



London N. Breed
Mayor

Greg Wagner
Chief Operating Officer

MEMORANDUM

DATE: June 1, 2023

TO: Chair Connie Chan and Members of the Board of Supervisors Budget and Appropriations Committee

FROM: Greg Wagner, Chief Operating Officer, SFDPH

RE: Patient Rates Ordinance

As part of the FY 2023-24 and FY 2024-25 proposed budget, the San Francisco Department of Public Health (DPH) is requesting the Board's approval of an ordinance proposing updates to its patient rates. The department proposes increasing patient rates in select areas. The proposed modifications to rates are: 1) to extend the term of the rate authorization into FY 2024-25 for Inpatient, Emergency and Trauma related services, one year past the current authorization through FY 2023-24; 2) to adjust Community Behavioral Health Services including Specialty Mental Health and Drug Medi-Cal Organized Delivery System rates to match a new rate structure implemented by the Department of Health Care Services (DHCS) as part of the CalAIM behavioral health payment reform initiative; and 3) for nearly all other services, to increase rates by 5.60% in FY 2023-24 and 2.90% in FY 2024-25 consistent with the Controller's Office CPI Fees and Fines guidance. DPH expects to reevaluate its patient rates relative to market peers to determine whether rates should be adjusted.

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

DPH periodically proposes updates to its patient rates. In 2019 the department retained a third-party consultant to evaluate its patient rates relative to market peers. DPH contracted with Deloitte Consulting LLP to perform industry benchmarking, comparing its rates with 15 peer hospitals. The department then used the results of that rate study to propose an update to its patient rates ordinance, which was adopted by the Board of Supervisors during the FY 2020-21 and 2021-22 budget cycle. That analysis remains the basis for the proposed rate ordinance currently before the Board of Supervisors.

Adopted patient rates have little relationship to the amount a patient pays for services at DPH sites. The large majority of DPH patients are insured through Medicare, Medi-Cal, or are uninsured. For those patients, payment is based on public insurance fee schedules and other discounted payment schedules. The primary purpose of setting competitive rates is to ensure adequate compensation from commercial insurance companies. However, in 2019, it became clear that a small subset of patients at Zuckerberg San Francisco General Hospital (ZSFG) were

being negatively affected by the process known as “balance billing” (or “surprise billing”), where a patient’s insurance covers only a portion of a hospital bill and the patient becomes responsible for the remainder. To address this problem, DPH established new policies including: 1) ensuring that commercially insured patients receiving services out-of-network at ZSFG are billed no more than the cost sharing amount the patient would pay for the same services at an in-network, contracted hospital under the patient’s insurance policy; 2) modifying its Charity Care and Discount Programs to create an income-based out-of-pocket maximum payment for ZSFG patients at all income levels; 3) improving communications and customer service for patients around financial issues. With these changes in place, patients remain protected from unexpected medical bills for services received at DPH facilities.

The proposed change in rates for Community Behavioral Health Services including Specialty Mental Health and Drug Medi-Cal Organized Delivery System equal rates established by DHCS for San Francisco as a part of CalAIM behavioral health payment reform.

The behavioral health components of CalAIM are designed to support whole-person, integrated care; move the administration of Medi-Cal behavioral health to a more consistent and seamless system including through the launch of behavioral health payment reform. As a part of payment reform, DHCS will transition counties from a cost-based reimbursement methodology to a fee for service reimbursement payment structure. The proposed rates for Community Behavioral Health Services including Specialty Mental Health and Drug Medi-Cal Organized Delivery System reflect rates established by DHCS for San Francisco.