

MEMORANDUM

DATE: February 11, 2020
TO: Dr. Stephen Follansbee, President, and Members of the Health Service Board
FROM: Larry Loo, MPH Chief Financial Officer
RE: Recommendations for San Francisco Health Service System (HSS) – Fiscal Year (FY) 2021-22 and FY 2022-23 General Fund Administrative Budget

This is the second meeting on the San Francisco Health Service System (SFHSS) FY 2021-22 and FY 2022-23 General Fund Administration Budget. This memo discusses the development of the proposed budget and will be presented at the February 10, 2021, Board Finance and Budget Committee. Subject to the recommendation of the Finance & Budget Committee, this is presented for approval by the Health Service Board (Board).

SUMMARY

The General Fund Administrative Budget is the biannual administrative budget guided by the Mayor's budget instructions and priorities. The current instructions include a mandatory overall target reduction of 7.5% in acknowledgment of the projected revenue deficits. A contingent target reduction of 2.5% was also noted in the instructions. Each city department received a mandatory target reduction to set for the February 22, 2021 submission. For FY 2021-22 and 2022-23 the SFHSS specific mandatory target reduction is \$273,012; the contingent reduction is \$91,004.

In addition to following the Mayor's budget instructions and priorities, SFHSS also applies the following approaches to developing the biennial General Fund Administrative Budget:

- Adhere to SFHSS Strategic Plan
- Maintain existing staffing and service levels
- Apply zero-base approach Non-Personal Services and Materials and Supplies
- Support new remote operations including use of eBenefits for enrollments
- Support the emerging health needs of members including mental health
- Support the needs of the diverse and changing membership base by developing improved future health benefits options through RFPs, a multiyear process to reduce the cost trends and focus on quality improvement

Each division provided input and identifying reductions. With over 80% of the budget earmarked for personnel and interdepartmental services (other City departments), there is little degree of freedom of movement. Most of the remaining costs are multi-year contractual agreements with providers supporting the programs for HSS members. Incremental changes did not suffice to achieve the reduction targets, however certain program level reductions are needed.

The proposed budget below is not sufficient to fund all current programs. Assessing numerous scenarios to meet target reductions yielded only one option: eliminate the City-wide 24/7 Employee Assistance Program just implemented in April 2020. Responding to the shelter-in-place order, this now popular program was rapidly launched off-budget at the request of the Mayor's office.

Continued funding for the program is under consideration with the Mayor's budget office.

TARGET

As stated previously, the targeted budget reductions off the base budget for FY 2021-22, 2022-23 is - \$273,012 for each year. For FY2021-22, starting with a based budget of \$12,754,481 and applying the target reduction results in a target fiscal year-end (FYE) budget of \$12,481,469 (see bottom of Table I). Likewise, for FY2022-23, starting with a base of \$13,057,033 and applying the target reduction results in a target FYI of \$12,784,021.

Listed in the columns below are the proposals that satisfy these target reductions. Note that the proposed budget reductions are achieved by significantly reducing Well-Being program resources and targeting the new city-wide 24/7 Employee Assistance Program (EAP) service provider, ComPsych for elimination. For the 41,000 employees eligible for the ComPsych program, at a cost averaging \$1.19 per employee, the annualized cost is \$588,000. While the proposed budget shows reductions exceeding the Mayor's target, they are insufficient to fund the entire 24/7 EAP program.

Table I. SFHSS Propose General Fund Administrative Budget - Achieving Mayor's Target Budget Reductions	2021-2022 Revised Base Budget (GF)	2021-2022 Budget Proposal Per MYR Target (GF)	Change From Requested to Revised/Target 2020-2021	2022-2023 Revised Base Budget (GF)	2022-2023 Budget Proposal Per MYR Target (GF)	Change From Requested to Revised/Target 2020-2021
Approved FTEs	54.95	57.15	2.20	50.95	57.66	6.71
Non-Operating Positions (cap/other)	-7.61	-9.71	-2.10	-3.61	-10.21	6.60
Net Operating Positions	47.34	47.44	-0.10	47.34	47.45	-0.11
Sources						
Charges for Services	9,131	9,131	0	9,131	9,131	0
Other Revenues	625,958	625,958	0	625,958	625,958	0
Expenditure Recovery	11,761,441	11,367,077	-394,364	11,761,441	11,877,281	115,840
General Fund Support	357,951		-357,951	660,503		-660,503
Sources Total	12,754,481	12,002,166	-752,315	13,057,033	12,512,370	-544,663
Uses - Operating Expenditures						
Personnel						
Salaries	5,534,648	5,558,758	24,110	5,809,946	5,835,257	25,311
Mandatory Fringe Benefits	2,798,223	2,810,037	11,814	2,825,477	2,837,880	12,403
	8,332,871	8,368,795	35,924	8,635,423	8,673,137	37,714
Training & Travel	23,481	28,206	4,725	23,481	23,440	-41
Software License	41,035	181,466	140,431	41,035	176,685	135,650
Contracts	2,270,281	1,460,992	-809,289	2,270,281	1,567,565	-702,716
Other	66,842	33,995	-32,847	66,842	50,904	-15,938
Non-Personnel Services	2,401,639	1,704,659	-696,980	2,401,639	1,818,594	-583,045
Materials & Supplies	47,717	41,286	-6,431	47,717	71,362	23,645
Services Of Other Depts	1,972,254	1,887,426	-84,828	1,972,254	1,949,277	-22,977
Uses Total	12,754,481	12,002,166	-752,315	13,057,033	12,512,370	-544,663
Renewal of Expanded Employee Assistance Program Added April 2020			588,000			588,000
Mayor's Instructions	FY 21-22 Reduction	FY 21-22 Target FYE	Over/ (Under) MYR Target	FY 22-23 Reduction	FY 22-23 Target FYE	Over/ (Under) MYR Target
MYR GF Mandtory Target Reduction	(273,012)			(273,012)		
Total	12,481,469	12,002,166	(479,303)	12,784,021	12,512,370	(271,651)
MYR GF Contingency Target Reductior	(91,004)			(91,004)		
Total	12,390,465	12,002,166	(388,299)	12,693,017	12,512,370	(180,647)

The following is a discussion of the main elements that went into the development of this budget proposal.

REVENUE

As illustrated in the top section of Table I, there are four sources of revenue for the General Fund Administrative budget for SFHSS. The Expenditure Recovery is the main source of revenue and is charged to other City departments. The Expenditure Recovery is the overall SFHSS budgeted expenditures less the projections for Charge for Services of \$9,131 and the projections of the Other Revenue from forfeitures of fees. The revenues in the proposed budgets are changes commensurate with the change in expenditures to balance.

EXPENDITURES

- Positions:
 - The base budgets do not allow for an increase in positions. As illustrated in Table II below, the Net Operating positions in the budget remain flat over the next two fiscal years. The overall number of active positions in the General Fund budget was unchanged. The revised budgeted FTE’s for FY 2022-23 show a reduction from the prior year. Some vacant positions will be held vacant to meet the budget constraints. Other project-based positions are scheduled to end in 2023. Staffing requirements are developed and coordinate with DHR.

- Salaries:
 - The base budgets are adjusted upward 3.6% based on anticipated COLA’s. The proposed budgets below in Table II show a requested increased salary and fringe benefits of \$35,924 in FY2021-22 and \$27,714 in FY 2022-23. This is due to planned reclassification of an existing position to plan for the implementation of the new health plan option.

Table II. SFHSS Propose General Fund Administrative Budget - FTE's, Salary & Mandatory Fringe Benefits	2021-2022 Revised Base Budget (GF)	2021-2022 Budget Proposal Per MYR Target (GF)	Change From Requested to Revised/Target 2020-2021	2022-2023 Revised Base Budget (GF)	2022-2023 Budget Proposal Per MYR Target (GF)	Change From Requested to Revised/Target 2020-2021
Approved FTEs	54.95	57.05	2.10	50.95	57.06	6.11
Non-Operating Positions (cap/other)	-7.61	-9.71	2.10	-3.61	-9.71	6.10
Net Operating Positions	47.34	47.34	0.00	47.34	47.35	-0.01
Sources						
Personnel						
Salaries	5,534,648	5,558,758	24,110	5,809,946	5,835,257	25,311
Mandatory Fringe Benefits	2,798,223	2,810,037	11,814	2,825,477	2,837,880	12,403
	8,332,871	8,368,795	35,924	8,635,423	8,673,137	37,714

- Non-Personnel: The non-personnel budget components include the categories of Training and Travel, Software Licensing, Contracts/Professional Services, and all Other non-personnel or interdepartmental costs.

Table III. SFHSS Propose General Fund Administrative Budget - Non-Personnel Expenditures	2021-2022 Revised Base Budget (GF)	2021-2022 Budget Proposal Per MYR Target (GF)	Change From Requested to Revised/Target 2020-2021	2022-2023 Revised Base Budget (GF)	2022-2023 Budget Proposal Per MYR Target (GF)	Change From Requested to Revised/Target 2020-2021
Training & Travel	23,481	28,206	4,725	23,481	23,440	-41
Software License	41,035	181,466	140,431	41,035	176,685	135,650
Contracts	2,270,281	1,460,992	-809,289	2,270,281	1,567,565	-702,716
Other	66,842	33,995	-32,847	66,842	50,904	-15,938
Non-Personnel Services	2,401,639	1,704,659	-696,980	2,401,639	1,818,594	-583,045

- Training: Remote training and travel for Administrative/Operations was reduced by one third for the next two fiscal years. Training is budgeted in for safety training in operating the automated external defibrillator (AED) machine and CPR for the SFHSS Emergency Response Team has also been reduced to due shelter-in-place. The new mediation and alternative dispute resolution training course for the Employee Assistance Program (EAP) counselors were increased to ensure all receive training and certification.

Table III.A Non-Personnel: Training & Travel	2021-2022 Revised Base Budget (GF)	2021-2022 Budget Proposal Per MYR Target (GF)	Change From Requested to Revised/Target 2020-2021	2022-2023 Revised Base Budget (GF)	2022-2023 Budget Proposal Per MYR Target (GF)	Change From Requested to Revised/Target 2020-2021
Administrative/Operations	3,000	2,000	-1,000	3,000	2,000	-1,000
Departmentwide Safety	4,231	5,116	885	4,231	350	-3,881
Enterprise Systems and Analytics	1,000	1,000	0	1,000	1,000	0
Health Service Board	10,000	10,000	0	10,000	10,000	
EAP and Well-Being Certification	5,250	10,090	4,840	5,250	10,090	4,840
Sources Total	23,481	28,206	4,725	23,481	23,440	-41

- Software Licenses: The proposed budget for software licenses increases of \$136,000 for both fiscal years is due to the cost to sustain the new program implemented during the pandemic to support the mental Well-Being of first responder/public safety department staff. The program Cordico, is an application to help navigate, triage, self-monitor, and provide mental & physical Well-Being referrals or resources to participants. For FY2021-22 there is an additional \$5000 to replace an end of life software used by EAP for case management.

Table III.B Non-Personnel: Software Licenses	2021-2022 Revised Base Budget (GF)	2021-2022 Budget Proposal Per MYR Target (GF)	Change From Requested to Revised/Target 2020-2021	2022-2023 Revised Base Budget (GF)	2022-2023 Budget Proposal Per MYR Target (GF)	Change From Requested to Revised/Target 2020-2021
General Software Licenses	2,405	2,031	-374	2,405	2,055	-350
Employee Assistance Program Software	38,630	179,435	140,805	38,630	174,630	136,000
Sources Total	41,035	181,466	140,431	41,035	176,685	135,650

- Contracts/Professional Services: (See Table III.C below) The Well-Being program proposals for FY 2021-22 are reduced by \$227,139 recognizing the delay in employees returning from sheltering in place. The Well-Being programs are shifting to more virtual and remote enabled interventions in the interim. For FY 2022-23, the proposed budget returns to historic resourcing levels for the Well-Being programs to support department-specific initiatives.

As discussed above, to meet the Mayor's instructions, funding for the 24/7 EAP program provided by ComPsych was eliminated from this proposal. The annualized expenditure of \$588,000. The target reduction from the Mayor's instructions is \$273,012. Incremental reductions in other programs to attempt to retain this program and meeting the target reduction are not feasible.

Table III.C Non-Personnel: Contracts/Professional Services	2021-2022 Revised Base Budget (GF)	2021-2022 Budget Proposal Per MYR Target (GF)	Change From Requested to Revised/Target 2020-2021	2022-2023 Revised Base Budget (GF)	2022-2023 Budget Proposal Per MYR Target (GF)	Change From Requested to Revised/Target 2020-2021
Administrative/Operations:	1,327,592	1,333,442	5,850	1,327,592	1,337,515	9,923
Actuarial, Benefit Administration, FSA and COBRA Administration, Audit Services						
EAP Program:	588,050	50	-588,000	588,050	50	-588,000
24/7 EAP Program - ComPsych EAP Interpreter						
Wellbeing Onsite Activities	197,846	65,000	-132,846	197,846	65,000	-132,846
Wellbeing Grants - Department Well-Being Targeted Interventions	156,793	62,500	-94,293	156,793	165,000	8,207
Sources Total	2,270,281	1,460,992	-809,289	2,270,281	1,567,565	-702,716

- Other: The credit card processing fees were reduced by \$17,000 in FY 2021-22 due to the reduced over the counter transactions. The elimination of the bulk copier on one floor results in a saving of \$13,861 per fiscal year.

Table III.D Non-Personnel: Other	2021-2022 Revised Base Budget (GF)	2021-2022 Budget Proposal Per MYR Target (GF)	Change From Requested to Revised/Target 2020-2021	2022-2023 Revised Base Budget (GF)	2022-2023 Budget Proposal Per MYR Target (GF)	Change From Requested to Revised/Target 2020-2021
Memberships	3,400	4,445	1,045	3,400	2,354	-1,046
Credit Card Fees	20,000	3,000	-17,000	20,000	20,000	0
Copy Machine	31,861	18,000	-13,861	31,861	18,000	-13,861
Other Equipment Maintenance	1,550	3,250	1,700	1,550	3,250	1,700
Miscellaneous Facilities Rental	5,731	3,000	-2,731	5,731	3,000	-2,731
Printing - Administrative, EAP, & Well-Being	2,300	300	-2,000	2,300	2,300	0
Subscriptions	0	0	0	0	0	0
Other Current Expenses	2,000	2,000	0	2,000	2,000	0
Sources Total	66,842	33,995	-32,847	66,842	50,904	-15,938

- Materials and Supplies: The budget proposal is reduced by \$6,431 in FY2021-22. This is driven largely by a reduced need for producing training materials for the EAP programs due to the assumed continuation of shelter in place. The budget for FY2022-23 then increases in response to the expectation of returning to an office environment. The materials are supporting the Leadership in Action and Mediation trainings for City managers.

Table IV. Materials & Supplies	2021-2022 Revised Base Budget (GF)	2021-2022 Budget Proposal Per MYR Target (GF)	Change From Requested to Revised/Target 2020-2021	2022-2023 Revised Base Budget (GF)	2022-2023 Budget Proposal Per MYR Target (GF)	Change From Requested to Revised/Target 2020-2021
General Office Supplies	17,192	16,192	-1,000	17,192	17,192	0
Employee Assistance Program Training Materials	17,375	19,294	1,919	17,375	41,020	23,645
Employee Assistance Program Training Materials	13,150	5,800	-7,350	13,150	13,150	0
Sources Total	47,717	41,286	-6,431	47,717	71,362	23,645

- Work Orders: The budget for most Work Orders is not determined by SFHSS, but rather through negotiations between the Mayor's Office and the departments providing the services. These planned ongoing expenditures among City departments rarely change from the base budget on Table V. The budget for the Well-Being Grants shows as \$0 as those are budgeted in Contracts. The Real Estate and Rec and Park departments were supportive of short-term changes due to sheltering in place. Real Estate allowed for reductions of \$70, 306 and \$22,977 for FY 2021-22 and FY 2022-23, respectively. Rec and Park agreed to a FY 2021-22 reduction of \$14,522.

Table V. Interdepartmental Services (Work Orders)	2021-2022 Revised Base Budget (GF)	2021-2022 Budget Proposal Per MYR Target (GF)	Change From Requested to Revised/Target 2020-2021	2022-2023 Revised Base Budget (GF)	2022-2023 Budget Proposal Per MYR Target (GF)	Change From Requested to Revised/Target 2020-2021
Wellbeing Grants	0	0	0	0	0	0
Department Of Technology-Projects	18,598	18,598	0	18,598	18,598	0
Risk Management	3,080	3,080	0	3,080	3,080	0
Department Of Technology-Controller-Info Systems	162,929	162,929	0	162,929	162,929	0
City Attorney Work Order	53,715	53,715	0	53,715	53,715	0
Department Of Technology-	125,000	125,000	0	125,000	125,000	0
Department Of Technology-	17,753	17,753	0	17,753	17,753	0
Department Of Technology-	16,198	16,198	0	16,198	16,198	0
Department Of Technology-	24,686	24,686	0	24,686	24,686	0
Human Resources Department-	2,500	2,500	0	2,500	2,500	0
Workers' Compensation Claims	105,269	105,269	0	105,269	105,269	0
Human Resources Department-	284,516	284,516	0	284,516	284,516	0
Rent	1,093,065	1,022,759	-70,306	1,093,065	1,070,088	-22,977
Reproduction	25,423	25,423	0	25,423	25,423	0
Recreation And Park	39,522	25,000	-14,522	39,522	39,522	0
Sources Total	1,972,254	1,887,426	-84,828	1,972,254	1,949,277	-22,977

Requests for Funding

The Proposed Budgets for FY 2021-222 and FY 2022-23 are insufficient to fund and support all the work that is performed by SFHSS for the City employees. Over the last several years, incremental reductions have been made, primarily to contract/professional services, to meet the Mayor’s reduction targets. As stated in previous budget proposals, there are very few remaining feasible options to meet the reduction targets without adversely impacting commitments to our members.

For this budget proposal, the program that is at risk for elimination is the new 24/7 Employee Assistance Program that was implemented in response to the Citywide shelter in place order. The annualized cost is \$588,000 per year. The justification for securing continued funding is discussed immediately below.

Table VI. Request for Funding – Continuation of 24/7 EAP Program		
FY 2021-222	FY 2022-23	Justification
\$588,000	\$588,000	<p>Enhanced 24/7 telephonic EAP program implemented citywide during the COVID-19 shelter in place order to allow for employees to access counseling during this period. Aside from the COVID-19 employees accessed the program during other stressful situations such as dealing with social unrest, the “red sky” day during the wildfires, the passing of fellow City employees.</p> <p>The service is available to all 41,000 employees and is provided through a national service provider, ComPsych. In addition to telephonic counseling, members have additional access to a broader network of counselors with focused 1:1 sessions; additional 1:1 & group session program for first responders.</p> <p>For the 41,000 employees eligible for the ComPsych program, at a cost averaging \$1.19 per employee, the annualize cost is \$588,000. It is physically, economically infeasible for SFHSS to provide the staffing model for a 24/7 EAP program.</p> <p>The service averages over 200 calls per month and has received over 2,000 calls since its implementation. Additionally, 644 members have been referred to receive additional counseling, included the current program. First Responders, are allowed 10 counseling sessions before HSS incurs additional per visit costs. All other employees can receive 6 sessions before additional charges are generated to HSS. YTD there have been 209 members accessing additional counseling sessions.</p>

Next Steps

Upon approval by the Board, the FY 2021-22 and FY 2022-23 proposed budget will be submitted to the Mayor on February 22, 2021. Negotiations will proceed with the Mayor’s Office to determine what will be included in the Mayor’s budget proposal to the Board of Supervisors on June 1, 2021. SFHSS staff will advise the Board on the changes made by the various offices at upcoming Board meetings.