

File No. 110581

Committee Item No. 2
Board Item No. _____

COMMITTEE/BOARD OF SUPERVISORS
AGENDA PACKET CONTENTS LIST

Committee: Budget and Finance Committee

Date: September 7, 2011

Board of Supervisors Meeting

Date _____

Cmte Board

- | | | |
|-------------------------------------|--------------------------|--|
| <input type="checkbox"/> | <input type="checkbox"/> | Motion |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | Resolution |
| <input type="checkbox"/> | <input type="checkbox"/> | Ordinance |
| <input type="checkbox"/> | <input type="checkbox"/> | Legislative Digest |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | Budget & Legislative Analyst Report |
| <input type="checkbox"/> | <input type="checkbox"/> | Ethics Form 126 |
| <input type="checkbox"/> | <input type="checkbox"/> | Introduction Form (for hearings) |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | Department/Agency Cover Letter and/or Report |
| <input type="checkbox"/> | <input type="checkbox"/> | MOU |
| <input type="checkbox"/> | <input type="checkbox"/> | Grant Information Form |
| <input type="checkbox"/> | <input type="checkbox"/> | Grant Budget |
| <input type="checkbox"/> | <input type="checkbox"/> | Subcontract Budget |
| <input type="checkbox"/> | <input type="checkbox"/> | Contract/Agreement |
| <input type="checkbox"/> | <input type="checkbox"/> | Award Letter |
| <input type="checkbox"/> | <input type="checkbox"/> | Application |

OTHER

(Use back side if additional space is needed)

- | | |
|--------------------------|--------------------------|
| <input type="checkbox"/> | <input type="checkbox"/> |
| <input type="checkbox"/> | <input type="checkbox"/> |
| <input type="checkbox"/> | <input type="checkbox"/> |
| <input type="checkbox"/> | <input type="checkbox"/> |
| <input type="checkbox"/> | <input type="checkbox"/> |
| <input type="checkbox"/> | <input type="checkbox"/> |
| <input type="checkbox"/> | <input type="checkbox"/> |
| <input type="checkbox"/> | <input type="checkbox"/> |

Completed by: Victor Young
Completed by: Victor Young

Date: Sept 2, 2011
Date: _____

An asterisked item represents the cover sheet to a document that exceeds 25 pages. The complete document is in the file.

1 [Contract Amendment - In-Home Supportive Services Provider Benefits and Administration -
2 \$419,058,271]

3 **Resolution amending Resolution No. 291-06 File No. 06033 that approved the contract**
4 **between the City and County of San Francisco and San Francisco In-Home Supportive**
5 **Services (IHSS) Public Authority for the provision of administration, health and dental**
6 **benefits to IHSS independent providers for the period of July 1, 2006 to June 30, 2012**
7 **2016, in the amended amount of \$201,786,117.00 ~~\$419,058,271.~~**

9
10 WHEREAS, The State of California, under Welfare and Institutions Code 12300,
11 mandates that all counties provide the In-Home Supportive Services (IHSS) Program, which
12 provides supportive services to eligible blind, aged, and disabled persons in order to enable
13 these individuals to remain safely in their homes; and,

14 WHEREAS, The City and County of San Francisco, pursuant to California Welfare and
15 Institutions Code 12301.6, has created through legislation the San Francisco In-Home
16 Supportive Services Public Authority to provide for the delivery of In-Home Supportive
17 Services and to be the employer of record for the Independent Providers; and,

18
19 WHEREAS, The City and County of San Francisco also wishes to provide health and
20 dental benefits to the Independent Providers of IHSS; therefore be it

21 RESOLVED, That the Board of Supervisors hereby approves the amended Resolution
22 No. 291-06 File No. 06033 with the San Francisco In-Home Supportive Services Public Authority
23 to provide administration, health and dental benefits to the IHSS Independent Providers, for the
24 period of July 1, 2006 to June 30, 2012 2016, in the amount of ~~\$201,786,117~~ \$419,058,271.
25

Item 2
File 11-0581

Department:
Human Services Agency (HSA)

EXECUTIVE SUMMARY

Legislative Objective

- Resolution amending an existing agreement between the City and County of San Francisco, on behalf of the Human Services Agency (HSA), and the San Francisco In-Home Supportive Services (IHSS) Public Authority for a total agreement amount of \$419,058,271 for the period from July 1, 2006 through June 30, 2016 to provide administrative services and benefits to IHSS independent providers.

Key Points

- The San Francisco IHSS Public Authority is an independent public agency, which, pursuant to California Welfare and Institutions Code Section 12301.6, is the designated public authority for the County of San Francisco to (a) provide administrative and operations support services for IHSS independent providers and (b) administer health and dental benefits to IHSS independent providers.
- The existing six-year, \$201,786,117 agreement between HSA and the San Francisco IHSS Public Authority, which was previously approved by the Board of Supervisors on May 9, 2006, commenced on July 1, 2006 and will expire on June 30, 2012.

Fiscal Impact

- HSA is projected to expend \$208,825,203 by the end of FY 2011-2012 such that HSA will exceed the \$201,786,117 authorization under the existing six-year agreement by \$7,039,086.
- During the past six years, average annual expenditures were \$34,804,201. The proposed ten-year \$419,187,190 amended agreement, which would provide for an additional four years of revenue, reflects an increase in expenditures for the remaining four fiscal years (FY 2012-2013 through FY 2015-2016) of \$210,362,707 (\$419,187,910 less \$208,825,203). Therefore, the proposed four-year extension of the existing six-year agreement reflects projected average annual expenditures of \$52,590,677 over the remaining four years. This is an increase in average annual expenditures of \$17,786,476 or 51.1 percent (\$52,590,677 less \$34,804,201).
- The proposed HSA FY 2011-2012 budget for IHSS independent providers includes payments for health benefits, dental benefits, and administrative and operations support services.

Recommendations

- Amend the proposed resolution in the last line of the title and on page 1, line 23 to change the total amended amount of the IHSS Public Authority agreement from \$419,058,271 to \$419,187,910.
- Approval of the proposed resolution, as amended, is a policy decision for the Board of Supervisors.

MANDATE STATEMENT & BACKGROUND

Mandate Statement

In accordance with Charter Section 9.118, any amendment of over \$500,000 to an agreement over \$10,000,000 in anticipated expenditures is subject to Board of Supervisors approval.

Background

In May of 1995, the Board of Supervisors established the San Francisco IHSS Public Authority as an independent public agency, pursuant to California Welfare and Institutions Code Section 12301.6, to be the designated public authority for the County of San Francisco to (a) provide administrative and operations support services for In-Home Supportive Services (IHSS) independent providers and (b) administer health and dental benefits to IHSS independent providers. The existing six-year, \$201,786,117 agreement between HSA and the San Francisco IHSS Public Authority, previously approved by the Board of Supervisors on May 9, 2006, provides for (a) administrative and operations support services and (b) health and dental benefits to IHSS independent providers. IHSS independent providers are personal assistance workers who deliver care and services to IHSS clients.

According to Ms. Martha Peterson, Finance and Planning, Human Services Agency (HSA), there are approximately 22,000 clients in San Francisco's IHSS program served by either IHSS independent providers or outside agencies. Under the IHSS program, HSA provides funding for low-income seniors and disabled persons to receive non-medical personal care and other household assistance in their homes from visiting workers. Ms. Peterson advises that approximately 85 percent of IHSS services are provided by 15,041 IHSS independent providers based in San Francisco.

On May 3, 2006, the Board of Supervisors approved an initial six-year agreement between the HSA and the San Francisco IHSS Public Authority (File No. 06-0333) to provide (a) administrative and operations support services and (b) health and dental benefits for IHSS independent providers from July 1, 2006 through June 30, 2012, at an estimated total cost of \$201,786,117. While the existing agreement will not expire until June 30, 2012, or in approximately one year, HSA projects that IHSS program expenses will exceed the amount approved in the current agreement before the expiration of the agreement.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would amend the existing agreement between the HSA and the San Francisco IHSS Public Authority to provide (a) administrative and operations support services to IHSS independent providers and (b) health and dental benefits for IHSS independent providers for an additional four years, or a total of ten years from July 1, 2006 through June 30, 2016, at a total estimated cost of \$419,058,271. The Budget and Legislative Analyst notes that the amount of \$419,058,271 which is included in the proposed resolution is incorrect. The correct amount is \$419,187,910. Therefore, the Budget and Legislative Analyst uses the correct amount in this report and includes a recommendation to amend the proposed resolution to include this corrected

amount. The proposed amended agreement would not change the types of services provided by the IHSS Public Authority, but would reflect the increasing costs for health, dental, and administrative services, as described below.

Table I below, provided by Ms. Peterson, provides actual expenditures for health, dental and administrative costs for FY 2006-2007 through FY 2010-2011, as well as projected expenditures for health, dental, and administrative costs for FY 2011-2012 through FY 2015-2016. These are expenditures by the IHSS Public Authority to provide health and dental benefits and administrative support services to IHSS independent providers.

Table I

Actual/Projected Costs					
FY	Administrative	Dental	Health	Other Costs*	Total
06/07	2,088,300	2,014,538	23,906,505	-	28,009,343
07/08	2,192,715	2,385,544	25,720,401	-	30,298,660
08/09	2,280,424	2,548,029	27,534,297	-	32,362,750
09/10	2,394,445	2,746,502	29,722,637	-	34,863,584
10/11	2,514,167	2,915,087	31,576,498	-	37,005,752
11/12	1,936,187	2,941,761	41,067,565	339,602	46,285,115
Six-year Subtotal					\$208,825,203
Six-year Average					\$34,804,201
12/13	1,936,187	3,135,550	43,396,001	339,602	48,807,340
13/14	1,936,187	3,329,339	45,724,436	339,602	51,329,564
14/15	1,936,187	3,523,128	48,052,872	339,602	53,851,789
15/16	1,936,187	3,716,917	50,381,308	339,602	56,374,014
Four-year Subtotal					\$210,362,707
Four-year Average					\$52,590,677
Ten-Year Total	\$21,150,985	\$29,256,395	\$367,082,520	\$1,698,010	\$419,187,910

*Other Costs includes fingerprinting, on-call services, and advisory committee services. These are existing services and costs that were included in the existing six-year agreement under Administrative Costs. For FY 2011-2012 and all future fiscal years, fingerprinting, on-call services, and advisory committee services will be broken out into separate categories in order to more clearly identify where IHSS Public Authority contract funds are allocated.

FISCAL IMPACT

The proposed HSA FY 2011-2012 budget for IHSS independent providers includes payments for health benefits, dental benefits, and administrative and operations support services.

Under the existing six-year agreement, HSA is projected to expend \$208,825,203 by the end of FY 2011-2012 as shown in Table 1 above. Therefore, the projected \$208,825,203 will exceed the \$201,786,117 authorized expenditures under the current six-year agreement by \$7,039,086, an increase of 3.5 percent.

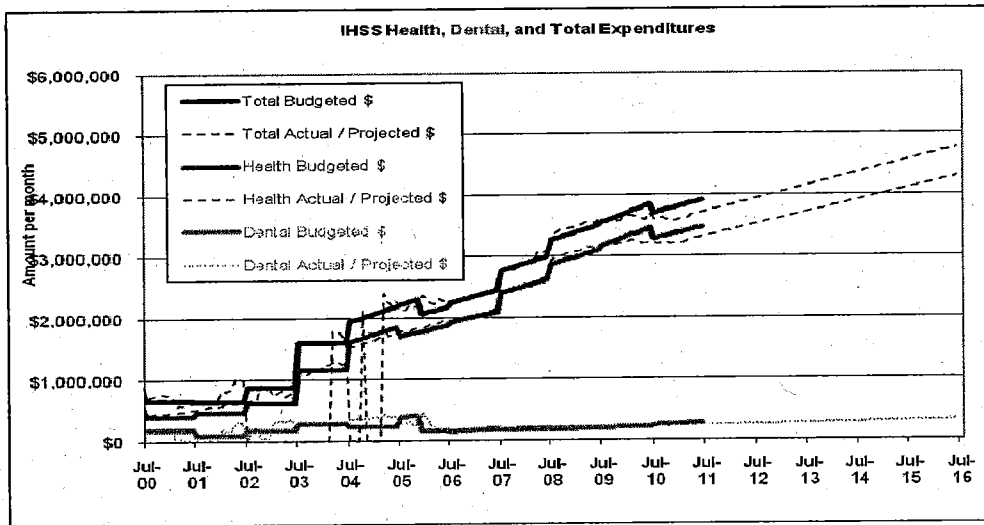
As shown in Table 1 above, based on the total projected expenditures of \$208,825,203, average annual expenditures for the last six years (FY 2006-2007 through FY 2011-2012) were \$34,804,201. The proposed ten-year \$419,187,910 amended agreement reflects an increase in expenditures for the remaining four fiscal years (FY 2012-2013 through FY 2015-2016) of \$210,362,707 (\$419,187,910 less \$208,825,203). Therefore, the proposed four-year extension of the existing six-year agreement reflects projected average annual expenditures of \$52,590,677 over the remaining four years, or an increase in average annual expenditures of \$17,786,476 which is a 51.1 percent increase (\$52,590,677 less \$34,804,201).

The attachment that was provided by Ms. Peterson, outlines key assumptions used to calculate the cost increases for health and dental benefits, and the administrative and operations support services for FY 2011-2012 through FY 2015-2016.

- Currently, IHSS independent providers who work at least 25 hours per month for two consecutive months may qualify for health and dental benefits.
- According to Ms. Peterson, an increasingly older demographic in San Francisco has led to a higher caseload for the IHSS program. As a result of rising caseload, the number of IHSS independent providers has increased. Additionally, existing IHSS independent providers, who previously did not work enough hours to qualify for benefits, are working more hours due to higher caseloads and are now qualifying for benefits.
- IHSS independent providers currently contribute \$3 per month toward the full cost of health benefits. In an effort to offset the rising costs of providing these benefits, for the proposed FY 2011-2012 budget, HSA increased the IHSS independent provider contribution from \$3 per month to \$10 per month. The Budget and Finance Committee has recommended to the Board of Supervisors a \$210,000 General Fund add-back to the IHSS FY 2011-2012 budget in order to reduce the proposed IHSS independent provider contribution from \$10 to \$7 per month.
- According to Ms. Peterson, relative to other counties in California, the City and County of San Francisco provides a generous benefits plan for IHSS independent providers. In addition, the hourly wage of \$11.54 paid to IHSS independent providers is higher than almost every other California county, and the current \$3 co-pay is lower than all but Santa Clara County. Additionally, the monthly work requirement of 25 hours per month for two consecutive months is low compared to the 80 hours per month required by many other counties.

Figure I below, provided by Ms. Peterson, shows projected expenditure increases for health and dental benefits for FY 2000-2001 through FY 2015-2016.

Figure I



The projected increase in monthly health expenditures between July 2011 and July 2016 is approximately \$950,000 per month or an increase of about 29 percent. Dental expenditures are expected to remain relatively flat during the same period.

Ms. Peterson advised that the primary reason for the increase in average annual cost of \$52,590,677 for the proposed ten-year amended agreement is an increase in the number of cases served by the IHSS independent providers. Higher caseloads have led to an increase in the number of IHSS independent providers and subsequently an increase in the number of IHSS independent providers who qualify for health and dental benefits. According to Ms. Peterson, both health and dental enrollments for IHSS independent providers have increased by approximately 50 percent since July 2006. The proposed amended ten-year agreement reflects the expected continuing increase in caseloads and the expected continuing increase in the number of IHSS independent providers qualifying for health and dental benefits.

HSA acknowledges the potential for the cost of providing health and dental benefits to increase between now and the end of the proposed amended agreement in FY 2015-2016. HSA's projected increase in average annual expenditures under the proposed ten-year agreement, however, does not include an assumption that the annual cost of providing health and dental will increase. Rising health and dental costs are omitted from the projections because 1) HSA assumes that escalating health and dental expenditures may be mitigated somewhat by increasing health and dental co-pays for IHSS independent providers and 2) the costs of providing health and dental benefits under the City's Healthy Worker Health Plan have been relatively flat since FY 2009-2010 compared to other health and dental providers..

According to Ms. Peterson, General Fund revenue for the program is assumed to remain constant at 41 percent. Likewise, Federal contributions of roughly 49 percent of program costs and State contributions of roughly 10 percent of program costs are expected to remain constant.

POLICY ISSUES

With rising overall IHSS program expenditures, as shown in Table 1 above, the assumed 41 percent General Fund support will place an increasing burden on the City's General Fund. In order to sustain an increase in program expenditures through FY 2015-2016 without significantly increasing support from the City's General Fund, HSA has, since FY 2009-2010, proposed to have IHSS independent providers pay for an increased share of the monthly contributions toward the cost of health and dental benefits. In previous fiscal years, however, the Board of Supervisors has reversed HSA's proposed increases to the IHSS provider's co-pay and has used General Fund monies to pay for the increased costs. The final FY 2011-12 budget as previously approved by the Board of Supervisors, included a \$210,000 add-back in order to allow for an increase in monthly co-pays from \$3 to \$7 per month, instead of from \$3 to \$10 per month, as HSA had recommended. If the monthly contribution of IHSS independent providers was further increased, the City would be able to offset a portion of the impact on the City's General Fund.

While the program faces important budgetary constraints at the City level, the IHSS program also faces budgetary constraints at the State level. The recently approved FY 2011-12 State Budget includes significant reductions to IHSS programs in FY 2011-2012. The State will no longer provide services to recipients without medical certification, resulting in a likely decrease in caseload (totaling \$67.4 million Statewide in FY 2011-2012). Additionally, the State has eliminated funding for IHSS Advisory Committees, resulting in a decrease of \$1.5 million in funding Statewide. With the elimination of the mandate for counties to establish advisory committees, counties will have the option to continue using advisory committees but funding will be limited to \$3,000 annually in State General Fund support. HSA has factored in these State-level budget reductions into the HSA projected expenditures under the proposed amended ten-year agreement. HSA's projections do not, however, taken into account more potential significant reductions that may be necessary under alternative State Budget scenarios. A potential State budget reduction, not factored into HSA's current projections, includes an across-the-board reduction of 20 percent for all IHSS hours.

RECOMMENDATIONS

1. Amend the proposed resolution in the last line of the title and on page 1, line 23 to change the total amended amount of the IHSS Public Authority agreement from \$419,058,271 to \$419,187,910.
2. Approval of the proposed resolution, as amended, is a policy decision for the Board of Supervisors.

City and County of San Francisco

Human Services Agency

Department of Human Services
Department of Aging and Adult Services

Trent Rhorer, Executive Director



Edwin M. Lee, Mayor

June 8, 2011

Ms. Angela Calvillo
Clerk of the Board of Supervisors
City and County of San Francisco
401 Van Ness, Room 308
San Francisco, CA 94102

RE: IHSS Providers Benefits and Administration Contract Amendment with the
San Francisco IHSS Public Authority

Dear Ms. Calvillo:

Enclosed for the Board of Supervisors' consideration and approval, please find an amended resolution #291-06 which modifies the contract between the City and County of San Francisco and the San Francisco In-Home Supportive Services Public Authority for the amount of \$419,058,271 for the period from July 1, 2006 to June 30, 2016. The purpose of this contract is to provide benefits to the Independent Providers of In-Home Supportive Services (IHSS).

Because the contract is over \$10,000,000, the Department is requesting approval from the Board of Supervisors in accordance with the Administrative Code.

Because this contract is a renewal/extension of a contract that was previously approved by the Board of Supervisors, in accordance with the Administrative Code, please place this item on the consent agenda.

Attached please find a copy of the resolution. David Curto, my Director of Contracts (557-5581) can provide further information. Please schedule this item for the earliest meeting, as this is time sensitive. Please notify Mr. Curto when the resolution is ready.

Thank you for your assistance.

Sincerely,

A handwritten signature in black ink, appearing to read "Trent Rhorer", with a long horizontal flourish extending to the right.

Trent Rhorer
Executive Director

