



City and County of San Francisco  
Edwin M. Lee  
Mayor

## San Francisco Department of Public Health

Barbara A. Garcia, MPA  
Director of Health

# MEMORANDUM

**DATE:** December 18, 2013

**TO:** David Chiu, President of the Board, and Members of the Board of Supervisors

**THROUGH:** Barbara A. Garcia, MPA, Director of Health

**FROM:** Colleen Chawla, Deputy Director of Health and Director of Policy & Planning  
Greg Wagner, Chief Financial Officer

**RE:** AB 85 Implementation in San Francisco

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### Background

California Welfare and Institutions Code Section §17000 establishes counties' responsibility to provide access to basic and emergent health care for those who are:

- Not eligible for services through existing programs (e.g., Medi-Cal) and
- Considered medically indigent.

San Francisco County fulfills its Section §17000 obligation through San Francisco Department of Public Health (SFDPH) safety net programs.

Under 1991/92 Health Realignment, the State of California has historically provided financial support to counties to facilitate the provision of indigent care and public health services. Under Health Reform, however, the State anticipates that counties' costs and responsibilities for indigent health care will decrease, as much of this population will be eligible for expanded Medi-Cal or coverage available on the Health Benefits Exchange known as Covered California. As a result, in June 2013, Governor Brown signed into law Assembly Bill (AB) 85, which provides a mechanism for the State to redirect a portion of Health Realignment funds to support social service programs.

For Fiscal Year (FY) 13/14, the state will redirect a total of \$300 million from the counties to fund CalWORKS grant increases, representing 22 percent of the total estimated Health Realignment revenues

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**The mission of the San Francisco Department of Public Health is to protect and promote the health of all San Franciscans.**

We shall ~ Assess and research the health of the community ~ Develop and enforce health policy ~ Prevent disease and injury ~  
~ Educate the public and train health care providers ~ Provide quality, comprehensive, culturally-proficient health services ~ Ensure equal access to all ~

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for the FY. Of that, the state will redirect an estimated \$16.9 million from San Francisco beginning with January 2014 disbursements and spread over a six-month period.<sup>1</sup>

In subsequent FYs, the state granted public hospital counties such as San Francisco the option of having their redirection amounts determined by one of two means:

- Option 1, 60/40 with Maintenance of Effort (MOE) Split: Under this option, counties could choose to have 60 percent of their Health Realignment Funds (base and growth) plus 60 percent of their statutory MOE redirected to the state, affording counties a guaranteed allocation amount through 2025; or
- Option 2, Savings Formula: Under this option, counties could elect to document costs and assumed available resources for each year to calculate savings compared to historic data. A portion of those savings would be redirected to the State. In addition, the formula protects the historical Health Realignment allocation for public health services and sets a cap on the amount of indigent health care funds that can be redirected to the State.

### **Savings Formula Option Best for San Francisco**

SFDPH analysis indicates that the Savings Formula Option would best serve San Francisco. Specifically:

- The Savings Formula Option would preserve the public health portion of San Francisco's current Health Realignment allotment.
- The Savings Formula Option would afford San Francisco more funding overall, including for indigent services. Under the Savings Formula Option, the maximum amount that could be redirected from San Francisco in a given year is 100 percent of its total annual indigent services Health Realignment allocation (approximately \$48 million); this amount could be significantly lower if SFDPH were to experience a decline in revenue. In contrast, SFDPH estimates that the 60/40 Option would result in redirection of well over \$60 million.

Please note that the exact amount that would be redirected from San Francisco under the Savings Formula Option is unknown, as the formula itself is still under negotiation. In addition, final redirected amounts would depend on actual indigent services provided following the implementation of Health Reform.

### **Next Steps**

As required by the State, San Francisco has notified the California Department of Health Care Services (CDHCS) of its tentative decision in favor of the Savings Formula Option. Before San Francisco may formally adopt and implement the Savings Formula Option, however, CDHCS requires that the Board of Supervisors (BoS) pass a resolution in support of the county's decision no later than January 22, 2014. SFDPH has attached related draft resolution language for your review. Pending BoS approval, SFDPH will formally notify CDHCS of the county's decision.

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<sup>1</sup> Assuming San Francisco proceeds with the Savings Formula Option, the \$16.9 million amount represents an interim payment that will be adjusted and finalized based on a complex legislated formula estimating gains to the county from newly insured patients.

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Attachments

- Health Commission Resolution No. 13-15
- Board of Supervisors Resolution Approving Savings Formula Option, Draft