CITY AND COUNTY OF SAN FRANCISCO

BOARD OF SUPERVISORS

BUDGET AND LEGISLATIVE ANALYST

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December 1, 2023

TO: Budget and Finance Committee

FROM: Budget and Legislative Analyst

SUBJECT: December 6, 2023 Budget and Finance Committee Meeting

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EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would retroactively authorize the Department of Public Works (Public Works) to accept and expend a grant from the Bay Area Rapid Transit District (BART) for the Pit Stop public toilet program in an amount not to exceed $250,000, with a required City match of $265,000, for the period of July 2021 through June 2022.

Key Points

- The City's Pit Stop program provides public restroom, toilet, and handwashing facilities, as well as needle and dog waste receptacles at 31 locations throughout the City. The restrooms are a mix of semi-permanent JCDecaux public toilet facilities and portable toilets owned by Public Works. Public Works entered into grant agreements with the non-profits Hunters Point Family and CIVIC for the operation and monitoring of the Pit Stop locations. The total cost of the Pit Stop program in FY 2021-22 was approximately $13.6 million.
- Since February 2016, BART has provided annual grants to Public Works to operate Pit Stop locations at various BART stations. In July 2021, Public Works and BART executed the fifth amendment to their memorandum of understanding to jointly pay for the Pit Stop bathrooms at 16th and Mission, Powell, and the 24th and Mission BART Stations in FY 2021-22. The proposed resolution approving the grant funds was introduced to the Board of Supervisors in September 2022 but not scheduled until May 2023 because of administrative delays and staff turnover.

Fiscal Impact

- The fifth memorandum agreement between Public Works and BART in effect for FY 2021-22 would provide Public Works with $250,000 to operate three Pit Stop locations and require a match of $265,000 in City funds. The total cost to operate the three sites is approximately $596,817, leaving approximately $346,817 to be paid by the City.
- Public Works' contribution for the Pit Stops is funded by the City's General Fund.

Recommendation

- Approve the proposed resolution.

MANDATE STATEMENT

City Administrative Code Section 10.170-1 states that accepting Federal, State or third-party grant funds in the amount of $100,000 or more, including any City matching funds required by the grant, is subject to Board of Supervisors approval.

BACKGROUND

The City's Pit Stop program, which began in July 2014 and is administered by the Department of Public Works (Public Works), provides public restroom and handwashing facilities, as well as needle and dog waste receptacles, at 31 locations throughout the City. The restrooms are a mix of semi-permanent JCDecaux public toilet facilities and portable toilets owned by Public Works.

Public Works entered into grant agreements with the non-profits Hunters Point Family and CIVIC for the operation and monitoring of the Pit Stop locations. CIVIC provides staffing for 15 locations and Hunters Point Family provides staffing for 16 locations. The Pit Stop location monitoring positions are provided as job training, employment, and workforce development opportunities for local residents, especially those who are facing barriers to employment. The total cost of the Pit Stop program in FY 2021-22 was approximately $13.6 million.

Since February 2016, the Bay Area Rapid Transit District (BART) has provided annual grants to Public Works to operate Pit Stop locations at various BART stations. The grants have been for amounts ranging from $50,000 to $257,500, and each required the City to provide matching funds. In July 2021, Public Works and BART executed the fifth amendment to their memorandum of understanding to jointly pay for the Pit Stop bathrooms at 16th and Mission, Powell, and the 24th and Mission BART Stations in FY 2021-22, which was not signed by each agency's attorneys until March 2022. The proposed resolution approving the grant funds was introduced to the Board of Supervisors in September 2022 but not scheduled until May 2023 because of unspecified "administrative delays and staff turnover."

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would retroactively authorize Public Works to accept and expend a grant from BART for the Pit Stop program in an amount not to exceed $250,000, with a required City match of $265,000, for the period of July 2021 through June 2022.

In FY 2021-22, Public Works and Hunters Point Family operated the following Pit Stop locations, which are funded by the proposed grant:

1. Powell BART Station, operated daily, 12 hours per day, from July 2021 through June 2022;
2. 24th Street and Mission Station, operated daily, 12 hours per day, from July 2021 through June 2022; and
3. 16th Street and Mission Station, operated Monday through Friday, eight hours per day, from July 2021 through June 2022.

The Pit Stop at the 16th Street and Mission Station was the first to be funded by BART in 2016, and the additional Pit Stops were added in FY 2018-19. Each Pit Stop is located on City property at the street level. Under the grant, BART reimburses Public Works for a share of the cost of operating the Pit Stops. As of this writing, the Powell Street and 24th Street Pit Stops continue to run 12 hours per day, but the 16th Street and Mission Pit Stop is open 24 hours per day.

Program Performance

The Budget and Legislative Analyst has requested Pit Stop usage data and performance and fiscal monitoring reports for Hunters Point Family, the operator of the three Pit Stops funded by the proposed grant. DPW did not provide usage data or a record of monitoring compliance with the services required in its agreement with Hunters Point Family. It did provide invoices for April 2023, which we reviewed and which indicate that Hunters Point Family is staffing the Pit Stops as required by their agreement with the City.

Hunters Point Family was unable to provide the financial documents necessary for the City to complete its non-profit fiscal monitoring in FY 2021-22 due to turnover in finance staff. DPW is going to provide technical assistance to the organization, though the scope of the assistance is still being determined as of this writing.

FISCAL IMPACT

The fifth memorandum agreement between Public Works and BART in effect for FY 2021-22 would provide Public Works with $250,000 to operate three Pit Stop locations. It would also require a match of at least $265,000 in City funds. The total cost to operate the three sites is approximately $596,817, as shown in Exhibit 1 below.

Exhibit 1: Pit Stop Grant Budget for FY 2021-22

Location	Public Works Contribution	BART Contribution	Total Cost
Powell Station	$132,477	$86,957	$219,433
24th Street & Mission	145,986	86,957	232,943
16th Street & Mission	23,118	43,478	66,596
Subtotal	$301,580	$217,391	$518,972
Indirect Costs (15%)	45,237	32,609	77,846
Total	**$346,817**	**$250,000**	**$596,817**

Source: Proposed Grant Budget

The total cost to operate the three locations has decreased from $834,281 in FY 2020-21 to $596,817 in FY 2021-22 due to a reduction in service hours at the Powell and 24th Street and Mission Stations. According to Darlene Frohm, Public Works Assistant Deputy Director for Operations, 24-hour service was eliminated due to budgetary constraints.

The fifth memorandum agreement between DPW and BART, which provides for the grant funds, assumed $515,000 in total costs to operate the three Pit Stop sites, with the City providing 51.46 percent of the funding and BART providing 48.54 percent of the funding. Actual costs were $596,817, or $81,817 higher because of employee compensation and cost of doing business increases. The proposed $250,000 from BART accounts for 41.89 percent of actual costs in FY 2021-22, less than the share set forth in its agreement with DPW because BART's $250,000 grant amount is fixed, according to Bruce Robertson, Public Works Deputy Director for Finance and Administration.

Public Works' contribution for the Pit Stops is funded by the City's General Fund.

RECOMMENDATION

Approve the proposed resolution.

Item 3 **File 23-1162**	**Department:** Police (POL)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed ordinance (1) retroactively authorizes the Police Department to accept and expend a $15,326,301 grant from the Board of State and Community Corrections Organized Retail Theft Grant Program and (2) amends the FY 2023-24 – FY 2024-25 Annual Salary Ordinance to add two grant-funded 1823 Senior Administrative Analyst positions in the Police Department.

Key Points

- The purpose of the grant is to fund an expansion of the Police Department's sworn overtime related to organized retail theft activities at local neighborhood hotspots and in Union Square. It will also fund sworn overtime to reduce the sale of stolen goods (also known as "fencing") and citywide catalytic converter theft. The new grant-funded 1823 positions will perform crime analysis and grant reporting. The proposed also grant funds $6.1 million for equipment purchases, including 16 vehicles and 400 automatic license plate reader cameras.

Fiscal Impact

- The proposed grant does not have a matching fund requirement. Because the grant is retroactive to October 1, 2023, eligible activities that have taken place since that time may be reimbursed by the proposed grant once approved.
- After the grant funds expire in December 2026, the two 1823 positions, licensing costs for the surveillance cameras, and maintenance for grant purchased vehicles would have to be locally funded, most likely by the General Fund. We estimate the annual costs starting in 2027 for those items would be $1.7 million.

Policy Consideration

- The grant indicates specific equipment vendors and modifications to the grant agreement would require approval of the granting agency, the Board of State and Community Corrections. Therefore, to complete these equipment purchases, the Police Department will have to obtain a waiver from the City's competitive procurement requirements. As of this writing, it is not clear how the Police Department determined that these vendors provided the best value to the City.
- Board approval to update the Police Department's Surveillance Policy is required for the proposed grant program, but approval Is still pending.
- The proposed grant funds $7.2 million sworn overtime or 47% of the total $15.3 million grant award. The remaining 53% of the grant funds will be used for two civilian analysts, surveillance cameras, and 16 vehicles. The Board could consider requesting the Police Department work with the Board of State and Community Corrections to shift grant funds to increase funding for certain grant-related, such as more or less equipment purchases, sworn overtime, or civilian positions.

Recommendation

- Approval of the proposed ordinance is a policy matter for the Board of Supervisors.

MANDATE STATEMENT

City Administrative Code Section 10.170-1 states that accepting Federal, State, or third-party grant funds in the amount of $100,000 or more, including any City matching funds required by the grant, is subject to Board of Supervisors approval.

Administrative Code Section 2.1-1 states that the Board of Supervisors shall determine the maximum number of each class of employment in each of the various departments and offices of the City and County and shall fix rates and schedules of compensation.

BACKGROUND

Organized Retail Theft Prevention Grant Program

The 2022 State Budget Act established the Organized Retail Theft Grant Program, a competitive grant open to all police, sheriff, and probation departments. The Board of State and Community Corrections (BSCC), a state entity, administers the grant and awarded $242.3 million to local law enforcement agencies in 2023, including $15.3 million for the San Francisco Police Department (the maximum possible award was $15.6 million).

According to the Police Department's grant application, the City experienced 3,458 retail theft incidents in 2019, rising to 3,718 in 2022 and totaling 13,540 during that period. Of the 13,540 retail theft incidents during 2019-2022, 43% were in Union Square. Catalytic converter[1] theft has also been increasing, from 1,365 in 2020 to 3,052 in 2022.

DETAILS OF PROPOSED LEGISLATION

The proposed ordinance (1) retroactively authorizes the Police Department to accept and expend a $15,326,301 grant from the Board of State and Community Corrections Organized Retail Theft Grant Program and (2) amends the FY 2023-24 – FY 2024-25 Annual Salary Ordinance to add two grant-funded 1823 Senior Administrative Analyst positions in the Police Department.

The purpose of the grant is to fund an expansion of the Police Department's Citywide response to organized retail theft activities at local neighborhood hotspots and in the Union Square commercial district. It will also fund efforts to reduce the sale of stolen goods (also known as "fencing") and citywide catalytic converter theft.

These expanded efforts comprise overtime Police Officer staffing, two new Senior Administrative Analysts assigned to crime analysis functions, vehicles, personal equipment and computers, and a distributed stationary automatic license plate reader network.

[1] Catalytic converters are filter devices laced with rare earth metals that are attached to vehicle exhaust systems to minimize carbon emissions.

Other funded activities include the hiring of an independent third-party evaluator, a financial audit, public relations, and training.

Grant Terms

The proposed grant has a total grant term of October 1, 2023 through June 1, 2027. However, all project expenses must be incurred prior to December 31, 2026. The proposed grant does not have a matching fund requirement but does require that the grant funds not supplant current appropriations.

Sworn Overtime

The proposed grant would fund sworn personnel cost of Police Officer overtime for increased patrols and investigation activities, providing approximately 20,800 hours of overtime per year.[2] The Police Department spent approximately 82,000 hours of overtime on its Safe Shopper Initiative in FY 2022-23, so the proposed grant would amount to a 25 percent increase in Police presence for that program and four percent increase in total annual overtime hours relative to FY 2022-23.

The Police Department's grant application, which is attached to the proposed grant agreement, indicates that the high visibility patrols would focus on Union Square. Police Department staff report that blitz operations and high visibility patrol will be variously distributed across retail theft hot spots, fencing hot spots, and catalytic converter theft hot spots throughout the City.

The day-to-day enforcement operations would be overseen by one Q82 Lieutenant and four Q50 Sergeants currently assigned to organized theft response.

Grant Funded 1823 Senior Analyst Positions

The proposed ordinance would add 2.0 FTE 1823 Positions to the Police Department's authorized positions, funded by the proposed grant. The 1823 analysts will support grant operations by performing crime analysis functions (e.g., determining most-impacted retailers and the dates and times with the most ORT to maximize effectiveness of deployments), tracking grant activities for grant reporting, and by performing forensic evidence analysis.

The 1823 positions would be added to the Police Department's Crime Strategies Division, which currently has eleven staff (plus a director), including one 1824 Principal Analyst, two 1823 Senior Analysts, and eight 1822 Administrative Analysts.

Evaluation

The proposed grant requires the Police Department to establish performance measures for grant-funded activities and report on their success. The Police Department's proposed performance measures include: increased recovery of stolen merchandise, reduction in recidivism, reduction

[2] This would include "blitz" operations at an average rate of 2 operations per week with an average of 10 officers per deployment and high visibility patrol at an average rate of 4 operations per week with an average of 5 officers per deployment.

in theft incidents, reduction in sales of stolen goods, reduction in store closures, and reduction in gun violence. The proposed grant provides $500,000 for a third-party evaluator.

This independent third-party evaluator will be responsible for drafting a Local Evaluation Plan (LEP) in consultation with the Police Department, due in April 2024, and also delivering a Local Evaluation Report (LER) based on that evaluation plan, due in June 2027.

Equipment

The proposed grant funds $6.1 million in personal equipment (e.g., binoculars, body armor) as well as larger equipment purchases, such as 400 stationary automatic license plate reader (ALPR) cameras and associated licensing costs, and 16 vehicles.[3]

The ALPR cameras will be dispersed throughout the City. According to the Police Department, the primary purpose of the ALPR network will be to locate vehicles used in retail theft, fencing, and catalytic converter theft. The cameras also have a secondary benefit to the City by also functioning to assist in investigating other types of crimes, including auto burglary, and by locating missing persons such as during an Amber Alert.

Travel and Training

Finally, the grant funds $174,326 in travel and training expenses for Police Department staff to attend organized retail theft conferences and trainings, and host a San Francisco Organized Retail Theft symposium.

FISCAL IMPACT

Exhibit 1 below shows the purchases that the proposed grant would fund.

[3] The vehicles include: two command vehicles to host operational activities, one truck to transport stolen equipment, one surveillance van, one prisoner transport van, two police transport vans, three “cold” cars for surveillance, and six unmarked police vehicles dedicated to retail theft patrol grant activities.

Exhibit: Grand Funded Spending (October 2023 – December 2026)

Activity	Amount
Sworn Overtime	
High visibility patrol	3,619,200
Blitz operations	3,619,200
Subtotal, Sworn Overtime	7,238,400
Two 1823 Senior Analysts (Crime Analysts)	1,050,000
Equipment & Advertising	174,326
Third Party Evaluator	500,000
Automatic License Plate Reader Cameras	3,935,000
Vehicles	1,993,690
Financial Audit	25,000
Travel and Training	159,885
Indirect Costs	250,000
Total	**15,326,301**

Source: Proposed Grant Agreement

Because the grant is retroactive to October 1, 2023, eligible activities that have taken place since that time may be reimbursed by the proposed grant.

Ongoing Costs

After the grant funds expire in December 2026, the two 1823 positions, licensing costs for the ALPRs, and maintenance for grant purchased vehicles would have to be locally funded, most likely by the General Fund, unless new grant funding opportunities are identified. We estimate the annual costs starting in 2027 for those items would be $415,000 for the two 1823 Senior Analysts, $11,000 in maintenance costs for the 16 new vehicles, and $1.3 million to maintain the licenses for the surveillance cameras.

POLICY CONSIDERATION

Procurement

The Police Department's grant application, which is part of the proposed grant agreement, indicates a specific ALPR vendor, Flock, as well as specific vendors for 11 of the 16 vehicles. However, the Police Department staff report they have not begun to procure any equipment indicated in the proposed grant.

Modifications to the grant agreement, including using a different vendor for surveillance cameras and vehicles, would require approval of the granting agency, the Board of State and Community Corrections. Therefore, to complete these equipment purchases, the Police Department will have to obtain a waiver from the City's competitive procurement requirements. As of this writing, it is not clear how the Police Department determined that these vendors provided the best value to the City.

Board Action to Update Surveillance Policy is Required for Proposed Grant Program, But Approval Is Still Pending

File 23-1161 is an ordinance pending Board of Supervisors' approval that would amend the Police Department's ALPR Surveillance Policy to broaden the list of allowable file formats, allow data sharing with equipment vendors, and broaden the sources of funds that could be used to purchase automatic license plate readers (including grant funds, not just Vehicle Theft Abatement Funds). At its November 27, 2023 meeting, the Rules Committee recommend the full Board approve File 23-1161, which will be considered at the December 5, 2023 Board of Supervisors meeting. If the Board does not approve the pending ordinance modifying the Police Department's ALPR policy to allow grant funds for ALPR purchases and uses, the Police Chief should work with the Board of State and Community Corrections to modify the grant budget to shift the ALPR equipment funding to other allowable uses.

Grant Spending Allocations

The proposed grant funds $7.2 million sworn overtime or 47% of the total $15.3 million grant award. The remaining 53% of the grant funds will be used for two civilian analysts, surveillance cameras, and 16 vehicles. The Board could consider requesting the Police Department work with the Board of State and Community Corrections to shift grant funds to increase funding for certain grant-related, such as more or less equipment purchases, sworn overtime, or civilian positions.

RECOMMENDATION

Approval of the proposed ordinance is a policy matter for the Board of Supervisors.

Item 5 **File 23-1152** *(Continued from 11/29/23 meeting)*	**Department:** Public Health (DPH)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would authorize a first amendment to the Department of Public Health's agreement with Chinese Hospital Association exercising the first one-year term extension option for a new total term from December 1, 2022 to November 30, 2024, and increasing the not-to-exceed amount $9,891,840 to $20,638,800.

Key Points

- Following a competitive solicitation, In December 2022, DPH entered into a contract with Chinese Hospital for a one-year initial term from December 1, 2022 to November 30, 2023, and a not-to-exceed amount of $9,891,840. The original agreement provided eight one-year term extension options.
- The proposed first amendment would not make any changes to the contracted services, which include (1) surge capacity for subacute and skilled nursing beds for patients exiting San Francisco General Hospital and (2) subacute skilled nursing beds. The contract allows the City to purchase up to 23 beds per day from Chinese Hospital at a cost of $1,350 per bed day. The City only pays for occupied beds and only for San Francisco residents. The subacute skilled nursing unit is not yet certified by the state, so no services have been provided in this category.

Fiscal Impact

- Over the term of the current agreement, actual expenditures of $10.3 million are projected to exceed the $9.9 million contract not-to-exceed amount by approximately $400,000. At its November 29, 2023 meeting, the Budget & Finance Committee approved DPH's request to amend the proposed resolution to increase the not-to-exceed amount of this resolution from $18,851,480 to $20,638,800 to account for the over billing and also account for a potential delay in Center for Medicare and Medicaid Services (CMS) certification.
- The proposed first amendment would be funded entirely by the General Fund. However, once Chinese Hospital is CMS certified, this cost will be partially offset by Medicare and Medi-Cal billing.

Recommendation

- Approve the proposed resolution.

MANDATE STATEMENT

City Charter Section 9.118(b) states that any contract entered into by a department, board or commission that (1) has a term of more than ten years, (2) requires expenditures of $10 million or more, or (3) requires a modification of more than $500,000 is subject to Board of Supervisors approval.

BACKGROUND

Chinese Hospital

Chinese Hospital is an acute care hospital located at 845 Jackson Street in Chinatown. The Chinese Hospital is a nonprofit organization governed by a voluntary board of trustees.

Prior Contract with Chinese Hospital

In February 2022, the Board approved the first amendment to a Department of Public Health (DPH) contract with Chinese Hospital to provide skilled nursing bed capacity for patients exiting General Hospital during COVID surges. The agreement required the City pay for a minimum of 13 beds per month and was procured under the Mayor's emergency orders related to COVID response. Because of the minimum required purchase and high cost of the service, we recommended DPH undertake a competitive solicitation for skilled nursing bed overflow.

Procurement Process

On May 13, 2022, DPH issued a request for proposals (RFP) (No. 6954) to identify providers within San Francisco with the capacity to provide (1) subacute skilled nursing care and (2) Surge/emergency skilled nursing care. A panel[1] reviewed the submissions from the two respondents to the RFP, and both were selected as providers. According to DPH, contract negotiations with the second provider are ongoing.

In December 2022, DPH entered into a contract with Chinese Hospital for a one-year initial term from December 1, 2022 through November 30, 2023, and a not-to-exceed amount of $9,891,840. The original agreement also provided for eight one-year options to extend the agreement.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve the first amendment to the agreement between the San Francisco Department of Public Health (DPH) and the Chinese Hospital Association (Chinese Hospital), exercising the first one-year term extension option for a new total term from December 1, 2022 to November 30, 2024, and increasing the not-to-exceed amount from

[1] The four panelists included a Program Director, Director of Department of Care Coordination, Director of Patient Accounting, and a Program Analyst.

$9,891,840 to $18,851,840. Following the approval of the proposed first amendment, seven one-year term extension options would remain.

As discussed below, DPH is requesting that the resolution be amended to increase the not-to-exceed amount from $18,851,840 to $20,638,800, due to an error in the contract utilization calculations.

Services

The proposed first amendment would not make any changes to the contracted services, which includes (1) surge capacity for subacute and skilled nursing beds for patients exiting San Francisco General Hospital and (2) subacute skilled nursing beds. The contract allows the City to purchase up to 23 beds per day from Chinese Hospital; the City only pays for occupied beds and only for San Francisco residents.

<u>Skilled Nursing Care</u> includes 24/7 patient supervision, physical, occupational and speech therapy, wound care, intravenous therapy, injections, monitoring of vital signs, and assistance with daily activities.

<u>Subacute Skilled Nursing Care</u> refers to ongoing, complex nursing care post-hospitalization, such as tracheotomy care, complex wound management, intravenous tube feeding, and/or ventilator care after an acute hospitalization.

Chinese Hospital has been accepting contracted patients into their acute beds, who are then treated at skilled nursing care.

Certification Issues

According to DPH, the Chinese Hospital unit was certified as a Skilled Nursing Facility on June 1, 2023 and is in the process of obtaining certification from the Center for Medicare and Medicaid Services (CMS) in order to bill those programs.

Chinese Hospital's subacute skilled nursing unit is not yet certified by the California Department of Health Care Services, so no services have been provided in this category of care. According to DPH, Chinese Hospital will apply for subacute certification from the California Department of Public Health after the Hospital obtains Centers for Medicare and Medicaid Services (CMS) certification. However, that will take longer than a year, and so this service is not expected to be provided during the proposed extension term.

<u>Subacute and Skilled Nursing Facility Beds during a Surge or Emergency</u>

According to DPH, since December 2021, Laguna Honda Hospital has not admitted non-acute patients following hospitalization, and Chinese Hospital has been receiving patients from San Francisco General Hospital to help address the gap. To ensure that acute care beds are available at a sufficient capacity at San Francisco General Hospital during surges and emergencies, non-acute patients may be discharged to skilled nursing care at Chinese Hospital.

Service Utilization

DPH provided Skilled Nursing Facility daily bed utilization data on the first 48-weeks (December 1, 2022 - November 6, 2023) of the initial contract term. During this period, Chinese Hospital had an average occupancy rate of 20 beds per week, out its total possible capacity of 23 (89 percent). The lowest weekly census occurred in March 2023, with 16 patients (69 percent).

Exhibit 1. Skilled Nursing Facility Beds Provided, December 1, 2022 – November 6, 2023

	Contracted	Actual	Percent Provided
Skilled Nursing Beds	1,104	988	89%

Source: DPH

Note: The first term of the original agreement is from Dec. 1 2022 - Nov. 30, 2023, but only the first 48 weeks of data were available as of the drafting of this report.

Performance Monitoring

According to DPH, there is no formal performance evaluation like what is conducted annually for lower levels of community-based care, such as outpatient services. In this level of care, there is a weekly Utilization Management and Utilization Review meeting between DPH and Chinese Hospital staff to ensure that each client is receiving the appropriate level of care according to their treatment plans and emergent needs. According to DPH, State regulations specify that skilled nursing facilities are required to provide a minimum of 3.2 hours of nursing care per resident per day, however Chinese Hospital was not certified by state authorities as a skilled nurse facility until June 2023. DPH staff note that the Care Coordination and Medical Team at San Francisco General Hospital meet weekly with Chinese Hospital staff to review referrals, utilization management, and discuss patient stays and discharge plans. Attachment 1 to Appendix A of the original agreement includes a requirement to track whether the number of beds provided by Chinese Hospital is equal to the agreed upon number (up to 23 beds).

FISCAL IMPACT

Exhibit 2 below summarizes actual and projected contract expenditures for surge skilled nursing beds.

Exhibit 2: Actual and Projected Expenditures

Current Agreement	$9,891,840
11/1/23 – 11/30/23 Overspending	427,560
Proposed New Spending	$8,832,000
Contingency	$1,487,400
Revised Not To Exceed Amount	**$20,638,800**

Source: DPH

Over the initial term of the agreement, actual expenditures of $10.3 million are projected to exceed the $9.9 million contract not-to-exceed (NTE) amount by approximately $400,000. At its November 29, 2023 meeting, the Budget & Finance Committee approved DPH's request to amend the proposed resolution to increase the not-to-exceed amount of this resolution from

$18,851,480 to $20,638,800 to account for the over billing and also account for a potential delay in Center for Medicare and Medicaid Services (CMS) certification.

Bed Rate Change Contingent on CMS Certification

Under the existing contract, Skilled Nursing and Subacute Skilled Nursing beds cost $1,350 per day. This cost is based on acute care nursing beds, for which Chinese Hospital has a certification.

According to DPH, Chinese Hospital is planning to apply for Centers for Medicare and Medicaid Services (CMS) certification in December 2023. Until Chinese Hospital receives CMS certification from the California Department of Health Care Services, the skilled nursing facility bed rate is $1,350 per day. Following CMS certification, Chinese Hospital will be able to bill Medicaid and Medi-Cal, and the City's bed rate will be reduced to $500 per day to account for the insurance revenue. DPH anticipates it will take 8 months for certification after the CMS certification application is submitted. DPH expected the process would take eight months last year, in December 2022, when the original agreement commenced, but they were delayed by state approval of the skilled nursing facility certification. Projected spending for the proposed first amendment incorporates the maximum projected amount in case there is no rate change from $1,350 per day.

Benchmark Costs

In our 2022 report on the prior version of this agreement, we noted the Chinese Hospital bed rate in that contract, $1,369 per bed per day, was based on acute care bed costs because the facility was certified by state authorities to provide acute care, not skilled nursing care, which is less expensive. At that time, we noted skilled nursing facility daily bed rates at Laguna Honda were $871 and Medi-Cal daily bed rates for skilled nursing were $758. While the proposed contract is an improvement in that it does not contain a minimum purchase provision, it appears that the City is still paying more than the typical cost of a skilled nursing bed in the proposed contract.

According to DPH staff, the cost of acute care beds at General Hospital is $3,500 per day, so transferring patients to $1,350 skilled nursing beds at Chinese Hospital provides savings to General Hospital, where clinically appropriate, and ensures that these beds are available to those needing this level of care.

Funding Source

As was the case for the first term of the contract, the first amendment to the agreement would be funded entirely by the San Francisco General Fund. However, once Chinese Hospital is CMS certified, this cost will be partially offset by Medicare and Medi-Cal billing. Unlike the prior version of the contract, which was for COVID surge capacity, this contract's costs are not eligible for FEMA reimbursement.

RECOMMENDATION

Approve the proposed resolution.

Items 12 & 13 **Files 23-1146 & 23-1147**	**Department:** Public Health (DPH)

EXECUTIVE SUMMARY

Legislative Objectives

- **File 23-1146** is a resolution approving an amendment to the agreement between McKesson Corporation and the Department of Public Health (DPH) for the purchase of pharmaceuticals, increasing the not to exceed amount by $596,269,164 for a total amount not to exceed $977,652,155 over an extended term of four years and five months beginning February 1, 2024—for a total term from February 1, 2020 through June 30, 2028.
- **File 23-1147** is a resolution approving an amendment to the agreement between McKesson Plasma and Biologics, LLC—a subsidiary of McKesson—and DPH for the purchase of specialty drugs increasing the not to exceed amount by $1,170,803,034 for a total amount not to exceed $1,466,737,824 over an extended term of four years and five months beginning February 1, 2024—for a total term from February 1, 2020 through June 30, 2028.

Key Points

- A Group Purchasing Organization (GPO) is an entity that is created to enable member organizations interested in buying similar products to combine their purchasing power for the purpose of procuring discounts and to reduce administrative burden for large organizations. DPH is a member of the Vizient GPO, which gives the Department access to three pharmaceutical wholesale vendors—McKesson Corporation, Cardinal Health, and AmerisourceBergen—enabling the Department to procure discounts on pharmaceuticals.
- DPH selected McKesson to provide pharmaceutical products based on its ability to comply with Administrative Code contracting requirements to do business with the City; pricing and volume discounts; ability to deliver products in a timely manner; and reporting and analytics capabilities. The Department sought a quote from Cardinal, which was not competitive, and AmerisourceBergen was not responsive to their request for information.

Fiscal Impact

- The total cost of the proposed amendments is $1.8 billion over the 4.4-year extension period. However, insurance reimbursements will likely reduce the net cost to the City to roughly $88 million during the proposed extension. Net costs would be funded by the General Fund.
- The contracts have annual inflation factors, 15 percent for McKesson and 44 percent for McKesson Plasma and Biologics, as well as contingencies for new drugs, which appear reasonable given the City's recent spending and other analysis of drug market dynamics.

Recommendation

- Approve the proposed resolutions.

MANDATE STATEMENT

City Charter Section 9.118(b) requires that the Board of Supervisors approve by resolution all City agreements in excess of $10 million and/or that have a term of 10 years or more.

BACKGROUND

A Group Purchasing Organization (GPO) is an entity that is created to enable member organizations interested in buying similar products to combine their purchasing power for the purpose of procuring discounts on goods and services and to reduce the administrative burden associated with the procurement process for large organizations. GPOs are found in various industries, such as government and healthcare. In return, wholesale distributors gain increased market share and access to decision-makers at customer organizations. The City first authorized the Department of Public Health (DPH) to join a GPO in 1997. Originally, Administrative Code Section 21A.2 only authorized DPH to be a member of the healthcare GPO known as University HealthSystem Consortium (UHC),[1] which limited DPH's ability to compare costs against other GPOs in order to determine whether the Department was procuring healthcare goods and services for the best value. In 2015, Section 21A.2 was amended to clarify that DPH could procure information technology products and services through a number of GPOs. In 2020, the Board of Supervisors approved an ordinance (File 19-1237) that amended Chapter 21A.2 of the Administrative Code to enable DPH to join any healthcare GPO and continue its practice of obtaining healthcare goods and services from GPO vendors without going through a competitive solicitation. The Administrative Code also requires DPH to evaluate its GPO memberships every five years beginning in 2025 and provide the Health Commission with an evaluation report no later than January 31, 2025 in order to determine "which GPO memberships offer DPH the best value." DPH is a member of the Vizient GPO for the purposes of purchasing pharmaceuticals.

Selection of Vendor

As a result of DPH's membership in the Vizient GPO, the Department has access to three pharmaceutical wholesale vendors—McKesson Corporation, Cardinal Health, and AmerisourceBergen Corporation. The DPH's Chief Pharmacy Officer reported that a preliminary analysis of the three pharmaceutical vendors indicated that McKesson would continue to provide the best value in terms of the following factors: (1) its ability to comply with Administrative Code contracting requirements to do business with the City and County of San Francisco, (2) pricing including volume-based discounts, (3) ability to deliver products in a timely and accurate manner given DPH's substantial purchasing volume and distribution requirements, and (4) reporting and analytics capabilities related to the use of drugs across DPH's departmental units. The

[1] In 2015, the University HealthSystem Consortium merged with two other healthcare networks, VHA Inc. and Novation, and later with MedAssets to form one of the nation's largest healthcare GPOs—known as Vizient, of which DPH is currently a member.

Department reported that it sought a quote from Cardinal in 2022, prior to seeking an extension of its contract with McKesson. According to the Department, the Cardinal quote did not provide additional savings, when taking into account the substantial operational cost to switch vendors. The Department reported that the third vendor AmerisourceBergen was not responsive to their request for information.

Current Agreements

In March 2020, the Board of Supervisors approved two agreements between DPH and McKesson for pharmaceuticals (File 23-0012) and with McKesson Plasma and Biologics, LLC for pharmaceutical products, biologics[2], and specialty drugs (23-0013). Each agreement had a term from February 1, 2020 through January 31, 2024 and a combined not-to-exceed amount of $677,317,781.

The agreements allow DPH to purchase medications for all hospital and clinical facilities operated by the City.

DETAILS OF PROPOSED LEGISLATION

File 23-1146: The proposed resolution would approve an amendment to the agreement between McKesson Corporation and DPH for the purchase of pharmaceuticals, increasing the not to exceed amount by $596,269,164 for a total amount not to exceed $977,652,155 over an extended term of four years and five months beginning February 1, 2024—for a total term from February 1, 2020 through June 30, 2028.

Under the proposed agreement, DPH is required to purchase 90 percent of its pharmaceutical supply from McKesson in order to receive discount pricing for bulk purchases. McKesson is a wholesale distributor of pharmaceuticals, meaning that it obtains drugs from a number of manufacturers and delivers them to DPH.

File 23-1147: The proposed resolution would approve an amendment to the agreement between McKesson Plasma and Biologics, LLC—a subsidiary of McKesson Corporation—and DPH for the purchase of pharmaceutical products, biologics, and specialty drugs, increasing the not to exceed amount by $1,170,803,034 for a total amount not to exceed $1,466,737,824 over an extended term of four years and five months beginning February 1, 2024—for a total term from February 1, 2020 through June 30, 2028.

Like the agreement with McKesson Corporation, DPH is required to purchase 90 percent of its pharmaceutical products, biologics, and specialty drugs from McKesson in order to receive discount pricing for bulk purchases.

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[2] Biologic drugs are drugs synthesized from organic sources (animals, plants, microorganisms) or made up of components such as sugars, proteins, DNA, cells or tissues. Examples of biologics are (1) a long-acting form of human insulin, (2) monoclonal antibodies used to treat rheumatoid arthritis and other auto-immune diseases, and (3) monoclonal antibodies used to treat certain forms of cancer.

The Department reports procuring about 97 to 98 percent of its pharmaceuticals via McKesson.

Each agreement retains a holdover provision that allows the contract to continue for up to 12 months beyond the end date until a new drug purchasing agreement is in place.

FISCAL IMPACT

As detailed below, the total cost of the proposed amendments is $1.8 billion over the 4.4-year extension period. However, insurance reimbursements will likely reduce the net cost to the City to roughly $88 million during that period.

Exhibit 1: Summary of Fiscal Impact

	Current (4 years)	Proposed (4.4 years)	Total
McKesson (File 23-1146)	381,382,991	596,269,164	977,652,155
McKesson Plasma and Biologics (File 23-1147)	295,934,790	1,170,803,034	1,466,737,824
Total	**677,317,781**	**1,767,072,198**	**2,444,389,979**
Avg. Spending per year	169,329,445	400,360,864	569,690,309
Assumed Insurance Reimbursement (95%)[1]	643,451,892	1,678,718,588	2,322,170,480
Net Cost to City	**33,865,889**	**88,353,610**	**122,219,499**

Source: DPH and BLA

[1] The assumed reimbursement of 95 percent is based on BLA review of cost recovery for outpatient non-acute settings (see Cost Recovery section below), and the actual reimbursement rate may vary from this assumption.

Impact of Purchasing Agreement Discounts

The appendices to the respective agreements detail the discount values that DPH receives based on the volume of purchases, invoice payment schedules, rebates and discounts, and other cost provisions; these discount values were redacted in the public documents. According to the City Attorney's Office, discount values in the respective purchasing agreements are considered confidential because vendors are competing in the marketplace. While the specific financial terms of the amended agreements are also redacted, our office has had an opportunity to confidentially review the proposed financial terms.

Discount Monitoring

According to DPH's Director of Supply Chain and Chief Pharmacy Officer, discounts that DPH receives under the respective agreements are monitored by DPH via quarterly compliance meetings. DPH Pharmacy staff also review purchases using an on-demand web interface system to ensure that discounts are properly applied. The Chief Pharmacy Officer also reported that inventory controls are in place to ensure that invoices match items and quantities received and that items received are added to pharmacy inventory tracking systems.

Purchasing Agreement Budget

Exhibit 2 below shows the spending plan for the proposed amendment with McKesson (File 23-1146). According to DPH's Chief Pharmacy Officer, the budget is based on recent historical spending and consideration of upcoming treatment trends, such as payment for COVID vaccines, injectable HIV prevention, and gene therapy for hemophilia. The budget also includes an annual inflation factor of 15 percent for all departmental units to account for anticipated drug cost increases based on the average increase for pharmaceuticals that DPH has experienced in recent years. (The initial agreement used an inflation factor of 11 percent.)

Exhibit 2: Proposed Budget for McKesson Amendment (File 23-1146)

	FY 2023-24 (2/1/2024-6/30/2024)	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	Subtotal
SF General Hospital	$13,581,842	$36,725,300	$42,234,095	$48,569,209	$55,854,590	$196,965,036
Laguna Honda Hospital	8,305,941	22,459,265	25,828,154	29,702,377	34,157,733	120,453,470
Jail Health Services	2,127,285	5,752,179	6,615,005	7,607,255	8,748,343	30,850,067
Primary Care	1,372,953	3,712,465	4,269,334	4,909,734	5,646,194	19,910,680
Community Behavioral Health	4,862,498	13,148,194	15,120,423	17,388,486	19,996,758	70,516,359
Public Health Division	419,406	1,134,074	1,304,185	1,499,812	1,724,783	6,082,260
Subtotal	**$30,669,925**	**$82,931,477**	**$95,371,196**	**$109,676,873**	**$126,128,401**	**$444,777,872**
Current Agreement (annual budgeted amounts)						$234,564,860
Pharmaceutical Innovation Initiatives (2/1/2020-6/30/2028)[1]						$64,443,706
Subtotal of All Pharmaceuticals						$743,786,438
Taxes[2]						$150,000
Contingency (12%)						$88,668,056
Subtotal						**$832,604,494**
Holdover Amount[3]						$145,047,661
Guaranteed Maximum Cost						**$977,652,155**

Source: DPH

[1] Emerging specialty drugs are expected to be available over the course of the agreement term. However, because the final drug costs are unknown at this time, the values are not budgeted on an annual basis.

[2] Only over-the-counter drugs are taxable.

[3] A holdover amount to enable continuation of the agreement for up to 12 months after it expires on June 30, 2028—from July 1, 2028 to June 30, 2029—is calculated based on the last 12 months of the agreement ($126,128,401) plus a 15 percent inflation factor. This would enable 12 months of access to pharmaceutical purchases in the event that DPH seeks to switch to a different vendor or enters into protracted contract negotiations, according to the Department.

As shown in Exhibit 2 above, the spending plan for the proposed amended agreement with McKesson shows the annual breakdown of $444.8 million in spending expected across six DPH divisions through June 2028. In addition, the spending plan includes a total of $64.4 million—an addition of $30,047,751 over the prior amount of $34,395,955—for "specialty" drugs that are expected to be available during the agreement term, but for which annual spending amounts are unknown at this time. In addition, the spending plan has a 12 percent contingency of $88.7 million as well as a "Holdover Amount" of $145.0 million to allow the agreement to extend one year beyond the agreement end date of June 30, 2028. This amount is based on the expected spending in the final 12 months of the agreement ($126,128,401) escalated by 15 percent. Section 2.2 of the agreement allows the contract to extend in holdover status for up to 12 months beyond the end of the term.

Exhibit 3 below shows the spending plan for the agreement with McKesson Plasma and Biologics for specialty and gene therapy drugs. The budget includes an annual inflation factor of 44 percent to reflect the escalating cost of specialty and gene therapy drugs. (The initial agreement used an inflation factor of 40 percent.)

Exhibit 3: Proposed Budget for McKesson Plasma and Biologics, LLC (File 23-1147)

	FY 2023-24 (2/1/2024-6/30/2024)	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	Subtotal
Specialty / Gene Therapy Drugs	$27,988,800	$95,161,920	$137,033,164	$197,327,756	$284,151,968	**$741,663,608**
Current Agreement (annual budgeted amounts)						$148,947,200
Specialty Drugs / Gene Therapy Innovation Initiatives[1]						$53,691,688
Contingency (12%)						$113,256,495
Subtotal						**$1,057,558,991**
Holdover Amount[2]						$409,178,833
Guaranteed Maximum Cost						**$1,466,737,824**

Source: DPH

[1] Emerging specialty drugs are expected to be available over the course of the agreement term. However, because the final drug costs are unknown at this time, the values are not budgeted on an annual basis.

[2] A holdover amount to enable continuation of the agreement for up to 12 months after it expires on June 30, 2028—from July 1, 2028 to June 30, 2029—is calculated based on the last 12 months of the agreement ($284,151,968) plus a 44 percent inflation factor. This would enable 12 months of access to pharmaceutical purchases in the event that DPH seeks to switch to a different vendor or enters into protracted contract negotiations, according to the Department.

As with the spending plan for the McKesson agreement in Exhibit 2, the spending plan in Exhibit 3 includes $53.7 million for "specialty" drugs that are expected to be available during the agreement term, but for which annual spending amounts are unknown at this time. In addition, the spending plan has a 12 percent contingency of $113.3 million as well as a "Holdover Amount" of $409.2 million to allow the agreement to extend one year beyond the agreement end date of June 30, 2028. This amount is based on the expected spending for the final 12 months of the agreement ($284,151,968) escalated by 44 percent. Section 2.2 of the agreement allows the contract to extend in holdover status for up to 12 months beyond the end of the term.

Expenditures

The Department provided the total actual expenditures for the initial contract term through FY 2022-23, which shows expenditures increasing by 25 percent in FY 2021-22 and in FY 2022-23 over the prior year, suggesting that the annual inflation factors used for the amended agreements—15 percent for McKesson and 44 percent for McKesson Plasma and Biologics—are reasonable. The annual increases reflect overall cost growth of 53 percent from FY 2019-20 through FY 2022-23.

Drug Price Increases

According to a September 2022 Issue Brief from the U.S. Department of Health and Human Services Office of Health Policy, the average list price for pharmaceuticals increased 7.8 to 10 percent, on average, between 2016 and 2022, however 1,200 drugs had cost increases of 31.6 percent on average between 2021 and 2022.

As noted above, the agreements with McKesson and McKesson Plasma and Biologics build in annual cost increases of 15 percent and 44 percent, respectively. The DPH Chief Pharmacy Officer reported that advances in the treatment of certain conditions, such as HIV/AIDS, rheumatologic conditions, cancer, and hepatitis, are leading to rapidly growing costs for these specialty drugs. Some examples of rare high-cost drugs include a novel oncology therapy known as Car T-cell, which costs from $500,000 to $1 million per patient, and gene therapy for hemophilia, a genetic disorder. In recent years, two gene therapy medications for hemophilia became available for $2.9 to $3.2 million per dose, according to the Department. The DPH reports that these specialty drugs represent 2 percent of overall drug purchases, but 50 percent of drug expenditures.

Other drugs are more commonly prescribed, yet still expensive. For example, the Department reported that the HIV pre-exposure prophylaxis drug Apretude costs $29,000 per patient annually, a drug for treating substance use disorder costs $21,000 annually ($1,800 monthly), and injectable antipsychotic drugs may cost up to $36,000 per year ($3,000 per month).

Cost Recovery

Costs for the amended agreement will be partially offset from health insurance payors, including Medi-Cal, Medicare, and private insurance. The Department reported the following patient mix: 60 percent Medi-Cal, 30 percent Medicare, 7 percent uninsured, and 3 percent private insurance.[3] Uninsured patients may benefit from patient assistance programs in which pharmaceuticals are provided for free by the manufacturer, according to DPH. The Department provided our office with an analysis of its pharmaceutical cost recovery for outpatient non-acute settings from FY 2019-20 through FY 2022-23, which indicates that the majority of pharmaceutical costs in this setting are reimbursed by payors, ranging from 85 percent to as much as 98.7 percent. The Department reported that it is unable to provide the same reimbursement data for acute care and other clinical settings, which comprise approximately half of all pharmaceutical expenditures, due to bundled billing that precludes the ability to isolate pharmaceutical reimbursement. Assuming a 95 percent insurance reimbursement rate, the net cost to the City from these agreements would be approximately $88 million during the extension term. Net costs would be funded by the General Fund.

[3] According to DPH, the expansion of Medi-Cal beginning January 2024 will likely cause the percentage of uninsured patients to decrease and the percentage of Medi-Cal-insured patients to increase, yielding greater cost recovery.

RECOMMENDATION

Approve the proposed resolutions.

Item 14 **File 23-1148**	**Department:** Public Health

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would approve the second amendment to the Department of Public Health's contract with A Better Way for the provision of behavioral health outpatient services for children and youth in the foster care system and their families. The proposed amendment would extend the agreement from December 31, 2023 through June 30, 2027, and it would increase the total not-to-exceed amount from $9,780,027 to $13,579,299.

Key Points

- The scope of work for the proposed amendment includes (1) outpatient behavioral health services to children ages six to 21 and (2) outpatient early childhood behavioral health services for children ages birth to five who have been identified as having or at risk for developing behavioral or emotional disturbances.
- According to DPH, the provider had staffing vacancies, unproductive staff, and low referrals from the Human Services Agency, all of which contributed to A Better Way's not meeting contract objectives in FY 2021-22. Performance monitoring for FY 2022-23 is ongoing however DPH provided invoice data which indicates the early childhood program (ages 0-5) achieved 71 percent of contracted units of service and the outpatient program (ages 6-21) achieved 98 percent of contracted units of service.

Fiscal Impact

- Annual program expenses in FY 2023-24 $1.2 million. Costs are funded by federal (38 percent), state (38 percent) and the General Fund (23 percent).

Recommendation

- Approve the proposed resolution.

MANDATE STATEMENT

City Charter Section 9.118(b) states that any contract entered into by a department, board or commission that (1) has a term of more than ten years, (2) requires expenditures of $10 million or more, or (3) requires a modification of more than $500,000 to such contract is subject to Board of Supervisors approval.

BACKGROUND

A Better Way

A Better Way is a not-for-profit organization providing foster care services, parent education programs, mental health services, and parent advocacy programs for children, youth and families at risk of entering or currently in the foster care system in Northern California.

Solicitations

On March 24, 2017, the Department of Public Health (DPH) issued a Request For Proposals (RFP) #1-2017 seeking multiple vendors to provide mental health outpatient treatment services for children, youth and families. This RFP outlined an agreement with an initial term of 1.5 years, with subsequent extension options for the City up to a maximum term of 10 years.

On November 2, 2016, the Department issued RFP 33-2016 seeking multiple vendors to provide specialty mental health services to children, youth and their families, including Therapeutic Visitation Services (TVS). The RFP outlined an initial agreement of one year with four options to extend, for a maximum term of five years, ending on June 30, 2022. As described below, this service was included in the current agreement but not the proposed extension, because the solicitation authority expired on June 30, 2022

Scoring

In response to the 2017 solicitation, A Better Way applied for one category of services, Mental Health Outpatient Treatment Services. It received 208.5 points out of 230 possible points and placed fourth of 18 applicants in the category. Of the 28 total applicants across four types of services, 25 were approved to enter into contractual agreements for these services, pending budget negotiations.

The Mental Health Outpatient Treatment Services review panel consisted of two representatives from the San Francisco Unified School District (SFUSD); one representative each from DPH, the Department of Children, Youth and Their Families, Contra Costa County Health Services; and an independent contractor for the San Francisco Human Services Agency (HSA).

The review process included a review of financial documents and fiscal scoring of the vendor organizations. Five agencies, including A Better Way, were assessed to have a "High Risk" level, indicating that although there were no concerns from financial auditors, the organization was running a deficit and/or had low cash reserves.

In addition, A Better Way was selected to provide Therapeutic Visitation Services based on the organization's proposal in response to the 2016 solicitation. The organization received a score of 179.14 out of 200 points possible and placed fourth out of six applicants in the category. Five out of six applicants were recommended for funding, including A Better Way. Proposals were reviewed by representatives from DPH, the Juvenile Probation Department, the Human Services Agency, SFUSD, and the Department of Children, Youth and Families.

Initial Agreement

On July 1, 2017, DPH entered into an initial contract agreement with A Better Way for a period from July 1, 2017 through December 31, 2021 to provide outpatient behavioral health services to Medi-cal beneficiaries ages birth to 21 and outpatient early childhood behavioral health services for children in foster care ages birth to five, who have been identified as having or at risk for developing behavioral or emotional disturbances as well as Therapeutic Visitation Services to children, youth and families in the foster care system who are pursing reunification, with a total not-to-exceed amount of $9,327,033. Because the initial contract agreement amount was lower than $10 million, the contract did not require approval by the Board of Supervisors.

First Amendment

On January 1, 2022, DPH amended the contract to extend the term for two years from December 31, 2021 to December 31, 2023 and increase the not-to-exceed amount to $9,780,027. The original two categories of services in the initial agreement, outpatient behavioral health and therapeutic visitation, remained, however therapeutic visitation services ended in this contract effective June 30, 2022. DPH issued a new solicitation (RFP3-2022 Continuum of Care Reform) for providing these services after that date, and a new stand-alone contract to provide these services was awarded to A Better Way.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve the second amendment to the Department of Public Health's contract with A Better Way for the provision of behavioral health outpatient services for children and youth in the foster care system and their families. The proposed amendment would extend the agreement for outpatient services for three and a half years through June 30, 2027, and it would increase the total not-to-exceed amount by $3,799,272 to a total not-to-exceed amount of $13,579,299.

Services Provided

The scope of work for the proposed amendment includes (1) outpatient behavioral health services to children ages six to 21 and (2) outpatient early childhood behavioral health services for children ages birth to five who have been identified as having or at risk for developing behavioral or emotional disturbances. Services include comprehensive assessments of clients' mental health needs, individual and family therapy, case management and supportive services such as parent support groups. Clinicians also provide intensive home-based services aimed at improving parenting, social and daily living skills. Clients must be Medi-Cal beneficiaries in San Francisco.

Performance

FY 2021-22

DPH provided performance monitoring reports for FY 2021-22 for both programs. The early childhood (age 0-5) program was rated received a rating of "1 – unacceptable" (out of a possible 4) due to delivering only 23 percent of contracted units of service, not documenting improvements of client well-being, and not administering client surveys. The outpatient program (ages 6 – 21) was given an overall rating of "3 – meets standards," but also did not document client progress within specified time periods. According to DPH, the provider had staffing vacancies, unproductive staff, and low referrals from the Human Services Agency, all of which contributed to A Better Way's performance in FY 2021-22. DPH required A Better Way to provide plans to correct their performance, which they did on November 30, 2023, according to DPH staff.

FY 2022-23

Performance monitoring for FY 2022-23 is ongoing however DPH provided invoice data which indicates the early childhood program (ages 0-5) achieved 71 percent of contracted units of service and the outpatient program (ages 6-21) achieved 98 percent of contracted units of service. DPH performance monitoring will evaluate compliance with other contract objectives, such as the extent to which clients are making progress in their treatment and whether the provider is administering client surveys to assess client satisfaction.

Fiscal Monitoring

DPH completed FY 2022-23 fiscal and compliance monitoring in July 2023 as part of the Citywide non-profit monitoring process; the review found that A Better Way was not in conformance with the standard that "year-to-date net income is either a positive number or the contractor provides a sound explanation of how it will be positive by the end of the fiscal year". As part of the corrective action plan, the organization was required to explain how it will achieve a positive net income by the end of the fiscal year. As described in DPH's final fiscal and compliance monitoring letter in August 2023, A Better Way provided a status update that the organization anticipates closing FY 2022-23 at net loss due to low client/trainee numbers, low referrals and understaffing but expects to end FY 2023-24 in the positive due to CalAIM and payments reforms (which allow for cost reimbursement billing rather than fee for service billing, according to DPH staff) and an anticipated increase in referrals.

DPH's Business Office of Contract Compliance (BOCC) prepared a memo to the Board of Supervisors dated November 16, 2023 that analyzes key financial indicators from June 30, 2015 through June 30, 2022, or an eight-year period, and concludes by stating that A Better Way has overall good financial standing and rated the agency as "low risk". The memo stated that the organization received funds from the PPP Loan forgiveness program, which increased its operating cash reserve.

FISCAL IMPACT

The proposed amendment would increase the not-to-exceed amount of the contract by $3,799,272 for a total amount not to exceed $13,579,299. Actual and projected expenditures by year are shown in Exhibit 1 below.

Exhibit 1: Actual and Projected Contract Expenditures by Year

Year	Expenditures
FY 2017-18 (Actual)[1]	$598,011
FY 2018-19 (Actual)	1,378,605
FY 2019-20 (Actual)	1,469,272
FY 2020-21 (Actual)	1,363,964
FY 2021-22 (Actual)	1,563,887
FY 2022-23 (Actual)	1,287,833
Subtotal Actual Expenditures	*$7,661,573*
FY 2023-24 (Projected)	1,244,256
FY 2024-25 (Projected)	1,294,025
FY 2025-26 (Projected)	1,345,786
FY 2026-27 (Projected)	1,399,618
Subtotal Projected Expenditures	*$5,283,685*
Actual and Projected Expenditures	**$12,945,258**
Contingency (12% of Projected Expenditures)	634,042
Total Not-to-Exceed	**$13,579,299**

Source: Proposed Amendment No. 2

DPH has projected FY 2023-24 expenses to be $1,244,255 based on staffing costs, operating costs, and indirect costs, as shown in Exhibit 2 below. According to Appendix B of the proposed amendment, annual spending on outpatient services funds 7.0 FTE, including 6.08 FTE mental health professionals and 0.92 administrative staff. Operating expenses include rent, materials and supplies, training/staff development, local travel and other expenses. Expenditures in future years increase by approximately four percent due to Cost of Doing Business increases. FY 2023-24 expenditures of $1,244,255 are funded by the Federal government ($478,350 or 38.4 percent), State sources ($478,350 or 38.4 percent), and the General Fund ($287,555 or 23.1).

[1] To prevent an interruption in services during an expected gap between expiring contracts and the start of new agreements reflecting the solicitations noted above, during FY 2017-18 the DPH provided A Better Way and other providers with interim contracts for the 2018 calendar year. When DPH subsequently entered the 2017 agreement with A Better Way on July 1, 2017, this created a six-month overlap period between the interim contract and the new agreement, during which the Department paid A Better Way through the interim contract, resulting in lower spending under the current agreement.

Exhibit 2: Projected FY 2023-24 Contract Expenditures

	Outpatient Program	Early Childhood Outpatient Program	Total
Salaries	$572,841	$49,409	$622,250
Benefits	148,939	12,846	161,785
Operating Expenses	274,268	23,657	297,925
Subtotal Direct Expenses	*$996,048*	*$85,912*	*$1,081,960*
Indirect Expenses (15%)[2]	149,407	12,888	162,295
Total	**$1,145,455**	**$98,800**	**$1,244,255**

Source: Appendix B of Proposed Amendment No. 2

Underspending

A Better Way had an unspent balance totaling $2,468,276 from FY 2017-18 to FY 2021-22. According to DPH, the organization was unable to meet the budgeted contract allocation due to underutilization of services caused by the unpredictability of service needs of the highly vulnerable target population, as well as barriers to accessing services, staffing shortages due to the high cost of living in the San Francisco, and a decrease in referrals from the Human Service Agency. According to DPH staff, the reduction in referrals is due to understaffing and turnover within the City and not due to reduced need for services.

RECOMMENDATION

Approve the proposed resolution.

[2] Indirect expenses include management and administrative staffing costs and operating costs incurred by the provider that are indirect to the services provided in the contract.

Item 15 **File 23-1149**	**Department:** Public Health (DPH)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would approve the first amendment to the agreement between the Department of Public Health (DPH) and the Regents of the University of California on behalf of UCSF Ward 86, exercising all six one-year term extension options extending the term from June 2024 to February 2030, and increasing the not-to-exceed (NTE) amount from $9,997,872 to $26,481,255.

Key Points

- The Homeless, Aging and Long-Term Survivors (HALT) Center of Excellence located at the University of California, San Francisco (UCSF) Ward 86 HIV/AIDS clinic provides medical, behavioral health, and supportive services to low-income San Francisco residents living with HIV who have complex needs. HALT is a collaboration between UCSF Ward 86, UCSF Stimulant Treatment Outpatient Program (STOP), UCSF Alliance Health Project (AHP), and the San Francisco AIDS Foundation Stonewall Project (SFAF Stonewall), with UCSF Ward 86 serving as the lead agency.
- In March 2020, following an RFP process, DPH entered into a contract with the Regents of the University of California on behalf of UCSF Ward 86 for outpatient/ambulatory HIV Health Services to the elderly and the homeless population. The initial term was from March 1, 2020 through June 30, 2024, and an NTE amount of $9,997,872. The original agreement provided six one-year options to extend the term of the agreement.
- The proposed first amendment would not make any changes to HALT's contracted services or target population of certain HIV-positive San Francisco residents.
- On April 25, 2023, DPH conducted a virtual site visit of HALT and subsequently issued a monitoring report for an approximately one-year period (July 1, 2021 through June 30, 2022) of the initial contract term. HALT achieved the highest rating and met 141 percent of its contracted unduplicated client target (600) in FY 2021-22. The program was found to have met 95 percent of units of service.

Fiscal Impact

- Annual program costs are $2.5 million, which are primarily funded by the General Fund. Any income generated from insurance collection from third party billers is reinvested in serving the same target population

Recommendation

- Approve the proposed resolution.

MANDATE STATEMENT

City Charter Section 9.118(b) states that any contract entered into by a department, board or commission that (1) has a term of more than ten years, (2) requires expenditures of $10 million or more, or (3) requires a modification of more than $500,000 is subject to Board of Supervisors approval.

BACKGROUND

UCSF HALT Center of Excellence

The Homeless, Aging and Long-Term Survivors (HALT) Center of Excellence located at the University of California, San Francisco (UCSF) Ward 86 HIV/AIDS clinic provides medical, behavioral health, and supportive services to low-income San Francisco residents living with HIV who have complex medical needs. HALT is a collaboration between UCSF Ward 86, UCSF Stimulant Treatment Outpatient Program (STOP), UCSF Alliance Health Project (AHP), and the San Francisco AIDS Foundation Stonewall Project (SFAF Stonewall), with UCSF Ward 86 serving as the lead agency.

Procurement Process

On December 12, 2019, the Department of Public Health (DPH), HIV Health Services (HHS), issued a request for proposals (RFP) (No. 5-2019) for outpatient/ambulatory HIV Health Services. The purpose of the RFP was to identify four integrated medical and behavioral health providers to operate the following four Centers of Excellence programs serving priority HIV populations: (1) The elderly and the homeless, (2) women, (3) Mission District with a focus on Latinx individuals, and 4) African Americans. A panel[1] reviewed the submissions and selected UCSF Ward 86 as the provider for outpatient HIV Health Services to the elderly and the homeless population. UCSF Ward 86 was the only respondent for this service category.

Original Agreement

In March 2020, DPH entered into a contract with the Regents of the University of California on behalf of UCSF Ward 86 (Contract ID 1000017143), for an initial term from March 1, 2020 through June 30, 2024, and a not-to-exceed amount of $9,997,872. The not-to-exceed amount included a $500,000 (5 percent) contingency amount. The original agreement also provided six one-year options to extend the term of the agreement.

[1] The four panelists included a former HIV Prevention Manager at Santa Clara County Public Health Department; a Public Health Research Analyst; an Executive Director of an organization serving HIV positive and homeless populations; and an HIV Epidemiologist at Ambulatory Care, Santa Clara County Health & Hospital System. The proposal received an average score of 91.5 out of 100 points possible.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve the first amendment to the agreement (Contract ID 1000017143) between the Department of Public Health (DPH) and the Regents of the University of California on behalf of UCSF Ward 86, exercising all six one-year term extension options for a new total ten-year term from March 1, 2020 through February 28, 2030, and increasing the not-to-exceed amount by $16,483,383 from $9,997,872 to $26,481,255.

Services

The proposed first amendment would not make any changes to the contracted services, which include outpatient physical and behavioral health and case management. Services are provided by the HALT Center of Excellence which is comprised of UCSF STOP (8.59 FTE), UCSF AHP (Alliance Health Project), SFAF Stonewall (0.4 FTE), and UCSF Ward 86 (0.15 FTE). HALT services are provided at San Francisco General Hospital at 995 Potrero Avenue, as well as at UCSF AHP's service center located at 1930 Market Street.

Services provided by UCSF Ward 86 (the Lead Agency) include:

- Program Coordination
- Outpatient Primary Care
- Medical Case Management & Mobile Engagement

Services provided by UCSF Stimulant Treatment Outpatient Program (STOP)include:

- Outpatient detox and substance use treatment

Services provided by UCSF Alliance Health Project (AHP) include:

- Outpatient mental health psychiatry services
- Medical Case Management & Mobile Engagement

Services provided by AIDS Foundation Stonewall[2] *include:*

- Substance Use Counseling Hours
- Substance Use Counseling Groups

Target Population

According to the agreement, the target population for HALT services is HIV-positive San Francisco residents that are homeless, aging, low-income, and/or long-term survivors of HIV with a disabling diagnosis who are defined as severe need by the HIV Planning Council, and have a mental health problem, a substance use disorder, or both. Clients come to HALT via self-referral, referral from a community provider, referral within Zuckerberg San Francisco General Hospital (ZSFGH), or referrals through AHP. Client HIV diagnosis is confirmed at intake.

[2] Unlike the other three entities, SFAF Stonewall is not part of UCSF, so it is listed in the contract as a subcontractor.

Performance Monitoring

On April 25, 2023, DPH conducted a virtual site visit and subsequently issued a monitoring report for UCSF HALT Center of Excellence for an approximately one-year period (July 1, 2021 through June 30, 2022) of the initial contract term. HALT was rated "Four- Commendable/Exceeds Standards," which is the highest achievable rating. The program met 141 percent of its contracted unduplicated client target (600) in FY 2021-22. The program was found to have met 100 percent of its seven contracted performance objectives, which were:

- 80% of HIV+ clients will have had two or more medical visits during the year.
- 90% of clients with HIV who received primary care services will have been prescribed antiretrovirals treatment.
- 90% of clients with HIV who received primary care services will have had at least viral load test.
- 80% of clients will have a viral load <200 copies/ml which will indicate viral suppression and treatment adherence.
- 85% of clients with HIV and a CD4 T-cell count < 200 cells/mm3 will be prescribed PCP prophylaxis.
- 80% of clients with HIV who received primary care services will be tested for syphilis, with results documented.
- 80% of clients with HIV who received primary care services will have been screened for Hepatitis C.

The program met 95 percent of its contracted units of service in FY 2021-22 (9,958 out of 10,480 contracted hours). The program did not have a waitlist at the time of monitoring.

FISCAL IMPACT

The proposed amendment would increase the agreement's not-to-exceed amount by $16,483,383 over a five-year, eight-month period (July 1, 2024 to February 28, 2030) for a total amount of $26,481,255. Excluding the contingency amount, this equates to an annual spending of $2,530,598 for the five years of the contract extension, as shown in Exhibit 1 below.

Exhibit 1. Sources and Uses of Proposed Funding, Annual Spend

Sources	Amount
San Francisco General Fund	$2,514,646
Ryan White Part A	15,952
Total Sources	**$2,530,598**
Expenditures	
Salary & Benefits	2,125,573
Operating Expenses	78,013
Indirect Costs (15%)*	327,012
Total Expenditures	**$2,530,598**

Source: Appendix B, Proposed First Amendment

Note: Indirect costs include administrative and support staff salaries, related fringe, and general overhead.

The sources of funding for this program are the San Francisco General Fund and the federal Ryan White Part A grant. Only UCSF WARD 86's services are reimbursed through Ryan White Part A. According to the contract agreement, UCSF Ward 86 assures that all HIV Health Services funds are only used to pay for services that are not reimbursed by any other funding source. According to DPH staff, this contract does not specifically budget for any revenue offset from billings. Any income generated from insurance collection from third party billers is reinvested in serving the same target population, but DPH does not specifically track this amount.

The Actual and Projected expenditures by contract year are shown in Exhibit 2, below.

Exhibit 2: Actual and Projected Expenditures

Actual & Projected Expenditures	Amount
March 1, 2020- June 30-2020	$737,148
July 1, 2020-June 30, 2021	$2,074,697
July 1, 2021-June 30,2022	$2,196,664
July 1, 2022-June 30, 2023	$2,571,658
July 1, 2023-June 30, 2024	$2,530,598
Subtotal, Existing Term	**$10,110,765**
Proposed Expenditures	
July 1, 2024-June 30, 2025	$2,530,598
July 1, 2025-June 30 2026	$2,530,598
July 1, 2026-June 30, 2027	$2,530,598
July 1, 2027-June 30, 2028	$2,530,598
July 1, 2028-June 30, 2029	$2,530,598
July 1, 2029 - February 28, 2030	$1,692,383
Subtotal, Proposed	**$14,345,373**
Contingency (12% of FY 2023-24 to FY 2029-30)	$2,025,117
Total Not to Exceed	**$26,481,255**

Source: DPH

RECOMMENDATION

Approve the proposed resolution.

Item 16 **File 23-1150**	**Department:** Department of Public Health (DPH)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would approve Amendment No. 1 to the vocational rehabilitation employment and training programs contract between the Department of Public Health (DPH) and Richmond Area Multi Services, Inc. (RAMS), extending the term by four years and six months through June 2028, increasing the not-to-exceed amount by $31,268,440, for a total not to exceed $40,837,235, and authorizing DPH to make further immaterial amendments to the contract.

Key Points

- In 2020, DPH issued a Request for Qualifications (RFQ) to select providers for vocational rehabilitation employment and training programs for people recovering from mental health and substance abuse issues. Based on the RFQ, DPH executed a contract with RAMS for a term of one year and eight months and an amount to exceed $9,568,795.
- Under the contract, RAMS provides the following services: (1) Hire-Ability Janitorial Services; (2) Hire-Ability Clerical & Mailroom Services; (3) Informational Technology; (4) TAY Vocational Services; and (5) Employee Development. Between the five programs, DPH estimates that RAMS trained approximately 77 unduplicated clients (interns/trainees) in FY 2022-23. The contract funds approximately 64.52 full-time equivalent (FTE) positions, of which approximately 43.67 are client positions (within the programs noted above) with the remaining 21 positions operating the program.

Fiscal Impact

- Annual program costs are approximately $7 million, is funded approximately 55 percent by state funds and approximately 45 percent by the City's General Fund

Policy Consideration

- The TAY and Employment Development programs delivered less than 40 percent of their contracted units of service (days clients spend in the program) in FY 2022-23.

Recommendations

- The Board of Supervisors should request that DPH: (a) stop funding the underutilized programs, which would save approximately $3 million over the proposed extension, approximately 40 percent of which is funded by the General Fund or (b) enter into a one-year extension for $13.1 million not-to-exceed amount and provide an update on performance when seeking a subsequent extension of the contract.

MANDATE STATEMENT

City Charter Section 9.118(b) states that any contract entered into by a department, board or commission that (1) has a term of more than ten years, (2) requires expenditures of $10 million or more, or (3) requires a modification of more than $500,000 is subject to Board of Supervisors approval.

BACKGROUND

In December 2020, the Department of Public Health (DPH) issued a Request for Qualifications (RFQ) to select providers for vocational rehabilitation employment and training programs for people recovering from mental health and substance abuse issues. The goal of these programs is to improve the emotional well-being of DPH behavioral health clients by increasing their workforce readiness and practical skills according to the RFQ. The RFQ included seven program categories, and an evaluation panel reviewed and scored the three respondents to the RFQ.[1] Richmond Area Multi Services, Inc. (RAMS) was the only respondent in four categories (Employment Development, Clerical and Mailroom Services, Janitorial Services, and Informational Technology Services) and the highest scoring respondent in a fifth category (Transitional Aged Youth (TAY) Vocational Services) and was awarded a contract. In May 2022, DPH executed a contract with RAMS for a term of one year and eight months, from May 2022 through December 2023, and an amount to exceed $9,568,795.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve Amendment No. 1 to the vocational rehabilitation and training programs contract between DPH and RAMS, extending the term by four years and six months through June 2028, increasing the not-to-exceed amount by $31,268,440, for a total not to exceed $40,837,235, and authorizing DPH to make further immaterial amendments to the contract.

Under the contract, RAMS provides the following services:

1. Hire-Ability Janitorial Services: Provides paid supported employment and internship opportunities within the janitorial field. The janitorial services provide full janitorial services to DPH's participating Behavioral Health Services (BHS) clinics and programs.
2. Hire-Ability Clerical & Mailroom Services: Provides paid supported employment and internship opportunities in support of BHS administrative operations, including in the areas of business operations support, such as clerical, mailroom, front-desk reception, messenger, and driving positions to deliver mail, all within the behavioral health system of care, and primarily in the BHS Central Administration facility.

[1] The evaluation panel included a Peer Specialist from Larkin Street, an Administrative Assistant from Caminar, a Mental Health and Substance Abuse Program Manager from DPH, a Managing Director of Workforce Development from PRC, and a Contract Administrator from the California Department of Rehabilitation.

3. Information Technology: Provides five specific training cohorts in information technology support service areas operated by BHS and DPH, as well as supported employment in information technology support positions, within the behavioral health system of care.
4. TAY Vocational Services: Provides vocational/occupational assessment, and paid internships and/or entry-level work positions to transitional aged youth (ages 15-25).
5. Employee Development: Provides vocational assessments, job skills training, paid on-site work experience, unpaid classroom and group training sessions, vocational counseling and job coaching, and classes and workshops to improve employment readiness.

Between the five programs, DPH estimates that RAMS trained approximately 77 unduplicated clients (interns/trainees) in FY 2022-23.[2] The contract funds approximately 64.52 full-time equivalent (FTE) positions, of which approximately 43.67 are client positions (within the programs noted above) with the remaining 21 positions operating the program.

Fiscal and Performance Monitoring

FY 2021-22

FY 2021-22 performance monitoring indicated that the Janitorial Services, Clerical & Mailroom Services, Information Technology, and TAY Vocational Services programs met 100 percent of contracted performance objectives. Performance objectives were not consistent across the programs and sometimes did not include program completion rates and responses of surveyed program graduates regarding their readiness for additional vocational services activities and improvement in their coping skills in the workplace. According to Michelle Ruggels, DPH Business Office Director, because RAMS receives State Mental Health Services Act (MHSA) funding, they are required to report annually on each of these items in the MHSA Year-End report. Further, Director Ruggels adds that DPH and RAMS are currently in discussions to realign the annual performance objectives, so that the two sets of performance measures mirror each other, thereby ensuring that this information is available as part of the annual monitoring process.

None of the programs achieved 100 percent of contracted units of service over the period. The Janitorial Services, Clerical & Mailroom Services, and Information Technology programs each met at least 65 percent of contracted units of service, and the TAY Vocational Services program met 63 percent of contracted units of service. The monitoring report indicated that the program was short staffed in FY 2021-22. No corrective action plans were identified for these programs.

The Employee Development program was exempted from performance monitoring in FY 2021-22 because of staffing shortages that resulted in only four unduplicated clients served. The program met six percent of contracted units of service. According to Director Ruggels, the Employee Development program and TAY are both now fully staffed, and the Employee Development program has a wait list.

[2] Unduplicated client (UDC) counts vary between FY 2021-22 monitoring reports and the FY 2022-23 mental health and substance abuse report. The Clerical and Mailroom Services, Information Technology, and Employee Development programs show increased participation in FY 2022-23, while the Janitorial Services and TAY Vocational Services programs show decreased participation.

FY 2022-23

Performance monitoring for FY 2022-23 is ongoing. However, DPH provided invoice data which shows unduplicated clients and units of service delivered. Based on FY 2022-23 invoices provided by DPH, service levels were still below contracted levels for the TAY and Employment Program in FY 2022-23, as shown in Exhibit 1 below. Units of service in the TAY and Employment Programs refer to the number of days clients spend in the program.

Service levels declined for the TAY program from 63 percent of contracted services met in FY 2021-22 to 22 percent of contracted services met in FY 2022-23. Ms. Ruggels advised that there were staffing issues during the pandemic for both programs, and a lack of internship locations for TAY placements that resulted in underspending in both programs. Service levels increased for the Employee Development program from six percent of contracted services met in FY 2021-22 to 40 percent of contracted services met in FY 2022-23.

Exhibit 1: Service Levels by Program, FY 2021-22 to FY 2022-23

		Unduplicated Clients		Contracted Units of Service Met (%)	
Program	**Contracted Clients**	**FY 2021-22**	**FY 2022-23**	**FY 2021-22**	**FY 2022-23**
Janitorial	n/a	20	5	92%	88%
Clerical & Mailroom	n/a	8	17	70%	72%
Information Technology	34	19	31	65%	84%
TAY	9	9	7	63%	22%
Employee Development	10	4	17	6%	40%
Total		**60**	**77**		

Sources: Units of service are from FY 2021-22 monitoring reports and FY 2022-23 invoices; unduplicated clients as reported by DPH

Unduplicated Client Targets

In the current version of the contract, the Janitorial and Clerical & Mailroom programs did not have unduplicated client targets because the majority of these programs are staffed by RAMS supported employees. The unduplicated client targets currently apply only to the number of trainees/interns projected each year. The other three programs had the following unduplicated client targets: Information Technology (34), TAY (9), and Employment Development (10). The proposed amendment removed all unduplicated client targets. According to DPH, the unduplicated client targets were removed because they are being revised to include trainees and full-time staff.

Fiscal Monitoring

DPH reviewed RAMS' financial documents as part of the FY 2022-23 Citywide Fiscal and Compliance Monitoring process and identified no findings.

FISCAL IMPACT

The proposed Amendment No. 1 would increase the not-to-exceed amount of the contract by $31,268,440, for a total not to exceed $40,837,235. The estimated sources and uses of funds by program for the proposed four-year and six-month contract extension are shown in Exhibit 2 below.

Exhibit 2: Estimated Sources and Uses of Funds

Sources	FY 2023-24 (6 Months)	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	Total
State Sources	$1,865,874	$3,731,747	$3,731,747	$3,731,747	$3,731,747	$16,792,862
City General Fund	1,011,512	2,253,214	2,492,612	2,741,587	3,000,520	11,499,444
Subtotal	*$2,877,385*	*$5,984,961*	*$6,224,359*	*$6,473,334*	*$6,732,267*	*$28,292,306*
Contingency (12%)[3]	690,572	718,195	746,923	776,800	807,872	3,740,363
Total Sources	**$3,567,957**	**$6,703,156**	**$6,971,282**	**$7,250,134**	**$7,540,139**	**$32,032,668**

Uses	FY 2023-24 (6 Months)	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	Total
Janitorial Services	$1,020,997	$2,041,994	$2,041,994	$2,041,994	$2,041,994	$9,188,973
Clerical & Mailroom Services	694,929	1,389,858	1,389,858	1,389,858	1,389,858	6,254,361
Information Technology	767,124	1,534,248	1,534,248	1,534,248	1,534,248	6,904,116
TAY Vocational Services	117,419	234,838	234,838	234,838	234,838	1,056,771
Employee Development	219,031	438,061	438,061	438,061	438,061	1,971,275
Cost of Doing Business	57,886	345,962	585,360	834,335	1,093,268	2,916,811
Subtotal	*$2,877,385*	*$5,984,961*	*$6,224,359*	*$6,473,334*	*$6,732,267*	*$28,292,306*
Contingency (12%)	690,572	718,195	746,923	776,800	807,872	3,740,363
Total Uses	**$3,567,957**	**$6,703,156**	**$6,971,282**	**$7,250,134**	**$7,540,139**	**$32,032,668**
Actual Expenditures (through 2023)[4]						8,804,566
Total Not-to-Exceed						**$40,837,235**

Source: Proposed contract amendment, DPH. Program costs are based on supplemental information provided by DPH and differ slightly for Appendix B in the proposed agreement in the legislative file.

The contract includes a 12 percent contingency to account for escalation, new programs, and/or expansions of existing programs. The not-to-exceed amount also includes a four percent annual cost of doing business payment.

The total not-to-exceed amount of the contract is funded approximately 55 percent by state funds and approximately 45 percent by the City's General Fund.

POLICY CONSIDERATION

As discussed above, the TAY and Employment Development programs delivered less than 40 percent of their contracted units of service (days clients spend in the program) in FY 2022-23. The Board of Supervisors should request that DPH: (a) stop funding the underutilized programs, which would save approximately $3 million over the proposed extension, approximately 40 percent of which is funded by the General Fund or (b) enter into a one-year extension for $13.1

[3] The contingency shown for FY 2023-24 is for the full fiscal year.

[4] This amount includes actual expenditures of $5,927,181 for the period of May 2021 through June 2023 and projected expenditures of $2,877,385 for the period of July 2023 through December 2023.

million not-to-exceed amount and provide an update on performance when seeking a subsequent extension of the contract.

RECOMMENDATIONS

The Board of Supervisors should request that DPH: (a) stop funding the underutilized programs, which would save approximately $3 million over the proposed extension, approximately 40 percent of which is funded by the General Fund or (b) enter into a one-year extension for $13.1 million not-to-exceed amount and provide an update on performance when seeking a subsequent extension of the contract.

Item 17 **File 23-1151**	**Department:** Department of Public Health

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would approve Amendment No. 2 to the Substance Use Disorder (SUD) treatment contract between the Department of Public Health (DPH) and Latino Commission, extending the term by three years through June 2027 and increasing the not-to-exceed amount by $7,934,917, for a total not to exceed $17,598,422.

Key Points

- In 2018, following a Request for Proposals (RFP) process, DPH awarded a SUD treatment services contract to Latino Commission for a term of four years and an amount not to exceed $6,095,595. In May 2022, DPH amended the agreement to extend the term by eighteen months and increase the not-to-exceed amount by $3,566,910, for a total not to exceed $9,663,505.
- Latino Commission provides the following services under the contract: (1) Perinatal residential treatment services; (2) Residential treatment services; (3) Residential Step-Down (RSD) services; and (4) outpatient treatment services. Between the four programs, Latino Commission services approximately 70 unduplicated clients annually.
- The FY 2021-22 performance monitoring reports completed by DPH indicate substandard performance of meeting program deliverables for three out of four programs due to challenges related to the pandemic. FY 2022-23 performance data indicates that only one program continues to need improvement meeting DPH standards. There were no findings in recent fiscal monitoring reports.

Fiscal Impact

- Annual program spending is approximately $2 million.
- The contract is funded 76 percent by the City, 18 percent by federal sources, and 7 percent by state funding.

Recommendation

- Approve the proposed resolution.

MANDATE STATEMENT

City Charter Section 9.118(b) states that any contract entered into by a department, board or commission that (1) has a term of more than ten years, (2) requires expenditures of $10 million or more, or (3) requires a modification of more than $500,000 is subject to Board of Supervisors approval.

BACKGROUND

Procurement

In 2016, the Department of Public Health (DPH) issued a Request for Proposals (RFP) for programs treating Substance Use Disorder (SUD) for all ages at all levels of care.[1] The RFP stated that contracts would be for an initial term of five years, beginning July 1, 2017, through June 2022. Furthermore, DPH would have the option of executing a five-year extension through June 2027 based on program performance and available annual funding.

DPH evaluated a total of 39 proposals submitted by 20 organizations in a three-step review process. All proposals were ultimately recommended for funding. Applicants were assessed on the merits of meeting minimum agency requirements, financial solvency, and programmatic structure appropriate to the provided level of care.[2] As part of the third and final review phase, community members with expertise in SUD treatment services formed technical review panels according to treatment modalities and scored proposals out of 100 points.[3] The scores for the four Latino Commission proposals are included in Exhibit 1 below.

Exhibit 1: Latino Commission's RFP Scores by Proposed Program

Treatment Category [a]	Average Panel Score (out of 100)	Rank within Category
Perinatal	73.43	3rd (out of 3)
Outpatient	93.38	6th (out of 13)
Residential (3.1)	84.36	5th (out of 8)
Residential (3.5)	83.33	6th (out of 8)

Source: RFP 26-2016 Selection Report Summary
[a] Residential 3.1 treatment is clinically managed low-intensity residential services. Residential 3.5 is clinically managed high-intensity residential services.

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[1] The RFP included the following American Society of Addiction Medicine (ASAM) levels of care: (1) Opioid treatment programs or outpatient services; (2) Intensive outpatient services; and (3) Clinically managed low intensity residential services, clinically managed high-intensity residential services for those with cognitive or other impairments, or clinically managed high-intensity residential services.
[2] Minimum agency requirements addressed in the RFP included Drug Medi-Cal certification, harm reduction requirements, cultural and linguistic competency, priority service populations and geographic service area, Americans with Disability Act compliance, financial management, and prior performance.
[3] The four technical review panels were categorized by the following treatment modalities: perinatal and recovery track residence, outpatient, residential, and narcotic treatment.

Existing Contract

On July 1, 2018, DPH executed a contract with the Latino Commission for a term of four years, through June 2022. The total amount not-to-exceed in the agreement was $6,096,595. DPH later amended the contract in May 2022 to extend the term for an additional 18 months, increasing the not-to-exceed amount by $3,566,910 for a total not-to-exceed of $9,663,505.[4] The budget increase in Amendment No. 1 was predominantly due to an increase in staffing commitments across all three existing residential programs, and the addition of a separate outpatient program.[5]

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve the second amendment to the Substance Use Disorder (SUD) services and support contract between the Department of Public Health (DPH) and Latino Commission, extending the term by three years and six months through June 2027, and increasing the agreement by $7,934,917, for a total not-to-exceed amount of $17,598,422. The proposed resolution would furthermore authorize DPH to enter into any amendments or modifications to the contract in consultation with the City attorney.

Services Provided

Under the proposed amendment contract, Latino Commission would continue to provide services through the following programs:

1. Casa Aviva Perinatal Residential: Provides residential and partial day SUD treatment services for pregnant/postpartum Latina women and their children. Participation in the program may either be voluntary or mandated by the courts and involve Child Protective Services. Clients are typically treated for 90 days. This program has six residential treatment slots and a projected unduplicated client count (UDC) of 18 if clients stay for 90 days each at 80% occupancy.
2. Casa Quetzal Residential: Provides residential treatment services for Latino men experiencing SUD. Program duration is for 90 days, with a one-time 90-day extension if medically necessary. This program has eight residential treatment slots and projected UDC of 24 if clients stay for 90 days each at 80% occupancy.
3. Casa Ollin Residential: Provides residential Recovery Step-Down (RSD) housing to Latino men in need of a stable living environment in support of their recovery, i.e., following a residential treatment program. Participants may enroll for up to 24 months. Participants are required to concurrently enroll in outpatient services while enrolled in the RSD program. Casa Ollin has 12 slots and a projected UDC of 24 if residents stay for 180 days each.

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[4] Neither the original agreement between DPH and the Latino Commission nor Amendment No. 1 to the contract were subject to Board of Supervisors' approval given the total not-to-exceed amount for both agreements did not meet the $10 million threshold for Board approval. Approval for Amendment No. 1 was granted by the Civil Service Commission under PSC number 48652-16/17.

[5] According to DPH Director Michelle Ruggels, clients who exit residential treatment and enter a residential step-down program are required to enroll in outpatient treatment. Latino Commission's fourth and newest program was initially added to fund the required outpatient component.

4. Entre Familia Outpatient Services: Provides outpatient services to the Latino men enrolled in the Casa Ollin RSD program to meet the RSD criteria. Participants receive services for 90 days and may be granted a one-time 90-day extension based on medical necessity. Participants who continue to show medical necessity may be granted a longer term to coincide with an extended RSD residence. The contract funds four outpatient slots to ensure sufficient capacity for residents of Casa Ollin, who may receive their mandatory outpatient services in another outpatient program outside of the Latino Commission.

All programs offer a service delivery method that emphasizes trauma-informed, culturally competent care that combines traditional and non-traditional interventions to address individual needs. Services rendered include crisis interventions, planning for housing and employment stability, individual and family counseling, patient education, support groups, and referrals outside the Latino Commission. Combined, the four programs are contracted to serve 70 unique clients, including 66 unique clients across the three residential programs and four clients under the outpatient program.[6] The contract directly funds 19.78 full time equivalent (FTE) employees and rates for several subcontractors and consultants.[7] The Latino Commission reports that 80% of their residential client graduates are hired on as direct support staff.

Performance Monitoring

In March 2023, the DPH Business Office, Office of Contract Compliance (BOCC) finalized its monitoring reports for all four Latino Commission programs for FY 2021-22. Monitoring reports are based off a site visit and comprehensive documentation review, and score programs according to program performance, program deliverables, program compliance, and client satisfaction. The scores for the Latino Commission are shown in Exhibit 2 below.

Exhibit 2: Latino Commission Monitoring Scores for FY 2021-2022

Program	Score and Assessment
Casa Ollin (Adult Male Residential)	82/85 = 96% = Commendable/exceeds expectations
Casa Quetzal (Adult Male Residential)	84/90 = 93% = Commendable/exceeds expectations
Casa Aviva (Perinatal Residential)	82/90 = 91% = Commendable/exceeds expectations
Entre Familia (Outpatient)	54/90 = 60% = Improvement needed/below standards

Source: DPH Monitoring Reports

Latino Commission's three residential programs scored generally well and received overall commendations for program performance. However, each Latino Commission program aside from Casa Ollin (residential adult male) struggled to meet their program deliverables, which encompass units of service delivered and therefore unique clients served. The unit of service reflects either 1) one 24-hour day, multiplied by 365 days and number of program slots, and then adjusted by an assumed vacancy rate, or 2) one counseling session provided.

[6] Given dual enrollment between the Latino Commission's residential and outpatient programs, the true total number of unduplicated clients served by the agreement is unknown and less than the number stated in this report by up to four unduplicated clients.

[7] According to the contract, the three residential Latino Commission programs solicit hourly services from a Medical Doctor, therapists, and a body healer.

Casa Quetzal and Casa Aviva residential programs delivered 61% and 56% of their respective units of service, which indicates that there were fewer residential treatment days used overall in FY 2021-2022 than projected. Entre Familia outpatient services provided only 30% of their units of service capacity. The monitoring report for Entre Familia also indicates that no case management services were provided over the review period, and the program's total units of service delivered for this review period were 5% less than what was reported in the previous fiscal year.

The FY 2021-22 monitoring reports indicate that the programs' poor rate of services rendered was due to disruptions from the pandemic and challenges faced by clients exiting jail. Expanding on this information, DPH Business Office Director Michelle Ruggels advised that during the pandemic, programs established health and safety measures that reduced overall capacity and ability to meet contracted units of service. Double room occupancy was reduced to single room occupancy, program admissions were reduced overall, isolation rooms were set aside for potential need, and group therapy sessions were discontinued in favor of individual therapy. Furthermore, Ms. Ruggels explained that during the pandemic, the Casa Quetzal program prioritized client referrals from jail. Many of these clients exited early as they were court ordered and did not want treatment.

Ms. Ruggels separately provided the BLA with Latino Commission's units of service delivered and unique clients served for FY 2022-23, shown in Exhibit 3 below.

Exhibit 3: Program Deliverable Data

Unduplicated Clients	**FY 21-22**		**FY 22-23**	
Program	**Actual/Contracted**	**%**	**Actual/Contracted**	**%**
Casa Aviva (Perinatal)	11/18	61	19/18	106
Casa Ollin (Residential)	22/24	92	19/24	79
Casa Quetzal (Residential)	28/24	117	25/24	104
Entre Familia (Outpatient)	4/4	100	3/4	75
Units of Service	**FY 21-22**		**FY 22-23**	
Program	**Actual/Contracted**	**%**	**Actual/Contracted**	**%**
Casa Aviva (Perinatal)	2,085/3,713	56	3,394/3,504	97
Casa Ollin (Residential)	3,408/3,504	99	1,684/1,968	86
Casa Quetzal (Residential)	2,808/4,640	61	2,446/4,640	53
Entre Familia (Outpatient)	249/832	30	545/700	78
Entre Familia (Outpatient) Prop C			690/975	71

[a] Prop C funding added a SUD Navigator.
Source: DPH

For all programs but Casa Quetzal, the units of service delivered rates for FY 2022-23 are in line with standards set by DPH.[8] In FY 2022-23 Casa Quetzal exceed its unduplicated client target.

[8] DPH monitoring reports evaluate program deliverable rates at or above 71 percent as meeting expectations, between 51 and 70 percent as needing improvement, and below 51 percent as unacceptable.

Financial Monitoring

The Citywide Fiscal and Compliance Monitoring Program report for Latino Commission for FY 2022-23 did not produce any significant findings. Furthermore, BOCC reviewed Latino Commission's financial statements between FY 2014-15 and FY 2021-22 and determined that the organization was low risk.[9]

FISCAL IMPACT

The proposed Amendment No. 2 would increase the not-to-exceed amount of the agreement by $7,934,917 for a total not to exceed of $17,598,422. The actual and projected contract expenditures by year are shown in Exhibit 4 below. DPH advised that the State is behind in issuing instructions and settling annual cost reports, and therefore expenditures from 2019 onwards remain projected.

Exhibit 4: Annual Expenditures

FY 2018-19 (Actual)	$486,337
FY 2019-20 (Actual + Projected)	1,735,492
FY 2020-21 (Actual + Projected)	1,797,922
FY 2021-22 (Actual + Projected)	1,860,192
FY 2022-23 (Actual + Projected)	2,012,340
FY 2023-24 (Jul-Dec 2023) (Projected)	777,947
Subtotal, Existing Term	***$8,670,230***
FY 2023-24 (Jan-June 2024) (Projected)	1,285,336
FY 2024-25 (Projected)	2,126,163
FY 2025-26 (Projected)	2,227,156
FY 2026-27 (Projected)	2,332,946
Subtotal, Extended Term	***$7,971,600***
Contingency (12% of Extended Term)	956,592
Total Existing & Extended Term	**$17,598,422**

Source: Latino Commission BOS Fiscal Impact Report from DPH

The proposed contract includes a contingency of 12 percent of projected expenditures from January 2024 through June 2027, which accounts for escalation, new programs, and/or expansion of existing programs. The contract is financed through the City General Fund, including Our City, Our Home funding (76 percent), federal funding (18 percent), and state sources (seven percent).[10] Exhibit 5 below shows the breakdown of funding sources and projected costs by program for FY 2024-25.

[9] BOCC defines "low risk" agencies as those that have solid financials and the capacity to absorb some losses in unpredictable times.

[10] The $388,700 in Prop C funding across the entire proposed contract term is intended to support a SUD Navigator for the Entre Familia outpatient program, according to correspondence from DPH.

Exhibit 5: Sources & Uses for FY 2024-25

Sources	Amount
Federal Sources	$266,958
State Sources	143,745
County Sources	1,715,460
Total Sources	**$2,126,163**

Uses	
Entre Familia Outpatient	$134,222
Casa Quetzal Residential Treatment Adult Male	607,772
Casa Ollin Residential Step-Down Adult Male	599,713
Aviva House Perinatal Residential Treatment	596,225
Cost of Doing Business Increase	188,231
Total Uses	**$2,126,163**

Sources: DPH Fiscal Impact Report and Appendix B of the proposed contract

RECOMMENDATION

Approve the proposed resolution.