identified (internal efficiencies)** | **25.2** | **25.1** | **50.3** |
| *Eliminate additional FTE vacancies (B1)* | *2.8* | *3.0* | *5.8* |
| *Contracting efficiencies at ZSFG / across DPH (B2)* | *4.1* | *4.1* | *8.2* |
| *Other administrative spending reprioritization / efficiencies (B3)* | *7.5* | *7.5* | *15.0* |
| *Better manage per diem staffing (P103 nursing) (B4)* | *10.9* | *10.5* | *21.4* |
| **Critical Investment Initiatives** | **(11.7)** | **(16.2)** | **(27.8)** |
| *Security operating investments (C1)* | *(7.5)* | *(7.5)* | *(15.0)* |
| *Staffing Assisted Living Facility at 624 Laguna(C2)* | *(1.7)* | *(5.8)* | *(7.5)* |
| *Leases for consolidating staff to modern/seismically safe buildings (C3)* | *(2.4)* | *(2.9)* | *(5.3)* |
| | | | |
| **Total proposal (budget solves + negative exposures)** | **61.0** | **96.6** | **157.6** |
| | | | |
| **Additional budget solves required, to be identified by April** | **20.0** | **40.0** | **60.0** |
| Expect additional policy guidance from MYO | | | |
| Focus will be on $240M in CBO + DPH staffed programs | | | |
| **Total proposal including all solves** | **81** | **137** | **218** |

The detailed proposals outlined below focus on identifying additional revenue (Medi-Cal and Medicare reimbursement) and other administrative and contracting efficiencies.

While this proposal achieves significant General Fund savings, the City's fiscal situation requires us to do more. We expect to receive additional instructions from the Mayor's Office directing SFDPH to identify $40 million of additional ongoing expenditure savings from contracted and staffed programs.

SFDPH is committed to a transparent process with stakeholders in identifying these reductions and will bring additional details for Health Commission consideration by the end of April 2026, prior to the Mayor's Office finalizing a balanced City budget by June 1, 2026.

## Details on SFDPH FYs 2026-28 February Budget Submission

*I. Revenue Growth*

*A1 – Baseline Revenue Growth for the San Francisco Health Network (SFHN) and Zuckerberg San Francisco General (ZSFG):* This initiative adjusts San Francisco Health SFHN and ZSFG revenues to reflect current revenue baseline projections for Patient Revenues, Managed Care Supplemental, Medi-Cal Graduate Medical Education (GME), the Global Payment Program (GPP) and capitation revenue. This initiative is reflective of changes to projections based on what has already been assumed in the City's budget. Of note, the Federal H.R. 1 and changes in the FY2025-26 state budget impacts have already been accounted for in the City's base revenue, this initiative adjusts revenue projections separate from those legislative changes. The initiative also includes a true-up of materials and supplies costs in line with projected pharmacy revenue.

Net General Fund Impact: FY 2026-27 ($1,713,961) and FY 2027-28 ($27,765,936)

*A2 – Baseline Revenue Growth for Laguna Honda Hospital (LHH):* This initiative adjusts LHH revenues to reflect the current revenue projections. It also incorporates a true-up of pharmacy cost growth and in contracts required for biomedical and laundry.

Net General Fund Impact: FY 2026-27 ($13,053,645) and FY 2027-28 ($22,269,567)

*A3 – Baseline Revenue Growth for Behavioral Health Services (BHS):* This baseline revenue proposal reflects budget adjustments to align BHS revenue with current fiscal-year performance and projected trends. In total, SFDPH proposes baseline revenue increases of $39.4 million and $44.4 million in FY 2026-27 and FY 2027-28, respectively. These increases are driven by sustained growth in behavioral health patient services, continued implementation of CalAIM revenue programs, and the inclusion of cost-based reimbursement streams that were not fully incorporated in the prior budget cycle due to state submission timing. The baseline applies standard CPI increase against current fiscal-year revenue levels and excludes the assumed impacts of federal and state legislative changes effective January 1, 2026, that have already been included in the City's baseline budget.

Net General Fund Impact: FY 2026-27 ($39,375,797) and FY 2027-28 ($44,423,318)

*A4 – Baseline Revenue Growth for Ambulatory Care:* This initiative focuses on sustaining and expanding revenue growth for Community Primary Care (CPC) and Jail Health Services (JHS). Building on approved efforts in the current fiscal year, these initiatives aim to strengthen financial performance while improving access and quality of care.

Net General Fund Impact: FY 2026-27 ($6,000,000) and FY 2027-28 ($6,000,000)

*A5 – BHS Billing Optimizations: BEAM and SPY Programs:* BHS has two new billing opportunities in the upcoming year. Bringing Expanded Access to medications for opioid use disorder (MOUD, a.k.a. BEAM Program) is undertaking the steps necessary to become a certified outpatient clinic. The program, which provides telehealth initiation for MOUD, will generate an estimated $1 million in revenue in FY 2026-27, growing to $1.5 million in FY 2027-28. Special Services for Youth (SPY) provides behavioral health services for youth detained at the Juvenile Justice Center Under the CalAIM Justice-Involved Initiative. BHS is also required to implement Medi-Cal eligibility, enrollment, and billing activities within the juvenile justice system for the first time.

Net General Fund Impact: FY 2026-27 ($1,100,670) and FY 2027-28 ($1,540,154)

*A6 – Primary Care Billing Optimizations: Medicare on the ZSFG Campus*: This initiative adjusts Ambulatory Care revenues to reflect the impact of billing optimization efforts at Family Health Center and Richard Fine Primary Care Clinic. This initiative proposes to increase revenue by leveraging the Medicare Primary Care Exception (PCE) rule, which allows teaching-based primary care clinics to bill Medicare for professional services provided by residents without direct attending physician presence during certain visits. The projection indicates $2.0 million of net revenue increase FY 2026-27 and FY 2027-28.

Net General Fund Impact: FY 2026-27 ($2,000,000) and FY 2027-28 ($2,000,000)

*A7 – Expand Jail Psychiatry and Make Medi-Cal Re-entry and Billing Staffing in Jail Health Permanent:* The proposal increases the Jail Health Psychiatry Services line item within the UCSF Affiliation Agreement to add three psychiatrists to support expanded capacity in the jail. The proposal also adjusts the staffing added to support Medi-Cal billing in jail, as the result of the first year of implementation. This includes a number of substitutions in FY 2026-27 and then ongoing funding and positions beginning in FY 2027-28 when state grant funding for the transition to Medi-Cal billing ends. The cost of the initiative will be offset by two Department of State Hospitals contracts, Medi-Cal billing revenue from reimbursable psychiatric services, and Medi-Cal for other services in the jail.

Net General Fund Impact: FY 2026-27 ($0) and FY 2027-28 ($0)

*A8 – BH-CONNECT Access, Reform and Outcomes Incentive Program and Children, Youth & Families (CYF) Evidence-Based Practices:* The Behavioral Health Community-Based Organized Networks of Equitable Care and Treatment (BH-CONNECT) initiative is designed to increase access to and strengthen the continuum of community-based behavioral health services for Medi-Cal members living with significant behavioral health needs. Behavioral Health Plans that meet the participation requirements earn incentive payments for demonstrating improvements in access to behavioral health services; outcomes among Medi-Cal members living with significant behavioral health needs; and delivery system capabilities. SFDPH anticipates earning quality incentives of $2.0 million a year in the upcoming budget cycle.

Net General Fund Impact: FY 2026-27 ($2,000,000) and FY 2027-28 ($2,084,709)

*A9 – ZSFG Billing Optimization: ZSFG Psychiatry:* This initiative adjusts ZSFG inpatient psychiatric services revenue to reflect the impact of billing optimization efforts by integrating billing for professional fees into the existing Epic system.

Net General Fund Impact: FY 2026-27 ($2,500,000) and FY 2027-28 ($2,500,000)

*A10 – Permanent Housing Advanced Clinical Services (PHACS) Behavioral Health Restructure:*
PHACS is a team of healthcare professionals who provide mobile, interdisciplinary support to individuals in Permanent Supportive Housing who have physical and/or behavioral health care needs that cannot be met in community settings. The behavioral health component was originally provided through a contract with a community-based organization. As the model has evolved, it has become clear that a DPH team will improve retention and coordination. We propose to redirect the contracted funds to cover 10 new staff positions, resulting in an ongoing $0.5 M in expenditures savings within the Our City, Our Home Fund (Prop C).

Net General Fund Impact: FY 2026-27 ($0) and FY 2027-28 ($0)

*II. Expenditure Savings*

*B1 – Eliminate Vacant Positions*: To meet its savings targets, SFDPH proposes to delete 17.0 currently vacant FTE from across the Department. Divisions have taken a strategic approach to these proposals, with an eye towards minimizing service impacts.

Net General Fund Impact: FY 2026-27 ($2,750,000) and FY 2027-28 ($3,000,000)

*B2 – Contract Efficiencies with ZSFG:* The Department will realize $4.1 million in annual savings from a variety of efforts at ZSFG to constrain growth in contract costs. ZSFG will realize $4 million in contract cost savings by reviewing existing contracts to consolidate vendors and eliminating redundant or low-value contracts to achieve cost savings.

Net General Fund Impact: FY 2026-27 ($4,075,000) and FY 2027-28 ($4,075,000)

*B3 – Administrative Spending Reprioritization and Efficiencies:* The Department will identify $7.5 million in ongoing General Fund savings by reducing reliance on external consultants, restructuring Information Technology (IT) contracts, and improving staffing utilization to better leverage existing internal capacity.

Net General Fund Impact: FY 2026-27 ($7,500,000) and FY 2027-28 ($7,500,000)

*B4 - Salary Spending Adjustments to Reflect Operations, including Float Pool, P103 and Patient Coaching Needs as well as Special Class Adjustments:* The ZSFG operating budget is currently projecting a $20.3 million salary shortfall in FY 2026-27 if present trends continue. To restore the budget to break even, this proposal includes a targeted set of countermeasures, focused on workforce realignment, compliance with staffing regulations, and cost containment. This proposal includes four elements: 1) increased budget for premium and overtime pay to reflect COLAs; 2) additional 2320 Registered Nurses to create float pools; 3) increasing Patient Care Assistants (PCA) staffing by 26 FTE to meet the increasing demand of one-on-one coaching in ZSFG's acute inpatient psychiatric units; and 4) operational changes to reduce P103 usage.

Net General Fund Impact: FY 2026-27 ($10,903,464) and FY 2027-28 ($10,497,005)

*III. Critical Investments*

*C1 – Investing in Security Improvements*:
This initiative requests funding for one-time and ongoing costs related to DPH Safety and Security Improvement initiatives including security staffing, training, and facilities upgrades and maintenance. While significant assessments and evaluation processes are still underway, the Department expects to invest in initiatives
that total approximately $15 million annually. SFDPH's budget proposal includes funding for half of the anticipated annual costs, with commitment from the Mayor's Office to provide the remaining half. Additional details on the proposed investments will be brought to the Commission for review.

Net General Fund Impact: FY 2026-27 (-$7,500,000) and
FY 2027-28 (-$7,500,000)

*C2 – Staffing Assisted Living Faculty at 624 Laguna Street:* The Department proposes to open a Residential Care Facility for the Elderly (RCFE) at 624 Laguna Street in the Hayes Valley neighborhood. The RCFE at 624 Laguna Street will be operated by SFDPH staff and will provide a home for low-income behavioral health clients aged 60 and up who need assistance with activities of daily living. Opening is anticipated in early 2027.

Net General Fund Impact: FY 2026-27 (-$1,745,309) and FY 2027-28 -($5,779,519)

*C3 – Leases and Operating Costs for consolidating staff to modern/seismically safe buildings*: This initiative requests funding for additional operating costs of relocating SFDPH operations staff into the newly renovated M & O Wings at LHH as well as additional leased space as part of its goal to consolidate its programs and staff in fewer and more modern and seismically safer locations.

Net General Fund Impact: FY 2026-27 (-$2,438,906) and FY 2027-28 (-$2,878,726)

*IV. Inflationary Costs and Other Costs Assumed as Part of Citywide Deficit*

*D1 - University of California San Francisco (UCSF) Affiliation Agreement Costs*: This initiative requests annual adjustments to the long-standing Affiliation Agreement with UCSF for physician, clinical and ancillary services at ZSFG Medical Center.

Net General Fund Impact: FY 2026-27 ($980,353) and FY 2027-28 ($18,361,060)

*D2 – SFDPH Pharmaceuticals and Materials and Supplies Inflation*: This initiative requests annual inflationary adjustments for expenses critical to network operations, ensuring that SFDPH can continue to provide services and treatments to its patients. The Department projects cost and utilization increases of 13% for pharmaceuticals at ZSFG, 8% for pharmaceuticals in other divisions of SFDPH, 8% for food, and 5% for laundry.

Net General Fund Impact: FY 2026-27 ($0) and FY 2027-28 (-$20,142,090)

## **Next Steps**

We will return on March 2nd to present this proposal with any updates for the Commission's review and approval. The Department submission represents the first phase of the budget process, and we will work with the Mayor's Office as it develops the June budget.

The Mayor's Office has been clear that the City needs to manage expenditure growth and focus resources on high-impact programs. The Mayor's directive for $40 million in ongoing reductions is driven by the fact that expenditures have outpaced revenues. While our current proposal does include $22 million of expenditure reductions, SFDPH will also need to provide additional initiatives to meet the Mayor's instructions during this budget cycle. SFDPH is committed to a transparent process with stakeholders in identifying these reductions and will also bring additional details for Health Commission consideration by the end of April 2026, prior to the Mayor's Office finalizing a balanced City budget by June 1, 2026.

**Initiative Number – A1**

**FY 2026-27 & 2027-28 Program Change Request**

**DIVISION: San Francisco General Hospital**

PROGRAM / INITIATIVE TITLE: **Baseline Revenue Growth for San Francisco Health Network (SFHN) and Zuckerberg San Francisco General (ZSFG)**
TARGETED CLIENTS: N/A
PROGRAM CONTACT NAME/TITLE: Matthew Sur, Revenue Cycle & Reimbursement Director

| FY 2026-27 FTE Change | FY 2027-28 FTE Cumulative Change | FY 2026-27 General Fund Impact Favorable/(Unfavorable) | FY 2027-28 Cumulative Net General Fund Impact Favorable/(Unfavorable) |
|---|---|---|---|
| 0.0 | 0.0 | $ 1,713,961 | $ 27,765,936 |

**PROGRAM DESCRIPTION:** (brief description of proposed change)

This initiative adjusts San Francisco Health Network (SFHN) and Zuckerberg San Francisco General (ZSFG) revenues to reflect current revenue baseline projections for Patient Revenues, Managed Care Supplemental, Medi-Cal Graduate Medical Education (GME), the Global Payment Program (GPP) and capitation revenue. The projections reflect changes based on the prior City's budget.

Consistent with FY2025-26 trends, ZSFG revenues reflect a fall in census from April to October 2025 relative to 2024 resulting in a projected annual revenue shortfall of approximately $47.1 million as of the second quarter FY2025-26. SFDPH's budget proposal must address this revenue trend as well as meet the Mayor's directive to reduce spending. These concurrent pressures reinforce the need for disciplined financial stewardship, revenue maximization, and targeted structural changes across the Department.

Also of note, Federal HR1 and changes in the FY2025-26 State budget impacts have already been accounted for in the City's base revenue, this initiative adjusts revenue projections separate from those legislative changes. The initiative also includes a true-up of materials and supplies costs in line with projected pharmacy revenue which support these baseline projections.

**JUSTIFICATION:**

Baseline revenues at Zuckerberg San Francisco General (ZSFG) are being adjusted to reflect projected changes from the base budgets for FY 2026-27 and FY 2027-28.

- Net Patient Revenue is projected to decrease from base budget by $7.5 million and increase by $8.2 million in FY 2026-27 and FY 2027-28, respectively.
- Capitation revenue is projected to increase by $2.0 million in FY 2026-27 and $2.4 million in FY2027-28.
- The Enhanced Payment Program (EPP) is projected to increase by $30.5 million in FY 2026-27 and $39.2 million in FY 2027-28.
- The Rate Range program is projected to increase by $4.9 million in FY 2026-27 and $6.5 million in FY 2027-28.

- The Quality Incentive Pool (QIP) is projected to increase by $10.3 million in FY 2026-27 and $20.2 million in FY 2027-28.
- Medicaid Graduate Medical Education (GME) funding is projected to increase by $13.0 million in FY 2026-27 and $14.6 million in FY 2027-28.
  Medicaid DSH funding through the GPP is projected to increase by $3.5 million in FY2026-27 and $7.7 million in FY 2027-28.

As a result of the increased revenue related to supplemental payment programs, the ZSFG projects intergovernmental transfer (IGT) payments to increase by $48.8 million in FY2026-27 and $47.0 million in FY2027-28.

Revenue growth reflects current year reductions to patient census. As of FY 2025-26 Q2, net patient revenue in the current year (FY 2025-26) is expected to fall approximately $47.1 million short of budget due to a significant reduction in patient census between April 2025 and October 2025. Patient volume in the most recent months indicate this trend is partially reversing but current trends result continued risk of revenue variance.

It is our priority to maximize revenue in order to stretch limited funding as far as possible. We plan several countermeasures to mitigate revenue risk in FY2026-27 and FY2027-28:

- A prior year initiative to expand capacity in the operating room was delayed and ZSFG now plans on opening OR10 by early spring and projects an additional $3 million annually in patient revenue as a result.
- We believe there are additional opportunities to improve documentation accuracy through improved patient status classification resulting in continued increases in our Inpatient Case Mix Index (CMI) up to 1% resulting in an estimated $3 million.
- Review patient stays that were classified as observation to change status from outpatient to inpatient billing status. Dependent on the volume identified, we estimate value of this is $4 million.
- Propose to increase the number of come and stay procedures when census falls below a threshold value. Increasing come and stay procedures by 75 cases annually is estimated to increase revenue by $3 million.

This initiative also proposes to restore a $4.8 million reduction to ZSFG's materials and supplies (M&S) budget included in last year's budget as part of the Mayor's balancing plans. Consistent with patient volumes assumed in our revenue projections, costs for patient supplies will exceed this reduction. Restoration of this budget will ensure that ZSFG can effectively manage these demands, maintain uninterrupted access to critical resources, and continue to provide high-quality care.

Finally, this initiative proposes to increase pharmaceutical budget as a result of recent changes converting the 340b program from a discounting process on all eligible drugs to providing rebates via a Pilot Program. This change means SFDPH will have to pay upfront for costs that were previously discounted and receive rebated revenue directly from the manufacturers after purchase. Similar manufacturer-based programs have denial rates that may reduce rebates by 30% from the Discount Model.

| **IMPACT ON CLIENTS:** (units of service and/or number of clients affected, if applicable) |
|---|
| No impact on clients. |

| **EXPENSE AND REVENUE IMPACT:** (for both fiscal years) |
|---|
| Revenues net of expenditures and IGT will increase by $1.7 million FY 2026-27 and $27.8 million in FY 2027-28. |
| **IMPACT ON DEPARTMENT'S WORKFORCE:** (for both fiscal years) |
| No impact on FTEs in both fiscal years. |

ATTACHMENT B
SUMMARY OF PROGRAM COST

**INITIATIVE TITLE: Baseline Revenue Growth for San Francisco Health Network (SFHN) and Zuckerberg San Francisco General (ZSFG)**

| | Description | FY 2026-27 | FY 2027-28 |
|---|---|---|---|
| **Sources:** | Net Patient Revenue | $ (7,481,563) | $ 8,187,035 |
| | Enhanced Payment Program | $ 30,527,462 | $ 34,805,194 |
| | Quality Incentive Program | $ 10,327,885 | $ 14,611,944 |
| | Rate Range | $ 4,945,379 | $ 6,540,547 |
| | Capitation | $ 2,034,532 | $ 2,362,074 |
| | Medicaid GME | $ 12,956,197 | $ 14,642,338 |
| | Global Payment Program | $ 3,526,029 | $ 7,723,462 |
| | 340B Rebates | $ 3,360,000 | $ 3,628,800 |
| | Subtotal Sources | $ 60,195,921 | $ 92,501,394 |
| **Uses:** | Salary and Benefits | $ - | $ - |
| | Operating Expense | $ 9,646,040 | $ 10,030,040 |
| | IGT | $ 48,835,920 | $ 54,705,418 |
| | Subtotal Uses | $ 58,481,960 | $ 64,735,458 |
| **Net General Fund Subsidy Required (savings)/cost (Uses less Sources)** | | $ 1,713,961 | $ 27,765,936 |
| **Total FTE's** | | 0.00 | 0.00 |

**Initiative Number – A2**

## FY 2026-27 & 2027-28 Program Change Request

**DIVISION: Laguna Honda Hospital**

PROGRAM / INITIATIVE TITLE: **Baseline Revenue Growth for Laguna Honda Hospital (LHH)**
TARGETED CLIENTS: All Laguna Honda Hospital residents
PROGRAM CONTACT NAME/TITLE: Matthew Sur, Revenue Cycle & Reimbursement Director and Jeffrey Drew, Acting CFO

| FY 2026-27 FTE Change | FY 2027-28 FTE Cumulative Change | FY 2026-27 General Fund Impact Favorable/(Unfavorable) | FY 2027-28 Cumulative Net General Fund Impact Favorable/(Unfavorable) |
|---|---|---|---|
| 0.00 | 0.00 | $13,053,645 | $22,269,567 |

**PROGRAM DESCRIPTION:** (brief description of proposed change)

This initiative adjusts the Laguna Honda Hospital (LHH) revenues to reflect the current revenue projections. The projection assumes that LHH's Long Term Care (LTC) beds are at the operational capacity of 636 beds. In addition, it assumes that a successor funding program is determined that would continue Medicaid supplemental for LTC.

This proposes initiative includes $2.0 million in expenditures in FY 2026-27 and FY 2027-28 for contractual services and materials and supplies.

**JUSTIFICATION:**

This initiative anticipates LHH's return to full certified patient census of 636 in FY 2026-27. Additionally, it also assumes that the funding for the successor to the Distinct Part/Nursing Facility program is implemented effective in January 2026. Combing the projected revenue for a return to full census, along with an expected DP/NF program, revenue is estimated to increase by $15.0 million in FY 2026-27 and $24.2 million in FY 2027-28

The FY 2026-27 and FY 2027-28 proposal increases expenditures by $2.0 million due to increases in patient census. These expenditures include contractual services for resident laundry to meet regulatory infection control requirements and medical equipment preventative maintenance and repair to support patient safety.

**IMPACT ON CLIENTS:** (units of service and/or number of clients affected, if applicable)

**N/A**

**EXPENSE AND REVENUE IMPACT:** (for both fiscal years)

The net patient service revenue increase for FY 2026-27 is $13.0 million and $22.2 million for FY 2027-28.

The expenditure increase for FY 2026-27 and FY 2027-28 is $2.0 million

**IMPACT ON DEPARTMENT'S WORKFORCE:** (for both fiscal years)

No impact

**ATTACHMENT B**
**SUMMARY OF PROGRAM COST**

**INITIATIVE TITLE: A2 - Baseline Revenue Growth for Laguna Honda Hospital (LHH)**

| | Description | **FY 2026-27** | **FY 2027-28** |
|---|---|---|---|
| **Sources:** | Patient Service and Distinct Part/Nursing Facility Revenue | $ 15,016,464 | $ 24,232,386 |
| | Subtotal Sources | $ 15,016,464 | $ 24,232,386 |
| **Uses:** | Salary and Benefits | $ - | $ - |
| | Operating Expense | $ 1,962,819 | $ 1,962,819 |
| | Subtotal Uses | $ 1,962,819 | $ 1,962,819 |
| **Net General Fund Subsidy Required (savings)/cost (Uses less Sources)** | | $ (13,053,645) | $ (22,269,567) |
| **Total FTE's** | | 0.00 | 0.00 |

**New Positions** (List positions by Class, Title and FTE)

| Class | Title | FTE | | FTE | |
|---|---|---|---|---|---|
| 0 | | 0.00 | | 0.00 | |
| 0 | | 0.00 | | 0.00 | |
| 0 | | 0.00 | | 0.00 | |
| 0 | | 0.00 | | 0.00 | |
| 0 | | 0.00 | | 0.00 | |
| 0 | | 0.00 | | 0.00 | |
| 0 | | 0.00 | | 0.00 | |
| 0 | | 0.00 | | 0.00 | |
| 0 | | 0.00 | | 0.00 | |
| 0 | | 0.00 | | 0.00 | |
| 0 | | 0.00 | | 0.00 | |
| 0 | | 0.00 | | 0.00 | |
| 0 | | 0.00 | | 0.00 | |
| 0 | | 0.00 | | 0.00 | |
| 0 | | 0.00 | | 0.00 | |
| 0 | | 0.00 | | 0.00 | |
| 0 | | 0.00 | | 0.00 | |
| 0 | | 0.00 | | 0.00 | |
| 0 | | 0.00 | | 0.00 | |
| | Total Salary | 0.00 | - | 0.00 | 0 |
| | Fringe | | - | | - |
| | Total Salary and Fringe | **0.00** | **0** | **0.00** | **0** |

**Initiative Number – A3**

**FY 2026-27 & 2027-28 Program Change Request**

**DIVISION: Behavioral Health Services**

PROGRAM / INITIATIVE TITLE: **Baseline Revenue Growth for Behavioral Health Services (BHS)**
**TARGETED CLIENTS: All Behavioral Health clients**
PROGRAM CONTACT NAME/TITLE: Matthew Sur, Reimbursement Director

| FY 2026-27 FTE Change | FY 2027-28 FTE Cumulative Change | FY 2026-27 General Fund Impact Favorable/(Unfavorable) | FY 2027-28 Cumulative Net General Fund Impact Favorable/(Unfavorable) |
|---|---|---|---|
| - | - | $39,375,797 | $44,423,318 |

| **PROGRAM DESCRIPTION:** (brief description of proposed change) |
|---|
| This baseline revenue proposal reflects budget adjustments to align Behavioral Health Services (BHS) revenue with current fiscal-year performance and projected trends. In total, DPH proposes baseline revenue increases of $39.4 million in FY 2026–27 and $44.4 million in FY 2027–28, driven by sustained growth in behavioral health patient services, continued implementation of CalAIM revenue programs, and the inclusion of cost-based reimbursement streams that were not fully incorporated in the prior budget cycle due to State submission timing.<br><br>The baseline applies standard CPI increase against current fiscal-year revenue levels and excludes the assumed impacts of Federal and State legislative changes effective January 1, 2026, that have already been included in the City's baseline budget. |
| **JUSTIFICATION:** |
| BHS has experienced substantial growth in service activity and claims volume resulting in baseline revenue growth of $27.7 million and $33.2 million in FY 2026-27 and FY 2027–28, respectively.<br><br>Mental Health revenue, largely driven by Medi-Cal reimbursements, reflects sustained increases in service volume, with both units of service and total claims increasing by approximately 18-19% year over year. Growth is primarily attributed to post Go-Live stabilization and billing optimization following Epic implementation, including improved charge capture processes and other workflow efficiencies. Additionally, in FY 2024-25 Mental Health outpatient CBOs transitioned from cost reimbursement to a blended fee for service payment structure with an expected unit delivery in FY 2024-25.<br><br>Substance Use Disorder services show a similar trend, with revenue increasing approximately 22% year over year, supported by a 17% increase in units of service. Growth is concentrated in residential treatment, methadone services, adult outpatient and intensive outpatient programs.<br><br>As patient service activity has expanded across both SMH and DMC, related cost-based reimbursement activities have increased accordingly. Revenue for BHS County Administrative Services' has grown by approximately $2.8 million alongside patient services, as allowable administrative reimbursement is tied to the revenue of eligible direct service claims. Similarly, growth in Quality Assurance and Utilization Review (QAUR) revenue stems from a shift in the timing of claiming; the baseline assumes ongoing annual QAUR revenue of approximately $13.8 million as QAUR transitions into periodic quarterly claiming. |

In addition to SMH and DMC revenue, the baseline includes a net adjustment of approximately $1.5 million to other patient revenue. This reflects an increase in pharmacy revenue, the removal of $4.0 million in prior-year settlement revenue due to inconsistent and unpredictable audit timelines, and a one-time addition of $3.1 million in FY 2026-27 for the expansion of Recuperative Care Community Support programs.

Growth in patient revenue is modestly offset by a reduction of $3.4 million in other operating revenue. The County receives a dedicated share of State sales tax revenue for behavioral health services as part of a 2011 Realignment, and the FY2026–27 budget is based on a 1.4% growth assumption in statewide sales tax collections. The projection of Care Court revenue, a cost-reimbursement program that began invoicing in FY 2025–26, is $1.7 million lower than base.

| **IMPACT ON CLIENTS:** (units of service and/or number of clients affected, if applicable) |
|---|
| None |

| **EXPENSE AND REVENUE IMPACT:** (for both fiscal years) |
|---|
| FY 2026-27: Increase revenue of $39,375,797;  FY 2027-28: Increase revenue of $44,423,318 |
| **IMPACT ON DEPARTMENT'S WORKFORCE:** (for both fiscal years) |
| None |

**ATTACHMENT B**
**SUMMARY OF PROGRAM COST**

**INITIATIVE TITLE: A3 - Baseline Revenue Growth for Behavioral Health Services (BHS)**

| | Description | FY 2026-27 | FY 2027-28 |
|---|---|---|---|
| **Sources:** | | | |
| | Patient Service Revenue | $ 39,375,797 | $ 44,423,318 |
| | Subtotal Sources | $ 39,375,797 | $ 44,423,318 |
| **Uses:** | Salary and Benefits | $ - | $ - |
| | Operating Expense | $ - | $ - |
| | Subtotal Uses | $ - | $ - |
| **Net General Fund Subsidy Required (savings)/cost (Uses less Sources)** | | $ (39,375,797) | $ (44,423,318) |
| **Total FTE's** | | 0.00 | 0.00 |

**New Positions** (List positions by Class, Title and FTE)

| Class | Title | FTE | | FTE | |
|---|---|---|---|---|---|
| 0 | | 0.00 | | 0.00 | |
| 0 | | 0.00 | | 0.00 | |
| 0 | | 0.00 | | 0.00 | |
| 0 | | 0.00 | | 0.00 | |
| 0 | | 0.00 | | 0.00 | |
| 0 | | 0.00 | | 0.00 | |
| 0 | | 0.00 | | 0.00 | |
| 0 | | 0.00 | | 0.00 | |
| 0 | | 0.00 | | 0.00 | |
| 0 | | 0.00 | | 0.00 | |
| 0 | | 0.00 | | 0.00 | |
| 0 | | 0.00 | | 0.00 | |
| 0 | | 0.00 | | 0.00 | |
| 0 | | 0.00 | | 0.00 | |
| 0 | | 0.00 | | 0.00 | |
| 0 | | 0.00 | | 0.00 | |
| 0 | | 0.00 | | 0.00 | |
| 0 | | 0.00 | | 0.00 | |
| 0 | | 0.00 | | 0.00 | |
| | Total Salary | 0.00 | - | 0.00 | 0 |
| | Fringe | | - | | - |
| | Total Salary and Fringe | **0.00** | **0** | **0.00** | **0** |

| | Account Code | | |
|---|---|---|---|
| 527000 | Professional Services | - | - |
| 540000 | Materials and Supplies | - | - |
| 581000 | Workorder | - | - |
| | | $ - | $ - |

**Initiative Number – A4**

**FY 2026-27 & 2027-28 Program Change Request**

**DIVISION: Ambulatory Care: Primary Care and Jail Health**

PROGRAM / INITIATIVE TITLE: **Baseline Revenue Growth for Ambulatory Care**
PROGRAM CONTACT NAME/TITLE: Matthew Sur, Revenue Cycle and Reimbursement Director

| FY 2026-27 FTE Change | FY 2027-28 FTE Cumulative Change | FY 2026-27 General Fund Impact Favorable/(Unfavorable) | FY 2027-28 Cumulative Net General Fund Impact Favorable/(Unfavorable) |
|---|---|---|---|
| 0.0 | 0.0 | $6,000,000 | $6,000,000 |

**PROGRAM DESCRIPTION:** (brief description of proposed change)

This initiative focuses on sustaining and expanding revenue growth for Community Primary Care (CPC) and Jail Health Services (JH). Building on approved efforts in the current fiscal year, these initiatives aim to strengthen financial performance while improving access and quality of care. The projection increases revenue by $6.0 million in both FY 2026-27 and FY 2027-28.

**JUSTIFICATION:**

In the current year, CPC implemented a strategy to increase revenue by $6.5 million by FY 2026-27 through 1) improving timely access to care, 2) increasing capacity, and 3) increasing percentage of visits paid. Building on this strategy, CPC direct patient services revenue is projected to grow by an additional $3.0 million in both FY 2026-27 and FY 2027-28. The direct patient care revenue is offset by a $2 million lower expectation in capitation revenue in both FY 2026-27 and FY 2027-28 primarily due to high out of network costs and lower pay for performance program revenue.

Under the CalAIM Justice-Involved Initiative, JH began billing Medi-Cal for eligible services in April 2025. JH has outperformed its $7 million Medi-Cal current year budget and is now expected to increase by $5.0 million in both FY 2026-27 and FY 2027-28, primarily driven by better-than-anticipated Medi-Cal reimbursements for in-custody health services and discharge pharmacy programs.

**IMPACT ON CLIENTS:** (units of service and/or number of clients affected, if applicable)

Justice Involved Population receiving Jail Health Services

**EXPENSE AND REVENUE IMPACT:** (for both fiscal years)

$6,000,000 in both FY 2026-27 and FY 2027-28

**IMPACT ON DEPARTMENT'S WORKFORCE:** (for both fiscal years)

N/A

**ATTACHMENT B**
**SUMMARY OF PROGRAM COST**

**INITIATIVE TITLE: A4 – Baseline Revenue Growth for Ambulatory Care**

| | Description | FY 2026-27 | FY 2027-28 |
|---|---|---|---|
| **Sources:** | | | |
| | Primary Care Net Patient Revenue | $ 1,000,000 | $ 1,000,000 |
| | Jail Health Net Patient Revenue | $ 5,000,000 | $ 5,000,000 |
| | Subtotal Sources | $ 6,000,000 | $ 6,000,000 |
| **Uses:** | Salary and Benefits | $ - | $ - |
| | Operating Expense | $ - | $ - |
| | Subtotal Uses | $ - | $ - |
| **Net General Fund Subsidy Required (savings)/cost (Uses less Sources)** | | $ (6,000,000) | $ (6,000,000) |
| **Total FTE's** | | 0.00 | 0.00 |

**New Positions** (List positions by Class, Title and FTE)

| Class | Title | FTE | | FTE | |
|---|---|---|---|---|---|
| 0 | | 0.00 | | 0.00 | |
| 0 | | 0.00 | | 0.00 | |
| 0 | | 0.00 | | 0.00 | |
| 0 | | 0.00 | | 0.00 | |
| 0 | | 0.00 | | 0.00 | |
| 0 | | 0.00 | | 0.00 | |
| 0 | | 0.00 | | 0.00 | |
| 0 | | 0.00 | | 0.00 | |
| 0 | | 0.00 | | 0.00 | |
| 0 | | 0.00 | | 0.00 | |
| 0 | | 0.00 | | 0.00 | |
| 0 | | 0.00 | | 0.00 | |
| 0 | | 0.00 | | 0.00 | |
| 0 | | 0.00 | | 0.00 | |
| 0 | | 0.00 | | 0.00 | |
| 0 | | 0.00 | | 0.00 | |
| 0 | | 0.00 | | 0.00 | |
| 0 | | 0.00 | | 0.00 | |
| 0 | | 0.00 | | 0.00 | |
| | Total Salary | 0.00 | - | 0.00 | 0 |
| | Fringe | | - | | - |
| | Total Salary and Fringe | **0.00** | **0** | **0.00** | **0** |

| | Account Code | FY 2026-27 | FY 2027-28 |
|---|---|---|---|
| 527000 | Professional Services | - | - |
| 540000 | Materials and Supplies | - | - |
| 581000 | Workorder | - | - |
| | | $ - | $ - |

## FY 2026-27 & 2027-28 Program Change Request

**DIVISION: Behavioral Health Services**

PROGRAM / INITIATIVE TITLE: **BHS Billing Optimizations: BEAM and SPY Programs**
TARGETED CLIENTS: Opiate users (BEAM program – Bringing Expanded Access to MOUD); justice-involved youth (Special Programs for Youth CalAIM Justice Involved Initiative); all behavioral health clients (resolving delinquent notes)
PROGRAM CONTACT NAME/TITLE: Max Rocha, Director of Systems of Care, BHS

| FY 2026-27 FTE Change | FY 2027-28 FTE Cumulative Change | FY 2026-27 General Fund Impact Favorable/(Unfavorable) | FY 2027-28 Cumulative Net General Fund Impact Favorable/(Unfavorable) |
|---|---|---|---|
| 0.80 | 1.0 | $1,100,670 | $1,540,154 |

**PROGRAM DESCRIPTION:** (brief description of proposed change)

BHS proposes to expand Medi-Cal billing in two programs and implement a department-wide documentation improvement initiative to reduce revenue loss from delinquent clinical notes.

BEAM (telehealth initiation of medications for opioid use disorder) will begin Medi-Cal billing following Epic go-live in May 2026 and completion of DMC-ODS certification. SPY (behavioral health services for youth detained at the Juvenile Justice Center) will implement the CalAIM Justice-Involved Initiative beginning April 1, 2026, which expands Medi-Cal eligibility, enrollment, and billing for detained youth. In parallel, BHS will establish standardized documentation accountability processes to ensure timely completion of progress notes across all billable programs.

An additional 1.0 FTE on the BHS Revenue Integrity team to administratively support implementation, data analysis and finance monitoring of all three components of this initiative.

**JUSTIFICATION:**

BEAM and SPY are both well positioned to begin Medi-Cal billing based on current operational readiness and State policy changes. BEAM has a defined Epic build and is pursuing DMC-ODS certification to enable billing beginning in FY26-27. SPY is required to implement the CalAIM Justice-Involved Initiative by April 1, 2026, which expands Medi-Cal eligibility, enrollment, and billing activities for detained youth and allows coverage of services provided up to 90 days prior to release.

In addition, BHS has identified a substantial backlog of delinquent clinical documentation that contributes to delayed billing and avoidable revenue loss. All clinical notes should be completed within 72 hours to support timely, coordinated, and safe care. Billing cannot occur if notes are unsigned, and services cannot be billed if notes remain unsigned for more than one year. Currently, BHS has a more than 1,300 open notes across mental health outpatient programs.

To address this issue, BHS is developing remediation strategies to improve documentation timeliness and revenue capture, including integration of note completion into program performance metrics, implementation of automated alerts and reminders, establishment of escalation standards

| |
|---|
| and sanctions for non-compliance, expanded training and technical support, and internal publication of monthly completion rates. |

| **IMPACT ON CLIENTS:** (units of service and/or number of clients affected, if applicable) |
|---|
| **BEAM and SPY**<br>There are no anticipated changes in the number of clients served or types of services delivered. BEAM currently delivers approximately 650 encounters per month, of which an estimated 50 percent would be eligible for billing.<br><br>In FY24–25, SPY recorded 379 bookings within Juvenile Hall that included SPY services. Of this population, 290 youth (77 percent) were Medi-Cal eligible. An estimated 375 encounters per month (4,488 annually) are included in the revenue projections based on the DHCS Medi-Cal fee schedule for the CalAIM Justice-Involved Initiative.<br><br>**Delinquent Notes**<br>Delinquent or incomplete clinical documentation undermines continuity, quality, and safety of care by limiting clinicians' access to current treatment information, increasing the risk of medical errors, and disrupting coordination across care teams. Incomplete notes also delay safe transitions of care and discharge planning and can erode patient trust as clients and families increasingly access records through Epic MyChart. |

| **EXPENSE AND REVENUE IMPACT:** (for both fiscal years) |
|---|
| Revenues net of expenditures and will increase by $1.1 million FY 2026-27 and $1.5 million in FY 2027-28. |
| **IMPACT ON DEPARTMENT'S WORKFORCE:** (for both fiscal years) |
| FY 26-27 – 0.80 FTE<br>FY 27-28 – 1.0 FTE |

**ATTACHMENT B**
**SUMMARY OF PROGRAM COST**

**INITIATIVE TITLE: A5 – BHS Billing Optimizations: BEAM and SPY Programs**

| | Description | FY 2026-27 | | FY 2027-28 | |
|---|---|---|---|---|---|
| **Sources:** | SDMC - Billing Optimization | $ | 1,271,710 | $ | 1,771,710 |
| | Subtotal Sources | $ | 1,271,710 | $ | 1,771,710 |
| **Uses:** | Salary and Benefits | $ | 171,040 | $ | 231,556 |
| | Operating Expense | $ | - | $ | - |
| | Subtotal Uses | $ | 171,040 | $ | 231,556 |
| **Net General Fund Subsidy Required (savings)/cost (Uses less Sources)** | | $ | (1,100,670) | $ | (1,540,154) |
| **Total FTE's** | | 0.80 | | 1.00 | |

**New Positions** (List positions by Class, Title and FTE)

| Class | Title | FTE | | FTE | |
|---|---|---|---|---|---|
| 1823 | Senior Administrative Analyst | 0.80 | 124,308 | 1.00 | 166,409 |
| | Total Salary | 0.80 | 124,308 | 1.00 | 166,409 |
| | Fringe | 37.6% | 46,732 | 39.1% | 65,147 |
| | Total Salary and Fringe | **0.80** | **171,040** | **1.00** | **231,556** |

| | Account Code | FY 2026-27 | FY 2027-28 |
|---|---|---|---|
| 527000 | Professional Services | - | - |
| 540000 | Materials and Supplies | - | - |
| 581000 | Workorder | - | - |
| | | $ - | $ - |

**FY 2026-27 & 2027-28 Program Change Request**

**DIVISION: Ambulatory Care: Primary Care**

PROGRAM / INITIATIVE TITLE: **Primary Care Billing Optimizations: Medicare on the ZSFG Campus**
TARGETED CLIENTS: N/A
PROGRAM CONTACT NAME/TITLE: Matthew Sur, Revenue Cycle & Reimbursement Director

| FY 2026-27 FTE Change | FY 2027-28 FTE Cumulative Change | FY 2026-27 General Fund Impact Favorable/(Unfavorable) | FY 2027-28 Cumulative Net General Fund Impact Favorable/(Unfavorable) |
|---|---|---|---|
| 0.0 | 0.0 | $2,000,000 | $2,000,000 |

**PROGRAM DESCRIPTION:** (brief description of proposed change)

The San Francisco Health Network (SFHN) Primary Care Program delivers comprehensive, patient-centered care through a citywide network of clinics designed to serve all San Francisco residents, regardless of insurance or immigration status.

Zuckerberg San Francisco General (ZSFG) is an academic medical center, where interns and residents are trained. Richard Fine People's Clinic (RFPC) and Family Health Center (FHC) provide primary care services on the Zuckerberg San Francisco General (ZSFG) campus. Both are clinics where patient care is delivered by physicians-in-training under supervision of fully licensed faculty doctors.

**JUSTIFICATION:**

This initiative proposes to increase revenue in both RFPC and FHC by leveraging the Medicare Primary Care Exception (PCE) rule, which allows teaching-based primary care clinics to bill Medicare for professional services provided by residents without direct attending physician presence during certain visits.

Historically, ZSFG has been hesitant to bill Medicare for resident-provided services due to compliance concerns, particularly around attestation requirements, audit risk, and operational complexity.

Under standard Medicare rules, attending physicians must be physically present for key portions of the visit and document their involvement. The PCE rule, however, allows billing for specific low-complexity visits without direct attending presence, provided supervision and documentation standards are met.

ZSFG and Primary Care leadership will work to assess and implement the following:

- Review current documentation and billing workflows for compliance gaps.
- Develop billing protocols to ensure PCE criteria are met.
- Train faculty, residents, and billing staff on compliance with PCE requirements.
- Establish internal audit processes to ensure adherence to Medicare guidelines.

- Track billing performance and error rates.

| |
|---|
| **IMPACT ON CLIENTS:** (units of service and/or number of clients affected, if applicable) |
| None |

| |
|---|
| **EXPENSE AND REVENUE IMPACT:** (for both fiscal years) |
| $2,000,000 in both FY 2026-27 and FY 2027-28 |
| **IMPACT ON DEPARTMENT'S WORKFORCE:** (for both fiscal years) |
| None |

**ATTACHMENT B**
**SUMMARY OF PROGRAM COST**

**INITIATIVE TITLE: A6 – Primary Care Billing Optimizations: Medicare on the ZSFG Campus**

| | Description | FY 2026-27 | FY 2027-28 |
|---|---|---|---|
| **Sources:** | | | |
| | Net Patient Services Revenue | $ 2,000,000 | $ 2,000,000 |
| | Subtotal Sources | $ 2,000,000 | $ 2,000,000 |
| **Uses:** | Salary and Benefits | $ - | $ - |
| | Operating Expense | $ - | $ - |
| | Subtotal Uses | $ - | $ - |
| **Net General Fund Subsidy Required (savings)/cost (Uses less Sources)** | | $ (2,000,000) | $ (2,000,000) |
| **Total FTE's** | | 0.00 | 0.00 |

**New Positions** (List positions by Class, Title and FTE)

| Class | Title | FTE | | FTE | |
|---|---|---|---|---|---|
| 0 | | 0.00 | | 0.00 | |
| 0 | | 0.00 | | 0.00 | |
| 0 | | 0.00 | | 0.00 | |
| 0 | | 0.00 | | 0.00 | |
| 0 | | 0.00 | | 0.00 | |
| 0 | | 0.00 | | 0.00 | |
| 0 | | 0.00 | | 0.00 | |
| 0 | | 0.00 | | 0.00 | |
| 0 | | 0.00 | | 0.00 | |
| 0 | | 0.00 | | 0.00 | |
| 0 | | 0.00 | | 0.00 | |
| 0 | | 0.00 | | 0.00 | |
| 0 | | 0.00 | | 0.00 | |
| 0 | | 0.00 | | 0.00 | |
| 0 | | 0.00 | | 0.00 | |
| 0 | | 0.00 | | 0.00 | |
| 0 | | 0.00 | | 0.00 | |
| 0 | | 0.00 | | 0.00 | |
| 0 | | 0.00 | | 0.00 | |
| | Total Salary | 0.00 | - | 0.00 | 0 |
| | Fringe | | - | | - |
| | Total Salary and Fringe | **0.00** | **0** | **0.00** | **0** |

| Account Code | | FY 2026-27 | FY 2027-28 |
|---|---|---|---|
| 527000 | Professional Services | - | - |
| 540000 | Materials and Supplies | - | - |
| 581000 | Workorder | - | - |
| | | $ - | $ - |

**Initiative Number – A8**

**FY 2026-27 & 2027-28 Program Change Request**

**DIVISION: Behavioral Health Services**

PROGRAM / INITIATIVE TITLE: **BH-CONNECT Access, Reform and Outcomes Incentive Program and Children, Youth & Families (CYF) Evidence-Based Practices**
TARGETED CLIENTS: N/A
PROGRAM CONTACT NAME/TITLE: Kitty Ha, Quality Improvement Coordinator, BHS QM

| FY 2026-27 FTE Change | FY 2027-28 FTE Cumulative Change | FY 2026-27 General Fund Impact Favorable/(Unfavorable) | FY 2027-28 Cumulative Net General Fund Impact Favorable/(Unfavorable) |
|---|---|---|---|
| 0.0 | 0.0 | $2,000,000 | $2,084,709 |

**PROGRAM DESCRIPTION:** (brief description of proposed change)

The Behavioral Health Community-Based Organized Networks of Equitable Care and Treatment (BH-CONNECT) initiative is designed to increase access to and strengthen the continuum of community-based behavioral health services for Medi-Cal members living with significant behavioral health needs. It is a multi-year behavioral health system transformation effort authorized under California's 1115 Medi-Cal waiver. It includes two related funding pathways:

1. Access, Reform and Outcomes (ARO) Incentive Program
2. State Plan Amendments enabling Evidence-Based Practices (EBPs)

**ARO Incentives** (FY 2026–27 and FY 2027–28: $2.0M each year)
The Access, Reform and Outcomes Incentive Program rewards participating Behavioral Health Plans for demonstrating improved performance across three core domains:

- Improved access to behavioral health services, including timely access, increased utilization of community-based services, and expanded use of evidence-based practices (EBPs)
- Improved outcomes and quality of life for Medi-Cal members with significant behavioral health needs
- Targeted delivery system reforms, including reductions in county-specific quality improvement gaps, enhanced data sharing, and expanded crisis services capacity

**Evidence-Based Practices (EBPs) – (**FY 2027-28 $84,709)
Under BH-Connect, DHCS is clarifying existing Medi-Cal requirements for evidence-based practices covered under the Early and Periodic Screening, Diagnostic and Treatment (EPSDT) benefit. Pursuant to EPSDT requirements, all counties must provide Multi-Systemic Therapy (MST), Functional Family Therapy (FFT), Parent-Child Interaction Therapy (PCIT), and High-Fidelity Wraparound (HFW) to Medi-Cal members under the age of 21. DHCS has established a monthly bundled rate for MST services.

**JUSTIFICATION:**

This initiative proposes San Francisco participation in BH-Connect funding opportunities authorized under the 1115 Medi-Cal waiver, including both one-time ARO incentive payments and ongoing bundled reimbursement for qualifying EBPs.

Participation in the ARO Incentive Program is financially low-risk, as payments are issued upon verified performance and compliance, with no penalty for non-achievement.

Through 2029, DHCS allocated $39.0 million in potential incentive funding to San Francisco. To date, $1.03 million has been claimed. The State has not yet released detailed reporting, compliance, or performance requirements; therefore, DPH is projecting a revenue estimate of $2.0 million in FY 2026-27 (net of county share), which will be refined once DHCS issues formal guidance.

For Children/Youth EBPs the estimated FY2027-28 revenue increase is $84,709 related solely to billing opportunities from Multi-Systemic Therapy (MST), with no immediate FTE impact, as services are delivered to fidelity through an existing contracted provider. By statue Children, Youth and Family (CYF) EBPs will be implemented and SFDPH will monitor for additional future claim opportunities.

**IMPACT ON CLIENTS:** (units of service and/or number of clients affected, if applicable)

N/A for ARO Incentives.

For CYF EBPs:

- Expanded access to Medi-Cal-eligible adults and youth for evidence-based behavioral health services
- Expanded MST services for high-risk youth under EPSDT
- Improved service quality, fidelity, and outcomes over time

**EXPENSE AND REVENUE IMPACT:** (for both fiscal years)

ARO Incentives: FY 2026-27 and FY 2027-28 $2.0M (subject to State guidance). No new General Fund expenditure.

EBPs: No EBP revenue assumed in FY 2026–27, FY 2027-28 Revenue Impact: $84,709

**IMPACT ON DEPARTMENT’S WORKFORCE:** (for both fiscal years)

FY 2026–27: No new positions; training and transitions within existing resources.
FY 2027–28: No new positions currently anticipated.

**ATTACHMENT B**

**SUMMARY (** BH Connect Access, Reform and Outcomes Incentive Program is a new revenue stream
Evidence-Based Practices (EBPs) buncdled rate opt in changes rate for existing patient revenue.

**INITIATIVE A8 – BH-CONNECT Access, Reform and Outcomes Incentive Program and Children, Youth & Families**

| | Description | | FY 2026-27 | | FY 2027-28 |
|---|---|---|---|---|---|
| **Sources:** | BH Connect - EBP | $ | - | $ | 84,709 |
| | BH Connect - Incentives | $ | 2,000,000 | $ | 2,000,000 |
| | Subtotal Sources | $ | 2,000,000 | $ | 2,084,709 |
| **Uses:** | Salary and Benefits | $ | - | $ | - |
| | Operating Expense | $ | - | $ | - |
| | Subtotal Uses | $ | - | $ | - |
| **Net General Fund Subsidy Required (savings)/cost (Uses less Sources)** | | $ | (2,000,000) | $ | (2,084,709) |
| **Total FTE's** | | | 0.00 | | 0.00 |

**New Positions** (List positions by Class, Title and FTE)

| Class | Title | FTE | | FTE | |
|---|---|---|---|---|---|
| 0 | | 0.00 | | 0.00 | |
| 0 | | 0.00 | | 0.00 | |
| 0 | | 0.00 | | 0.00 | |
| 0 | | 0.00 | | 0.00 | |
| 0 | | 0.00 | | 0.00 | |
| 0 | | 0.00 | | 0.00 | |
| 0 | | 0.00 | | 0.00 | |
| 0 | | 0.00 | | 0.00 | |
| 0 | | 0.00 | | 0.00 | |
| 0 | | 0.00 | | 0.00 | |
| 0 | | 0.00 | | 0.00 | |
| 0 | | 0.00 | | 0.00 | |
| 0 | | 0.00 | | 0.00 | |
| 0 | | 0.00 | | 0.00 | |
| 0 | | 0.00 | | 0.00 | |
| 0 | | 0.00 | | 0.00 | |
| 0 | | 0.00 | | 0.00 | |
| 0 | | 0.00 | | 0.00 | |
| 0 | | 0.00 | | 0.00 | |
| | Total Salary | 0.00 | - | 0.00 | 0 |
| | Fringe | | - | | - |
| | **Total Salary and Fringe** | **0.00** | **0** | **0.00** | **0** |

| | Account Code | | |
|---|---|---|---|
| 527000 | Professional Services | - | - |
| 540000 | Materials and Supplies | - | - |
| 581000 | Workorder | - | - |
| | | $ - | $ - |

**Initiative Number – A7**

## FY 2026-27 & 2027-28 Program Change Request

**DIVISION: Ambulatory Care: Jail Health**

PROGRAM / INITIATIVE TITLE: **Expand Jail Psychiatry and Make Medi-Cal Re-entry and Billing Staffing in Jail Health Permanent**
TARGETED CLIENTS: Jail Health Services' Patients
PROGRAM CONTACT NAME/TITLE: Tanya Mera, Deputy Director of Jail Health Services

| FY 2026-27 FTE Change | FY 2027-28 FTE Cumulative Change | FY 2026-27 General Fund Impact Favorable/(Unfavorable) | FY 2027-28 Cumulative Net General Fund Impact Favorable/(Unfavorable) |
|---|---|---|---|
| 3.74 | 5.0 | $0 | $0 |

**PROGRAM DESCRIPTION:** (brief description of proposed change)

This proposal aligns Jail Health Services' clinical, care coordination, and billing infrastructure with current jail census, patient acuity, and CalAIM Justice-Involved requirements. By closing gaps in psychiatric access, care coordination, and service alignment, the proposal improves in-custody treatment, supports safer post-release outcomes, and reduces patient flow disruptions related to untreated mental illness. The accompanying staffing realignments also strengthen Medi-Cal billing accuracy and revenue capture for complex Justice-Involved services, positioning the initiative as an upstream, revenue-generating investment that reduces downstream clinical, operational, and fiscal strain.

**JUSTIFICATION:**

Funding this proposal is necessary to address gaps identified through live CalAIM Justice-Involved operations and sustained increases in jail census and clinical acuity. The proposed staffing realignment and targeted additions ensure services are delivered by appropriately trained staff with the authority to provide and bill for reimbursable care, while strengthening patient accounts oversight to reduce compliance risk and prevent write-offs. The additional capacity is required to meet legal access requirements, stabilize operations, and protect available federal reimbursement that would otherwise remain unrealized as result of the move to Medi-Cal billing. The proposal builds on staffing support added under the Breaking the Cycle initiative as well as staff fund through a PATH grant to support the transition to Medi-Cal billing.

**IMPACT ON CLIENTS:** (units of service and/or number of clients affected, if applicable)

This proposal improves timely access to appropriate clinical care during incarceration, reduces gaps in treatment and care coordination, and supports safer, more stable health outcomes following release. By addressing untreated mental illness and improving continuity of care, the proposal reduces reliance on emergency services and improves overall patient experience and safety.

**EXPENSE AND REVENUE IMPACT:** (for both fiscal years)

This request is budget neutral, drawing on several revenue sources, that fully offset an increase in expenditures of $1.4 M in FY 2026-27 and $2.5 M in FY 2027-28.

| Source | FY26/27 | FY27/28 |
|---|---|---|
| Medi-Cal Revenue | $ 497,582 | $ 599,610 |
| DSH Felony IST Mental Health Diversion Contract | $ 324,698 | $ 340,933 |
| SFSO Work Order for: Early Access & Stabilization (EASS) | $ 376,915 | $ 188,458 |
| DSH Growth Cap Expenditure Plan | $ 265,797 | $ 1,377,556 |

**IMPACT ON DEPARTMENT'S WORKFORCE:** (for both fiscal years)

Add 5 FTE in various classifications to make permanent the infrastructure for CalAIM / Medi-Cal billing and entry support.

ATTACHMENT B
SUMMARY OF PROGRAM COST

**INITIATIVE TITLE: A7 - Expand Jail Psychiatry and Make Medi-Cal Re-entry and Billing Staffing in Jail Health Permanent**

| | Description | FY 2026-27 | FY 2027-28 |
|---|---|---|---|
| **Sources:** | | | |
| | Medi-Cal Billing | $ 497,582 | $ 599,610 |
| | Felony IST Mental Health Diversion - 5 yr DSH Contract | $ 324,698 | $ 340,933 |
| | SFSO Work Order: Early Access & Stabilization (EASS) - 1.5 yr DSH Contract | $ 376,915 | $ 188,458 |
| | Growth Cap Fine | $ 265,797 | $ 1,377,556 |
| | Subtotal Sources | $ 1,464,992 | $ 2,506,556 |
| **Uses:** | Salary and Benefits | $ 153,034 | $ 1,129,000 |
| | Operating Expense (UCSF Psychiatry) | $ 1,311,958 | $ 1,377,556 |
| | Subtotal Uses | $ 1,464,992 | $ 2,506,556 |
| **Net General Fund Subsidy Required (savings)/cost (Uses less Sources)** | | $ (0) | $ (0) |
| **Total FTE's** | | 3.74 | 5.00 |

**New Positions** (List positions by Class, Title and FTE)

| Class | Title | FTE | | FTE | |
|---|---|---|---|---|---|
| 1093 | IT Operations Support Administrator III | (1.00) | (137,641) | (1.00) | (147,407) |
| 1824 | Principal Administrative Analyst | 1.00 | 179,956 | 1.00 | 192,723 |
| 2587 | Health Worker III | (5.00) | (511,990) | (5.00) | (548,315) |
| 1840 | Junior Management Assistant | 1.00 | 108,123 | 1.00 | 115,794 |
| 2312 | Licensed Vocational Nurse | 2.00 | 230,334 | 2.00 | 246,678 |
| 2930 | Behavioral Health Clinician | 1.00 | 146,324 | 1.00 | 156,706 |
| 1636 | Health Care Billing Clerk II | (1.00) | (108,554) | (1.00) | (116,256) |
| 1637 | Patient Accounts Clerk | 1.00 | 112,667 | 1.00 | 120,660 |
| 2591 | Health Program Coordinator II | 0.79 | 109,204 | 1.00 | 148,040 |
| 2908 | Senior Hospital Eligibility Worker | 1.58 | 185,448 | 2.00 | 251,398 |
| 2588 | Health Worker IV | 2.37 | 283,777 | 3.00 | 384,696 |
| | Total Salary | 3.74 | 597,648 | 5.00 | 804,717 |
| | Fringe | 49.3% | 294,612 | 40.3% | 324,283 |
| | Attrition | | (739,226) | | |
| | **Total Salary and Fringe** | **3.74** | **153,034** | **5.00** | **1,129,000** |

| | Account Code | FY 2026-27 | FY 2027-28 |
|---|---|---|---|
| 527000 | Professional Services: UCSF Jail Psychiatry | 1,311,958 | 1,377,556 |
| 540000 | Materials and Supplies | - | - |
| 581000 | Workorder | - | - |
| | | $ 1,311,958 | $ 1,377,556 |

**Initiative Number – A9**

## FY 2026-27 & 2027-28 Program Change Request

**DIVISION: San Francisco General Hospital**

PROGRAM / INITIATIVE TITLE: **ZSFG Billing Optimization: ZSFG Psychiatry**
**TARGETED CLIENTS: Inpatient Psychiatry Patients**
PROGRAM CONTACT NAME/TITLE: Matthew Sur, Revenue Cycle & Reimbursement Director

| FY 2026-27 FTE Change | FY 2027-28 FTE Cumulative Change | FY 2026-27 General Fund Impact Favorable/(Unfavorable) | FY 2027-28 Cumulative Net General Fund Impact Favorable/(Unfavorable) |
|---|---|---|---|
| 0 | 0 | $2,500,000 | $2,500,000 |

**PROGRAM DESCRIPTION:** (brief description of proposed change)

This initiative adjusts Zuckerberg San Francisco General Hospital (ZSFG) inpatient psychiatric services revenue to reflect the impact of billing optimization efforts by integrating billing for professional fees into the existing Epic system.

**JUSTIFICATION:**

This initiative seeks to optimize billing efforts by implementing a billing workflow in EPIC for inpatient psychiatric professional fees at Zuckerberg San Francisco General Hospital (ZSFG). As part of a new billing model from the Department of Health Care Services (DHCS) Payment Reform, effective July 1, 2023, professional services provided by licensed physicians with admitting privileges can be billed separately from the inpatient day rate using the outpatient fee schedule. Prior to payment reform, inpatient psychiatric services were bundle billed. Due to delays and lack of clear DHCS guidance in 2023 regarding Short Doyle Medi-Cal billable services and allowable licensures, Behavioral Health Services (BHS) was unable to configure these services in Avatar or during Epic go-live. As a result, ZSFG has not fully leveraged the new billing model, creating missed revenue opportunities. The project was placed on the Epic Optimization list and is now ready for implementation.

This initiative will integrate professional billing capabilities into the existing Epic system, establish coordination with the billing department, and provide staff training to ensure accurate documentation and compliance. Without a professional billing option, these services remain uncompensated, impacting financial sustainability and accurate reporting.

**IMPACT ON CLIENTS:** (units of service and/or number of clients affected, if applicable)

N/A

**EXPENSE AND REVENUE IMPACT:** (for both fiscal years)

The projected net revenue for FY 2026-27 and FY 2027-28 is $2.5 million annually.

**IMPACT ON DEPARTMENT'S WORKFORCE:** (for both fiscal years)

N/A

**ATTACHMENT B**
**SUMMARY OF PROGRAM COST**

**INITIATIVE TITLE: A9 – ZSFG Billing Optimization: ZSFG Psychiatry**

| | Description | FY 2026-27 | FY 2027-28 |
|---|---|---|---|
| **Sources:** | | | |
| | Professional Billing Revenue | $ 2,500,000 | $ 2,500,000 |
| | Subtotal Sources | $ 2,500,000 | $ 2,500,000 |
| **Uses:** | Salary and Benefits | $ - | $ - |
| | Operating Expense | $ - | $ - |
| | Subtotal Uses | $ - | $ - |
| **Net General Fund Subsidy Required (savings)/cost (Uses less Sources)** | | $ (2,500,000) | $ (2,500,000) |
| **Total FTE's** | | 0.00 | 0.00 |

**New Positions** (List positions by Class, Title and FTE)

| Class | Title | FTE | | FTE | |
|---|---|---|---|---|---|
| 0 | | 0.00 | | 0.00 | |
| 0 | | 0.00 | | 0.00 | |
| 0 | | 0.00 | | 0.00 | |
| 0 | | 0.00 | | 0.00 | |
| 0 | | 0.00 | | 0.00 | |
| 0 | | 0.00 | | 0.00 | |
| 0 | | 0.00 | | 0.00 | |
| 0 | | 0.00 | | 0.00 | |
| 0 | | 0.00 | | 0.00 | |
| 0 | | 0.00 | | 0.00 | |
| 0 | | 0.00 | | 0.00 | |
| 0 | | 0.00 | | 0.00 | |
| 0 | | 0.00 | | 0.00 | |
| 0 | | 0.00 | | 0.00 | |
| 0 | | 0.00 | | 0.00 | |
| 0 | | 0.00 | | 0.00 | |
| 0 | | 0.00 | | 0.00 | |
| 0 | | 0.00 | | 0.00 | |
| 0 | | 0.00 | | 0.00 | |
| | Total Salary | 0.00 | - | 0.00 | 0 |
| | Fringe | | - | | - |
| | **Total Salary and Fringe** | **0.00** | **0** | **0.00** | **0** |

| | Account Code | | |
|---|---|---|---|
| 527000 | Professional Services | - | - |
| 540000 | Materials and Supplies | - | - |
| 581000 | Workorder | - | - |
| | | $ - | $ - |

**Initiative Number – A10**

**FY 2026-27 & 2027-28 Program Change Request**

**DIVISION: Ambulatory Care: WPIC**

PROGRAM / INITIATIVE TITLE: **Permanent Housing Advanced Clinical Services (PHACS) Behavioral Health Restructure**
TARGETED CLIENTS: Permanent Supportive Housing tenants with medical and behavioral health conditions
PROGRAM CONTACT NAME/TITLE: Dara Papo

| FY 2026-27 FTE Change | FY 2027-28 FTE Cumulative Change | FY 2026-27 General Fund Impact Favorable/(Unfavorable) | FY 2027-28 Cumulative Net General Fund Impact Favorable/(Unfavorable) |
|---|---|---|---|
| 8.00 | 10.00 | - | - |

**PROGRAM DESCRIPTION:** (brief description of proposed change)

The Permanent Housing Advanced Clinical Services (PHACS) is a team of healthcare professionals who provide mobile, interdisciplinary support to individuals in Permanent Supportive Housing who have physical and/or behavioral health care needs that cannot be met in community settings. The behavioral health component was originally provided through a contract with a community-based organization. As the model has evolved, it has become clear that a DPH team will improve retention and coordination. We propose to redirect the contracted funds to cover 10 new staff positions, resulting in an ongoing $0.5 M in expenditures savings within the Our City, Our Home Fund (Prop C).

**JUSTIFICATION:**

The Permanent Housing Advanced Clinical Services (PHACS) program was started in 2022 to provide mobile interdisciplinary support to individuals in Permanent Supportive Housing who have physical and/or behavioral health care needs that are not able to be served in community settings. As originally conceived, the medical and health worker positions on the team were filled by DPH staff and the behavioral health positions were planned to be filled through a CBO contract. These requested positions will bring DPH behavioral health staff into the PHACS team, evolving the model to improve coordination and provide consistent coverage.

The behavioral health portion of the PHACS program encountered challenges that have resulted in a proposal to revise the model. The selected CBO was never able to fill more than 1/3 of the budgeted positions, had high turnover of the staff, and ultimately requested to end the contract. SFDPH proposes to add positions and hire staff directly. Behavioral health clinicians (6 FTE) will provide direct clinical services in client’s homes and senior behavioral health clinicians (3.0 FTE) will provide supervision, clinical consultation to the teams, and provide training and capacity building to PSH service providers as well as holding a small caseload of high acuity clients. A Health Program Coordinator III will serve in a leadership role supporting creation of policies and procedures and system level coordination with the housing providers.

Providing support to Permanent Supportive Housing (PSH) clients is a key component on the Mayor’s Breaking the Cycle initiative. There are over 9,000 PSH tenants across 150+ buildings and only 11 sites have embedded health care services on site. PSH tenants are an aging population, and individuals who have experienced chronic homelessness often experience age related health

| |
|---|
| conditions decades earlier than the general population. Additionally, more than 25% of overdose deaths in San Francisco happen in PSH. PHACS has been critical in treating health issues that have reduced ED visits and hospitalizations and addressing behavioral health issues that have prevented evictions. |

| **IMPACT ON CLIENTS:** (units of service and/or number of clients affected, if applicable) |
|---|
| Each of the 6.0 FTE 2930 behavioral health clinician carries a caseload of 15 (90 total clients/month, 1080 total clients/year).<br>Each of the 3.0 2932 will carry a caseload of 3 clients, (9 total clients/month, 108 clients/year) |

| **EXPENSE AND REVENUE IMPACT:** (for both fiscal years) |
|---|
| FY26-27: $1,779,223 of salary and fringe costs in the Our City, Our Home Fund, for a savings of $895,237 relative to the current budget.<br>FY 27-28: 2,245,200 of salary and fringe costs in the Our City, Our Home Fund, for a savings of $509,494 relative to the current budget.<br><br>No General Fund impact. |
| **IMPACT ON DEPARTMENT'S WORKFORCE:** (for both fiscal years) |
| FY 26-27 – 8.0 FTE<br>FY 27-28 – 10.0 FTE |

**INITIATIVE** **A10 – Permanent Housing Advanced Clinical Services (PHACS) Behavioral Health Restructure**

| Description | FY 2026-27 | | FY 2027-28 | |
|---|---|---|---|---|
| **Sources:** | | | | |
| PHACS Contract - Proposition C | $ | 2,674,460 | $ | 2,754,694 |
| Subtotal Sources | $ | 2,674,460 | $ | 2,754,694 |
| **Uses:** Salary and Benefits | $ | 1,779,223 | $ | 2,245,200 |
| Operating Expense | $ | - | $ | - |
| Subtotal Uses | $ | 1,779,223 | $ | 2,245,200 |
| **Net Our City / Our Home Impact (savings)/cost (Uses less Sources)** | $ | (895,237) | $ | (509,494) |
| **Total FTE's** | 8.00 | | 10.00 | |

**New Positions** (List positions by Class, Title and FTE)

| Class | Title | FTE | | FTE | |
|---|---|---|---|---|---|
| 2593 | Health Program Coordinator III | 0.80 | 133,104 | 1.00 | 178,184 |
| 2932 | Senior Behavioral Health Clinician | 2.40 | 368,664 | 3.00 | 493,527 |
| 2930 | Behavioral Health Clinician | 4.80 | 702,355 | 6.00 | 940,236 |
| | Total Salary | 8.00 | 1,204,123 | 10.00 | 1,611,947 |
| | Fringe | 47.8% | 575,100 | 39.3% | 633,253 |
| | Total Salary and Fringe | **8.00** | **1,779,223** | **10.00** | **2,245,200** |

| | Account Code | FY 2026-27 | FY 2027-28 |
|---|---|---|---|
| 527000 | Professional Services | - | - |
| 540000 | Materials and Supplies | - | - |
| 581000 | Workorder | - | - |
| | | $ - | $ - |

**Initiative Number – B1**

## FY 2026-27 & 2027-28 Program Change Request

**DIVISION: DPH - Department Wide**

PROGRAM / INITIATIVE TITLE: **Eliminate Vacant Positions**
TARGETED CLIENTS: N/A
PROGRAM CONTACT NAME/TITLE: Jenny Louie, Chief Operating Officer

| FY 2026-27 FTE Change | FY 2027-28 FTE Cumulative Change | FY 2026-27 General Fund Impact Favorable/(Unfavorable) | FY 2027-28 Cumulative Net General Fund Impact Favorable/(Unfavorable) |
|---|---|---|---|
| -17.0 | -17.0 | $2,750,000 | **$3,000,000** |

| **PROGRAM DESCRIPTION:** (brief description of proposed change) |
|---|
| DPH continues to look closely at its operations and prioritize staffing, identifying operational efficiencies where responsibilities can be reorganized.<br><br>The positions included in this initiative are all currently vacant, so there is no change to current operations and no anticipated impact on clients. |
| **JUSTIFICATION:** |
| To meet its savings targets, DPH proposes to delete 17.0 currently vacant FTE from across the department. Divisions have taken a strategic approach to these proposals, with an eye towards minimizing service impacts. |

| **IMPACT ON CLIENTS:** (units of service and/or number of clients affected, if applicable) |
|---|
| Minimal impacts. The positions are all currently vacant, so there is no change to current operations. |

| **EXPENSE AND REVENUE IMPACT:** (for both fiscal years) |
|---|
| A savings of approximately $2.75 million in FY 2026-27 and $3.0 million in FY 2027-28 |
| **IMPACT ON DEPARTMENT'S WORKFORCE:** (for both fiscal years) |
| A reduction of 17 positions. |

**Initiative Number – B2**

## FY 2026-27 & 2027-28 Program Change Request

**DIVISION: San Francisco General Hospital**

PROGRAM / INITIATIVE TITLE: **Contract Efficiencies with ZSFG**
TARGETED CLIENTS: N/A
PROGRAM CONTACT NAME/TITLE: Eric Wu, CFO at ZSFG

| FY 2026-27 FTE Change | FY 2027-28 FTE Cumulative Change | FY 2026-27 General Fund Impact Favorable/(Unfavorable) | FY 2027-28 Cumulative Net General Fund Impact Favorable/(Unfavorable) |
|---|---|---|---|
| - | - | $4,075,000 | $4,075,000 |

**PROGRAM DESCRIPTION:** (brief description of proposed change)

The Department will realize $4.1 million in annual savings from a variety of efforts at ZSFG to constrain growth in contract costs. ZSFG plans to identify and realize $4 million in contract cost savings by reviewing existing contracts to consolidate vendors and eliminating redundant or low-value contracts to achieve cost savings.

**JUSTIFICATION:**

As ZSFG's IV pumps reach end of life, ZSFG plans to terminate the Baxter IV pump lease agreement and purchase replacement pumps instead, which would result in approximately $500K in annual savings from avoided leasing costs. Similarly, ZSFG is reviewing hospital bed lease agreements with the plan to purchase beds outright, which will generate about $500K in ongoing lease savings. ZSFG also plans to reduce the Aim to Please contract by decreasing the number of days recycling is collected from administrative areas. In addition, the shuttle service between BART and ZSFG will be eliminated, which would result in $300k in annual savings. Finally, ZSFG will work closely with Materials Management to prioritize purchasing from A/B vendors as part of a broader effort to drive additional operational efficiencies at the hospital.

**IMPACT ON CLIENTS:** (units of service and/or number of clients affected, if applicable)

None.

**EXPENSE AND REVENUE IMPACT:** (for both fiscal years)

$4 Million in ongoing savings beginning in FY2026-27.

**IMPACT ON DEPARTMENT'S WORKFORCE:** (for both fiscal years)

None.

**INITIATIVE TITLE: B2 – Contract Efficiencies with ZSFG**

| Description | | FY 2026-27 | | FY 2027-28 | |
|---|---|---|---|---|---|
| **Sources:** | | | | | |
| | Subtotal Sources | $ | - | $ | - |
| **Uses:** | Salary and Benefits | | | | |
| | Operating Expense | $ | (4,075,000) | $ | (4,075,000) |
| | Subtotal Uses | $ | (4,075,000) | $ | (4,075,000) |
| **Net General Fund Subsidy Required (savings)/cost (Uses less Sources)** | | $ | (4,075,000) | $ | (4,075,000) |
| **Total FTE's** | | 0.00 | | 0.00 | |

**New Positions** (List positions by Class, Title and FTE)

| **Class** | Title | FTE | | FTE | |
|---|---|---|---|---|---|
| 0 | | 0.00 | | 0.00 | |
| 0 | | 0.00 | | 0.00 | |
| 0 | | 0.00 | | 0.00 | |
| | Total Salary | 0.00 | - | 0.00 | 0 |
| | Fringe | | - | | - |
| | Total Salary and Fringe | **0.00** | **0** | **0.00** | **0** |

| | Account Code | FY 2026-27 | FY 2027-28 |
|---|---|---|---|
| 527000 | Professional Services | (4,000,000) | |
| | IT NPS | | |
| | IT Training | | |
| | Fiscal and Exec | (75,000) | |
| 540000 | Materials and Supplies | - | - |
| 581000 | Workorder | - | - |
| | | $ (4,075,000) | $ - |

**Initiative Number – B3**

**FY 2026-28 & 2027-28 Program Change Request**

**DIVISION: DPH - Department Wide**

PROGRAM / INITIATIVE TITLE: **Administrative Spending Reprioritization and Efficiencies**
TARGETED CLIENTS: N/A
PROGRAM CONTACT NAME/TITLE: Jenny Louie, DPH COO

| FY 2026-27 FTE Change | FY 2026-27 FTE Cumulative Change | FY 2027-28 General Fund Impact Favorable/(Unfavorable) | FY 2027-28 Cumulative Net General Fund Impact Favorable/(Unfavorable) |
|---|---|---|---|
| TBD | TBD | $7,500,000 | $7,500,000 |

**PROGRAM DESCRIPTION:** (brief description of proposed change)

In response to ongoing fiscal constraints and increasing operational demands, the Department of Public Health (DPH) proposes to identify **$7.5 million in ongoing General Fund savings** by reducing reliance on external consultants, restructuring Information Technology (IT) contracts, and improving staffing utilization to better leverage existing internal capacity.

Over time, DPH has expanded the use of consulting, professional services, and specialized IT contracts to meet urgent needs, implement new initiatives, and address capacity gaps. As many of these functions have stabilized or been absorbed into ongoing operations, opportunities now exist to transition work from external vendors to internal staff, consolidate or restructure contracts, and eliminate duplicative or lower-value services.

This initiative focuses on structural efficiencies allowing the Department to preserve core services while redirecting resources toward new and emerging priorities.

**JUSTIFICATION:**

DPH faces sustained pressure to deliver expanded services, comply with new regulatory and reporting requirements, and advance equity-focused initiatives within a constrained General Fund environment. Continued reliance on consulting and fragmented IT contracts is not sustainable at current levels, particularly where internal expertise and staffing capacity already exist.

This proposal advances a deliberate shift toward:

- Greater use of **existing staff expertise** and reduced reliance on external consultants;
- Streamlined and outcome-focused IT contracting; and
- Improved alignment between staffing resources and operational priorities.

These changes will strengthen institutional knowledge, improve continuity, and create durable savings without compromising service quality.

**IMPACT ON CLIENTS:** (units of service and/or number of clients affected, if applicable)

**N/A**

**EXPENSE AND REVENUE IMPACT:** (for both fiscal years)

$7,500,000 in ongoing savings beginning in FY 2026-27

**IMPACT ON DEPARTMENT'S WORKFORCE:** (for both fiscal years)

**TBD**

**Initiative Number – B4**

**FY 2026-27 & 2027-28 Program Change Request**

**DIVISION: San Francisco General Hospital**

PROGRAM / INITIATIVE TITLE: **Salary Spending Adjustments to Reflect Operations, including Float Pool, P103 and Patient Coaching Needs as well as Special Class Adjustments**
TARGETED CLIENTS: N/A
PROGRAM CONTACT NAME/TITLE: Eric Wu, Chief Financial Officer

| FY 2026-27 FTE Change | FY 2027-28 FTE Cumulative Change | FY 2026-27 General Fund Impact Favorable/(Unfavorable) | FY 2027-28 Cumulative Net General Fund Impact Favorable/(Unfavorable) |
|---|---|---|---|
| 29.84 | 37.30 | $10,903,464 | $10,497,005 |

**PROGRAM DESCRIPTION:** (brief description of proposed change)

The ZSFG operating budget is currently projecting a $20.3 million salary shortfall in FY 2026-27 if present trends continue. To restore the budget to breakeven, a set of targeted countermeasures is being implemented, focused on workforce realignment, compliance with staffing regulations, and cost containment. This proposal addresses that in four ways: 1) increased budget for premium and overtime pay to reflects COLAs; 2) additional 2320 Registered nurses to create float pools; 3) increase Patient Care Assistants (PCA) staffing to meet the increasing demand of one-on-one coaching in ZSFG's acute inpatient psychiatric units; and 4) operational changes to reduce P103 usage.

**JUSTIFICATION:**

One key countermeasure addresses the use of P103 staff in the Psychiatry service for 1:1 coaching needs. This model is significantly more costly and not well aligned with the nature of the work. To mitigate this, this proposal replaces the coaching function with 26.9 PCA FTEs, which are more appropriate for the coaching role and lower in cost, thereby offsetting a substantial portion of P103 usage.

In addition, SB 596, a new legislation enacted this year, requires hospitals to maintain and document adequate float pool and on-call nurse coverage to address nursing staffing shortfalls. This proposal adds 5.2 RN FTEs to the ICU to better align staffing with actual census and patient acuity while also establishing a float pool compliant with SB 596. Similarly, an additional 5.2 RN FTEs are being added to the Psychiatry service to create a float pool that meets SB 596 requirements. To further meet these requirements and ensure continuity of care during staffing gaps, this initiative also includes $1.0M in premium pay and $1.0M in overtime budget.

The remaining budget gap is addressed through additional reductions in P103 spending to further aligning staffing levels with operational demand while maintaining patient safety and regulatory compliance.

Collectively, these actions fully offset the $20.1M salary shortfall and return the operating budget to balance.

| **IMPACT ON CLIENTS:** (units of service and/or number of clients affected, if applicable) |
| --- |
| **N/A** |

| **EXPENSE AND REVENUE IMPACT:** (for both fiscal years) |
| --- |
| Results in a $10.9 million year reduction relative to the $20.3 million salary shortfall. On balance, this will result in an increase in ZSFG's salary and fringe budget of $10.1 million a year to cover these new countermeasures. |
| **IMPACT ON DEPARTMENT'S WORKFORCE:** (for both fiscal years) |
| Adds 8.32 FTE in FY 2026-27 and 10.40 FTE in FY 2027-28 in 2320 Registered Nurses and 21.52 FTE in FY 2026-27 and 26.90 FTE in FY 2027-28 in 2303-Patient Care Assistants |

**INITIATIVE TITLE: B4 - Salary Spending Adjustments to Reflect Operations, including Float Pool, P103 and Patient Coaching Needs as well as Special Class Adjustments**

| Description | | | FY 2026-27 | | FY 2027-28 |
|---|---|---|---|---|---|
| **Sources:** | | | | | |
| | | Subtotal Sources | $ | - | $ - |
| **Uses:** | Salary and Benefits | | $ | (12,903,464) | $ (12,497,005) |
| | Operating Expense | | $ | 2,000,000 | $ 2,000,000 |
| | | Subtotal Uses | $ | (10,903,464) | $ (10,497,005) |
| **Net General Fund Subsidy Required (savings)/cost (Uses less Sources)** | | | $ | (10,903,464) | $ (10,497,005) |
| **Total FTE's** | | | 29.84 | | 37.30 |

**New Positions** (List positions by Class, Title and FTE)

| Class | Title | FTE | | FTE | |
|---|---|---|---|---|---|
| 2320 | Registered Nurse | 4.16 | 997,119 | 5.20 | 1,347,876 |
| 2320 | Registered Nurse | 4.16 | 997,119 | 5.20 | 1,347,876 |
| 2303 | Patient Care Assistant | 21.52 | 2,303,694 | 26.90 | 3,083,924 |
| P103 | Special Nurse | (48.00) | (14,382,528) | (48.00) | (15,553,536) |
| | Total Salary | 29.84 | (10,084,596) | 37.30 | (9,773,860) |
| | Fringe | 28.0% | (2,818,868) | 27.9% | (2,723,145) |
| | Total Salary and Fringe | **29.84** | **(12,903,464)** | **37.30** | **(12,497,005)** |

| | Account Code | | |
|---|---|---|---|
| 509010 | Premium Pay | 1,000,000 | 1,000,000 |
| 511010 | Overtime | 1,000,000 | 1,000,000 |
| | | $ 2,000,000 | $ 2,000,000 |

**Initiative Number – C1**

**FY 2026-27 & 2027-28 Program Change Request**

**DIVISION: DPH - Department Wide**

PROGRAM / INITIATIVE TITLE: **Investments in Safety and Security**
TARGETED CLIENTS: DPH-Wide
PROGRAM CONTACT NAME/TITLE: DPH-Wide

| FY 2026-27 FTE Change | FY 2027-28 FTE Cumulative Change | FY 2026-27 General Fund Impact Favorable/(Unfavorable) | FY 2027-28 Cumulative Net General Fund Impact Favorable/(Unfavorable) |
|---|---|---|---|
| TBD | TBD | ($7,500,000) | ($7,500,000) |

**PROGRAM DESCRIPTION:** (brief description of proposed change)

This initiative requests funding for one-time and ongoing costs related to DPH Safety and Security Improvement initiatives. Costs are expected to total $15 million annually. SFDPH's budget proposal includes funding for half of the anticipated annual costs, we anticipate the remainder to added to the budget in the Mayor's budget submission as additional analysis is completed.

**JUSTIFICATION:**

The Department of Public Health is in the process of assessing and developing a comprehensive security action plan to strengthen safety across all facilities. This plan represents a significant, system-wide effort and includes multiple improvements to operations, infrastructure, and staff readiness. Significant work is being done to assess and analyze current operations, policies, procedures and staff to identify gaps, opportunities for improvement and expansion. Processes includes a Root Cause Analysis, an independent assessment, stakeholder engagement as well as work done through the department's multi-disciplinary Incident Management Team (IMT).

While some immediate steps have been taken, the department will continue to assess and refine its long-term initiatives over the course of the next few months. Additional costs will include security staffing posts, expansion of DPH's security team, staff training, IT and data systems, personal safety devices for field staff, and one-time facilities upgrades and ongoing maintenance.

**IMPACT ON CLIENTS:** (units of service and/or number of clients affected, if applicable)

These security enhancements will improve the safety and security all DPH locations.

**EXPENSE AND REVENUE IMPACT:** (for both fiscal years)

Estimated $15 million annually.

**IMPACT ON DEPARTMENT'S WORKFORCE:** (for both fiscal years)

TBD

**Initiative Number – C2**

**FY 2026-27 & 2027-28 Program Change Request**

**DIVISION: San Francisco General Hospital**

PROGRAM / INITIATIVE TITLE: **Staffing Assisted Living Facility at 624 Laguna Street**
TARGETED CLIENTS: Behavioral health clients aged 60 and up
PROGRAM CONTACT NAME/TITLE: Angelica Almeida, Chief Integrative Officer, Zuckerberg San Francisco General Hospital

| FY 2026-27 FTE Change | FY 2027-28 FTE Cumulative Change | FY 2026-27 General Fund Impact Favorable/(Unfavorable) | FY 2027-28 Cumulative Net General Fund Impact Favorable/(Unfavorable) |
|---|---|---|---|
| 49.7 | 49.7 | ($1,745,309) | ($5,779,519) |

**PROGRAM DESCRIPTION:** (brief description of proposed change)

The Department of Public Health proposes to open a Residential Care Facility for the Elderly (RCFE) at 624 Laguna Street in the Hayes Valley neighborhood. The RCFE at 624 Laguna Street will be operated by DPH staff and will provide a home for low-income behavioral health clients aged 60 and up who need assistance with activities of daily living. Opening is anticipated in early 2027.

**JUSTIFICATION:**

As part of the Mayor's Breaking the Cycle plan, DPH is expanding the number of residential care and treatment beds for people with behavioral health conditions. Current residents and staff of the RCFE on the second floor of the Behavioral Health Center (BHC) – located on the San Francisco General Hospital campus – will have the option to relocate to 624 Laguna Street, preserving a community of care in a new, neighborhood-based setting. The City acquired 624 Laguna Street from a private operator in August 2024; it was previously an RCFE serving private-pay clients.

As part of a future budget initiative, once the RCFE at 624 Laguna Street opens, the second floor of the BHC will be converted to create over 50 new locked subacute mental health treatment beds. These new beds, anticipated to open in 2028, will greatly improve DPH's ability to serve clients with the most serious mental health conditions. The capital costs for the new locked mental health treatment beds at the BHC are funded by a state grant, while the ongoing operating costs will be budgeted beginning in FY 2027-28.

**IMPACT ON CLIENTS:** (units of service and/or number of clients affected, if applicable)

This new facility will have the capacity to serve 50 residents at a time.

**EXPENSE AND REVENUE IMPACT:** (for both fiscal years)

Increase of $1.745 million in FY 2026-27 and $5.8 million in FY 2027-28, relative to the original costs budgeted in the Breaking the Cycle plan

**IMPACT ON DEPARTMENT'S WORKFORCE:** (for both fiscal years)

Increase of 49.7 FTE in FY 2026-27 and in FY 2027-28

**INITIATIVE TITLE: C2 – Staffing Assisted Living Faculty at 624 Laguna Street**

| | | Description | FY 2026-27 | | FY 2027-28 | |
|---|---|---|---|---|---|---|
| **Sources:** | | | | | | |
| | Existing Budget for 624 Laguna | | $ | 3,884,315 | $ | 4,000,844 |
| | | Subtotal Sources | $ | 3,884,315 | $ | 4,000,844 |
| **Uses:** | Salary and Benefits | | $ | 5,179,624 | $ | 8,900,363 |
| | Operating Expense | | $ | 450,000 | $ | 880,000 |
| | | Subtotal Uses | $ | 5,629,624 | $ | 9,780,363 |
| **Net General Fund Subsidy Required (savings)/cost (Uses less Sources)** | | | $ | 1,745,309 | $ | 5,779,519 |
| **Total FTE's** | | | 49.70 | | 49.70 | |

**New Positions** (List positions by Class, Title and FTE)

| **Class** | Title | FTE | FY 2026-27 | FTE | FY 2027-28 |
|---|---|---|---|---|---|
| 2303 | Patient Care Assistant | 20.70 | 2,215,914 | 20.70 | 2,373,131 |
| 2305 | Psychiatric Technician | 9.00 | 1,041,588 | 9.00 | 1,115,487 |
| 2320 | Registered Nurse | 2.50 | 599,230 | 2.50 | 648,018 |
| 2328 | Nurse Practitioner | 1.00 | 320,004 | 1.00 | 346,059 |
| 2586 | Health Worker II | 2.00 | 187,214 | 2.00 | 200,496 |
| 2587 | Health Worker III | 1.00 | 102,398 | 1.00 | 109,663 |
| 2322 | Nurse Manager | (1.00) | (302,689) | (1.00) | (327,333) |
| 2324 | Nursing Supervisor | 1.00 | 333,619 | 1.00 | 360,781 |
| 2593 | Health Program Coordinator III | 1.00 | 166,380 | 1.00 | 178,184 |
| 2736 | Porter | 4.00 | 344,532 | 4.00 | 368,976 |
| 2654 | Cook | 1.00 | 99,951 | 1.00 | 107,042 |
| 2604 | Food Service Worker | 5.00 | 391,820 | 5.00 | 419,620 |
| 2454 | Clinical Pharmacist | 0.50 | 126,580 | 0.50 | 135,560 |
| 7335 | Senior Stationary Engineer | 1.00 | 152,697 | 1.00 | 163,530 |
| 1428 | Unit Clerk | 1.00 | 99,951 | 1.00 | 107,042 |
| | Total Salary | 49.70 | 5,879,189 | 49.70 | 6,306,255 |
| | Fringe | 43.3% | 2,545,184 | 44.4% | 2,799,390 |
| | Vacancy Attrition Savings | | (3,369,749) | | (455,282) |
| | Overtime | | 125,000 | | 250,000 |
| | **Total Salary and Fringe** | **49.70** | **5,179,624** | **49.70** | **8,900,363** |

| | Account Code | FY 2026-27 | FY 2027-28 |
|---|---|---|---|
| 521000 | Taxi Vouchers | 7,500 | 15,000 |
| 527000 | Professional Services - Laundry | 20,000 | 20,000 |
| 527000 | Professional Services - Security | 225,000 | 450,000 |
| 544610 | Pharmacy | 97,500 | 195,000 |
| 54000 | Materials & Supplies | 50,000 | 100,000 |
| 56000 | Facilities Maintenance | 50,000 | 100,000 |
| 581000 | Workorder | - | - |
| | | $ 450,000 | $ 880,000 |

**Initiative Number – C3**

## FY 2026-27 & 2027-28 Program Change Request

**DIVISION: DPH Operations**

PROGRAM / INITIATIVE TITLE: **Leases and Operating costs for consolidating staff to modern/seismically safe buildings**
TARGETED CLIENTS: N/A
PROGRAM CONTACT NAME/TITLE: Jenny Louie, Chief Operating Officer

| FY 2026-27 FTE Change | FY 2027-28 FTE Cumulative Change | FY 2026-27 General Fund Impact Favorable/(Unfavorable) | FY 2027-28 Cumulative Net General Fund Impact Favorable/(Unfavorable) |
|---|---|---|---|
| 2.4 | 3.0 | ($2,438,906) | ($2,878,726) |

**PROGRAM DESCRIPTION:** (brief description of proposed change)

This initiative requests funding for additional operating costs of relocating DPH operations staff into the newly renovated M & O wings at Laguna Honda as well as additional leased space as part of its goals to consolidate its programs and staff in fewer and more modern and seismically safer locations.

DPH has had a long term multi-year plan to consolidate its programs and staff in fewer and more modern and seismically safer locations. Recent initiatives included the move of staff into 1145 Market Street as well as the acquisition of 1660 Mission. A major component of the plan is to renovate the former M & O wings of Laguna Honda Hospital into administrative office space, primarily for DPH operating programs including, human resources, Information Technology and finance.

This move will involve the relocation of approximately 400 staff currently at 101 Grove, ZSFG campus and 1380 Howard. Most of the building staff and operating costs will also be reallocated with these staff, but a few investments will be needed to support additional staff on campus. These include expanded cafeteria services (1-2654 Cook), janitorial (1-7524 Utility Worker), facilities (1-7334 Stationary Engineer) and increased security through the Sheriff's work order. The budget also assumes a shuttle to transport staff from Glen Park station to Laguna Honda to facilitate staff taking BART, given the limited parking options on campus and the need to reduce the impact on the neighborhood.

While the opening of the M & O wings is a significant milestone in DPH's space planning additional space is needed to consolidate other staff including Behavioral Health Services and WPIC. The department continues to work with the City's Real Estate Division to identify lease additional space in the Civic Center area for remaining staffing.

**IMPACT ON CLIENTS:** (units of service and/or number of clients affected, if applicable)

**N/A**

**EXPENSE AND REVENUE IMPACT:** (for both fiscal years)

The expenditure increase for FY 2026-27 is $2,438,906 and for FY 2027-28 is $2,878,726.

| **IMPACT ON DEPARTMENT'S WORKFORCE:** (for both fiscal years) |
|---|
| 2.4 FTE in FY 2026-27 and 3.0 FTE in FY2027-28 |

**INITIATIVE TITLE: Leases and operating costs for consolidating staff to modern/seismically safe buildings**

| Description | | FY 2026-27 | FY 2027-28 |
|---|---|---|---|
| **Sources:** | | | |
| | Subtotal Sources | $ - | $ - |
| **Uses:** | Salary and Benefits | $ 401,612 | $ 502,061 |
| | Operating Expense | $ 2,037,294 | $ 2,376,665 |
| | Subtotal Uses | $ 2,438,906 | $ 2,878,726 |
| **Net General Fund Subsidy Required (savings)/cost (Uses less Sources)** | | $ 2,438,906 | $ 2,878,726 |
| **Total FTE's** | | 2.40 | 3.00 |

**New Positions** (List positions by Class, Title and FTE)

| Class | Title | FTE | | FTE | |
|---|---|---|---|---|---|
| 7524 | Institution Utility Worker | 0.80 | 65,810 | 1.00 | 88,099 |
| 2654 | Cook | 0.80 | 79,961 | 1.00 | 107,042 |
| 7334 | Stationary Engineer | 0.80 | 107,790 | 1.00 | 144,297 |
| | Total Salary | 2.40 | 253,561 | 3.00 | 339,438 |
| | Fringe | 58.4% | 148,051 | 47.9% | 162,623 |
| | Total Salary and Fringe | **2.40** | **401,612** | **3.00** | **502,061** |

| | Account Code | FY 2026-27 | FY 2027-28 |
|---|---|---|---|
| 527000 | Professional Services - Shuttle for M&O | 171,600 | 171,600 |
| 527000 | Professional Services - Expanded Lease Costs | 1,500,000 | 2,000,000 |
| 540000 | Materials and Supplies | - | - |
| 581000 | Workorder - Sheriff Cadets at M&O | 365,694 | 376,665 |
| | | $ 2,037,294 | $ 2,376,665 |

**Initiative Number – D1**

## FY 2026-27 & 2027-28 Program Change Request

**DIVISION: SF Health Network**

PROGRAM / INITIATIVE TITLE: **University of California San Francisco (UCSF) Affiliation Agreement Costs**
TARGETED CLIENTS: Patients of the SF Health Network
PROGRAM CONTACT NAME/TITLE: Susan Ehrlich, CEO of ZSFGH

| FY 2026-27 FTE Change | FY 2027-28 FTE Cumulative Change | FY 2026-27 General Fund Impact Favorable/(Unfavorable) | FY 2027-28 Cumulative Net General Fund Impact Favorable/(Unfavorable) |
|---|---|---|---|
| - | - | ($980,353) | ($18,361,060) |

| **PROGRAM DESCRIPTION:** (brief description of proposed change) |
|---|
| Since 1878, the University of California, San Francisco (UCSF) has been providing physician, clinical, and ancillary services to the Zuckerberg San Francisco General Hospital (ZSFG). The services provided by UCSF are outlined in an Affiliation Agreement between the University of California San Francisco and the Department of Public Health (DPH). This initiative increases the budget for the budget for the DPH/UCSF Affiliation Agreement by $0.98 million in FY 2026-27 due to an increase in professional fees revenue and increases it by $18.3 million for FY 2027-28 for inflation. |
| **JUSTIFICATION:** |
| The increase in Affiliation Agreement costs for FY 2027-28 can be attributed to three factors (1) increases to physician salaries, (2) ongoing increases to clinical staff salaries and (3) flat professional fee revenue. The University of California launched a system-wide mandate increasing faculty salaries over several years to be competitive with market rates to retain faculty. Clinical staff, in areas such as the Clinical Laboratory, Respiratory Therapy, Ward 86 and Psychiatry, are mostly represented under collective bargaining agreements. These bargaining units have negotiated salary increases for their members.<br><br>The total baseline amount of the UCSF contract budgeted for FY 2026-27 will be $283,568,264 reflecting all budget initiatives submitted as part of the department's February budget submission. |

| **IMPACT ON CLIENTS:** (units of service and/or number of clients affected, if applicable) |
|---|
| None. |

| **EXPENSE AND REVENUE IMPACT:** (for both fiscal years) |
|---|
| $ 980,353 of expenditure growth in FY 2026-27 and $18,361,060 in FY 2027-28 |
| **IMPACT ON DEPARTMENT'S WORKFORCE:** (for both fiscal years) |
| None. |

**INITIATIVE TITLE: D1 - University of California San Francisco (UCSF) Affiliation Agreement Costs**

| Description | | **FY 2026-27** | **FY 2027-28** |
|---|---|---|---|
| **Sources:** | | | |
| | Subtotal Sources | $ - | $ - |
| **Uses:** | Salary and Benefits | | |
| | Operating Expense | $ 980,353 | $ 18,361,060 |
| | Subtotal Uses | $ 980,353 | $ 18,361,060 |
| **Net General Fund Subsidy Required (savings)/cost (Uses less Sources)** | | $ 980,353 | $ 18,361,060 |
| **Total FTE's** | | 0.00 | 0.00 |

**New Positions** (List positions by Class, Title and FTE)

| **Class** | Title | FTE | | FTE | |
|---|---|---|---|---|---|
| 0 | | 0.00 | | 0.00 | |
| 0 | | 0.00 | | 0.00 | |
| 0 | | 0.00 | | 0.00 | |
| | Total Salary | 0.00 | - | 0.00 | 0 |
| | Fringe | | - | | - |
| | Total Salary and Fringe | **0.00** | **0** | **0.00** | **0** |

| | Account Code | FY 2026-27 | FY 2027-28 |
|---|---|---|---|
| 527000 | Professional Services | 980,353 | 18,361,060 |
| 540000 | Materials and Supplies | - | - |
| 581000 | Workorder | - | - |
| | | $ 980,353 | $ 18,361,060 |

**Initiative Number – D2**

## FY 2026-27 & 2027-28 Program Change Request

**DIVISION: DPH - Department Wide**

PROGRAM / INITIATIVE TITLE: SFDPH Pharmaceuticals and Materials and Supplies Inflation
TARGETED CLIENTS: SFHN Clients
PROGRAM CONTACT NAME/TITLE: David Smith, Chief Pharmacy Officer, and Drew Murrell, Chief Financial Officer

| FY 2026-27 FTE Change | FY 2027-28 FTE Cumulative Change | FY 2026-27 General Fund Impact Favorable/(Unfavorable) | FY 2027-28 Cumulative Net General Fund Impact Favorable/(Unfavorable) |
|---|---|---|---|
| - | - | - | ($20,142,090) |

**PROGRAM DESCRIPTION:** (brief description of proposed change)

This initiative requests annual inflationary adjustments for expenses critical to network operations, ensuring that DPH can continue to provide services and treatments to its patients. The Department projects cost and utilization increases of 13% for pharmaceuticals at Zuckerberg San Francisco General Hospital, 8% for pharmaceuticals in other divisions of DPH, 8% for food, and 5% for laundry.

**JUSTIFICATION:**

Market dynamics over the past five years have been shifting in a way that has caused the pricing and utilization of certain pharmaceuticals to rise at an extraordinary rate. While national programs such as the Inflation Reduction Act may eventually lower some prices, these may be offset with new tariffs. Drug expenditures are projected to increase 8-10% nationwide consistently across all settings. Primary causes for increase in expenditures include:

- *Specialty Drugs* – Novel, very expensive specialty treatments for conditions that previously had either limited to no medication therapy options are continually being approved. Specialty drugs are now over 50 percent of all drug utilization for Medicaid population, with recent growth of over 23% annually. The therapeutic drug classes with the largest increases include autoimmune disorders, mental health, HIV, and oncology.
- *Increased utilization of medications* – Prescription drug utilization is increasing as older patients live longer and healthier lives. Patients over 50 years of age are responsible for 77 percent of prescription growth since 2011. Categories making an impact on drug spend due to increased utilization include autoimmune, oncology, diabetes, inflammatory conditions, asthma, and cardiovascular diseases. Additionally, healthcare is moving care to non-acute settings, which emphasizes new medication that can be administered in these setting, such as clinic-administered medications and patient-administered injectables. To access the lowest price points and optimize revenue for these medications, healthcare systems are moving to keep medication distribution within their clinic rather than contracting to retail settings.

Overall, DPH projects a 11.9 % increase in the cost of pharmaceuticals in FY 2027-28 to $176.9 million. DPH will continue to utilize tight drug formulary control and aggressive use of lower cost generic drugs to help offset increases in expense.

| |
|---|
| DPH is also requesting a 8% increase in food costs for FY 2027-28 budget. While DPH continues to leverage discounts for its food purchase, food costs have continued to jump in response to inflationary pressures. The City also recently re-procured laundry services and saw costs jumps; the 5% increase for laundry and linen costs reflects this growth. |

| **IMPACT ON CLIENTS:** (units of service and/or number of clients affected, if applicable) |
|---|
| None. |

| **EXPENSE AND REVENUE IMPACT:** (for both fiscal years) |
|---|
| Increase of expenditures of $20,142,090 in FY 2027-28. |
| **IMPACT ON DEPARTMENT'S WORKFORCE:** (for both fiscal years) |
| None**.** |

**ATTACHMENT B**
**SUMMARY OF PROGRAM COST**

**INITIATIVE TITLE: D2 – SFDPH Pharmaceuticals and Materials and Supplies Inflation**

| Description | FY 2026-27 | FY 2027-28 |
|---|---|---|
| **Sources:** | | |
| Subtotal Sources | $ - | $ - |
| **Uses:** Salary and Benefits | | |
| Operating Expense | $ - | $ 20,142,090 |
| Subtotal Uses | $ - | $ 20,142,090 |
| **Net General Fund Subsidy Required (savings)/cost (Uses less Sources)** | $ - | $ 20,142,090 |
| **Total FTE's** | 0.00 | 0.00 |

| | Account Code | | |
|---|---|---|---|
| 546990 | Food - ZSFG | | 621,154 |
| 546990 | Food - Laguna Honda | | 405,861 |
| 544920 | Institutional Linen - Laguna Honda | | 16,538 |
| 540000 | Materials & Supplies-Budget -ZSFG | | 56,963 |
| 540000 | Materials & Supplies-Budget - Laguna Honda | | 7,443 |
| 535000 | Other Current Expenses - Bdgt Laguna Honda | | 100,154 |
| 544610 | Pharmaceutical - ZSFG | | 16,157,578 |
| 544610 | Pharmaceutical - Laguna Honda | | 803,196 |
| 544610 | Pharmaceutical - Jail Health | | 649,815 |
| 544610 | Pharmaceutical - Behavioral Health | | 549,030 |
| 544610 | Pharmaceutical - Primary Care | | 322,420 |
| 544610 | Pharmaceutical - Behavioral Health | | 242,201 |
| 544610 | Pharmaceutical - Behavioral Health | | 49,078 |
| 544610 | Pharmaceutical - PHD | | 24,414 |
| 544610 | Pharmaceutical - PHD | | 22,791 |
| 544610 | Pharmaceutical - Primary Care | | 21,600 |
| 544610 | Pharmaceutical - WPIC | | 16,000 |
| 544610 | Pharmaceutical - Primary Care | | 1,944 |
| 527000 | Prof & Specialized Svcs-Bdgt - ZSFG | | 73,911 |
| | | $ - | $ 20,142,090 |