

ANALYSIS OF SUPPLEMENTAL APPROPRIATION REQUEST

DEPARTMENT: DPH
S.A.# 10

DATE: March 22, 2013
ANALYST: Cindy Czerwin

AMOUNT REQUESTED: \$38,689,454
AMOUNT APPROVED: \$

POSITIONS REQUESTED: NA
POSITIONS APPROVED:

FUNDING SOURCES: Multiple:
1GAAAAAA – General Fund Reserve for State Revenue Loss
5HAAAAAA – Additional Patient Revenues
5LAAAAAA – Additional Patient Revenues

SUBJECT: The Department of Public Health Supplemental Appropriation requests for \$46.1 million in new expenditure authority covered in part by other expenditure savings, their own revenues, and \$12.7 million from the General Fund.

BACKGROUND: On February 12, 2013 the Controller issued its six-month report which projected DPH to have a year-end shortfall of \$45.9 million. Since that time, the department has worked aggressively to control expenditures and find one-time solutions. To support the remaining shortfall DPH is requesting \$46.1 million in new expenditures supported by \$7.4 million of other expenditure savings, \$26.0 million of their own revenues, and \$12.7 million from the General Fund.

Cost Overruns

- Similar to past years, the Department of Public Health is requesting a supplemental appropriation to cover cost overruns at both General Hospital and Laguna Honda Hospital.
- At General Hospital, the department is requesting \$35.5 million in salaries and benefits, including \$1.2 million in overtime.
- At Laguna Honda Hospital, the department is requesting \$10.6 million in salaries and benefits including \$1.2 million in overtime, and \$2.9 million in materials and supplies primarily for pharmaceuticals.
- The department has some expenditure savings of \$7.4 million in other divisions that it is requesting be reallocated to support the above overages.

Revenue Surpluses

- The Controller is projecting that DPH related Health and Welfare Realignment revenue will be \$2.6 million better than budget.
- General Hospital is projecting a net revenue surplus of \$6.5 million in patient related revenues.
- Laguna Honda is projecting a net revenue surplus of \$12.6 million due to increased Medical and DP/NF reimbursements.
- The Controller's Office of Public Finance is projecting that \$4.3 million can be removed from the SB1128 reserve fund due to better than projected Tobacco Tax settlement revenue and interest in the account.

Use of Reserves

- The supplemental requests using the remainder of the reserve for State revenue losses of \$8.4 million. The department is experiencing significant challenges from the state including:
 - The expected loss of \$16.2 million in retroactive State Plan Amendment reimbursements for mental health services and
 - Patient revenues at General Hospital not keeping pace with costs in part due to the shift from fee-for service to managed care reimbursement models.

Were it not for these challenges from the state, DPH would be able to fund more of their own cost overruns

- The remaining balance is \$4.3 million which is requested from the General Reserve.

Cost Overruns

General Hospital - Salaries, Benefits and Non-Personnel	(35.5)
Laguna Honda - Salaries, Benefits, and Pharmaceuticals	(10.6)
Available appropriations	7.4
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	(38.7)

Revenue Surpluses

Health and Welfare Realignment	2.6
General Hospital Patient Related	6.5
Laguna Honda Patient Related	12.6
SB1128 Reserves	4.3
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	26.0

Use of Reserves

State Revenue Loss Reserve	8.4
General Fund Reserve	4.3
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	12.7

RECOMMENDATION: Approve

FISCAL IMPACT: This request has a \$12.7 million impact to the General Fund.