

Department of Public Health

SUMMARY

The San Francisco Department of Public Health (DPH) is the largest department in the City and County of San Francisco (CCSF), with 6,000 employees and four main divisions: San Francisco General; Laguna Honda; Mental Health; and Community Public Health Services. DPH serves the general public and is the health care safety net for the uninsured, the underinsured, the medically indigent -- no one is turned away. In addition to providing the traditional public health services, DPH manages two large urban hospitals, one of which includes the only designated level-one trauma center in San Francisco (the sole provider of trauma care in CCSF).

DPH has not been the subject of a Civil Grand Jury investigation during the past six years. The department has not had an external financial audit in twenty-five years. These two facts led the 1995-1996 Civil Grand Jury to conclude that it was time to examine the department's functions and performance against the backdrop of federal and state budget cuts and the consequences of national health care reform.

BACKGROUND

In FY 1995-1996, the DPH budget consists of \$643.2 million in expenditures, \$528.6 million in revenues (including an estimated \$73.3 million in grant revenues), and \$114.6 million in General Fund dollars. (See Appendix A.) Public health is considered a county function in California.

DPH is the City's largest bureaucracy. Its expenditures for FY1995-1996 are approximately twenty percent of the total City budget. The \$114.6 million in General Fund dollars is the largest commitment of discretionary dollars in the San Francisco budget.

The mission of the Department of Public Health is:

"to set health policies, enforce regulations and ensure provision of basic health services which promote the best possible state of physical and mental health for all San Franciscans. The Department shall:

promote a healthy environment through ongoing surveillance and assessment of the community's health;

adopt policies and standards and disseminate information that protects and promotes the public's health;

ensure equal access to all; and

ensure provision of a cost-effective continuum of essential health services." (DPH mission statement)

DPH administers the following:

San Francisco General Hospital (only designated level-one trauma center in CCSF);
Laguna Honda Hospital;
10 neighborhood health clinics;
AIDS services;
Mental health services;

Substances abuse programs;
Public health services;
Jail health services.

DPH is overseen by the San Francisco Health Commission (SFHC), which governs and creates policy. The SFHC is mandated by the City Charter to manage and control City and County hospitals, emergency medical services, and all matters pertaining to the preservation, promotion and protection of the lives, health and mental health of San Francisco residents. SFHC appoints the Director of Public Health (Director) who serves as the chief executive officer of the Commission. The Mayor appoints the Commissioners to four-year terms. Since January 1996, Mayor Brown has appointed three new members to the seven-member SFHC.

DPH faces a number of challenges including reduced government funding, growth in service needs, massive market and competitive changes, and an increased number of residents who either lack health care coverage or are underinsured. DPH was one of 12 original counties mandated by the State of California to revise the manner in which it is doing business in response to a changing health care environment. There are challenges that DPH must face in its immediate future which could threaten the very nature of the delivery of service. In order to continue as an effective operation, management staff of DPH will need to continue to evaluate the strengths, weaknesses and opportunities facing DPH. Specific decisions will have to be made which will ensure that DPH will continue to provide basic core public health services; ensure that a safety net is available to those most in need of health care; provide for overall health monitoring; continue effective operation of the two hospitals, many clinics and the only designated level-one trauma center in the City and County -- all while meeting the potentially crippling effects of managed care, increased competition, and loss of a nearly exclusive Medi-Cal patient base.

This report examines several aspects of the operation of DPH, including:

Contracting for services

Labor costs

Funding

DPH structure

Finances

Significant issues must be addressed regarding the efficiency, effectiveness, and cost of the administration of the public health system in San Francisco. This is all the more crucial given the unique historical commitment the residents of San Francisco have to public health services.

We did not attempt a comprehensive analysis of DPH. Given the size of the department -- \$650 million annual budget, 6,000 employees, 9 unions, and jurisdiction over significant institutions (i.e., San Francisco General and Laguna Honda Hospitals) -- we limited the scope of our efforts to upper administration. Our focus was to examine the operation of the department relating to strategic planning and procedures involving various and complex management issues.

Our efforts included interviews with many in the senior management of DPH. We reviewed a number of written reports, procedures, and other documents related to the

DPH operation, and consulted various other reports, documents, and individuals related to the health care industry and public health in general.

FINDINGS AND RECOMMENDATIONS

Findings

External Pressures

The health care industry is in the midst of a revolution. (See Appendix C.) The costs of health care have been increasing dramatically, and now the various segments of the industry are responding aggressively to control costs. DPH faces competition with health maintenance organizations (HMOs) while still maintaining traditional health care services. The pressures of reductions in anticipated government revenue (and expected outright cuts) (see Appendix D), treatment constraints of managed care, and the new competition for the traditional Medi-Cal patient base, compel an immediate and significant response.

Administration

DPH is a large and complex operation which faces many daunting challenges, and there is great difficulty inherent in administering such an operation. The Director appears to have developed a competent, focused, and well-informed staff who are committed to the mission of public health. The administrative staff is working to develop solutions for the many serious challenges the department faces. DPH management must balance centralized administration against the need to respond with flexibility and rapid industry changes.

Contracting

In FY 1994-1995, DPH contracted for \$193,325,107 of services with outside agencies. Contracting procedures are specific to each division (e.g., Mental Health, Substance Abuse, San Francisco General Hospital, and Laguna Honda Hospital) and are initiated by the program manager within each division or by the executive staff of DPH. The main administration of any contract is by the division's program manager. Contract review is by program staff. This decentralized and limited control of contracts serves the individual departments well. However, this could result in less than complete oversight of contracts.

Contracting for services will certainly become a greater part of the operation of DPH. Although there are specific criteria for evaluating the contracts, it is not clear how much attention is given to the specific quality of the services delivered, nor how consistent these criteria are across divisions. There are questions as to the subjective nature of the measures used to evaluate services given the variety of services contracted by DPH.

There has been discussion of granting some regular and long-time contractors automatic renewal in order to facilitate the contracting process. Current procedures require that any contract for services be granted for a specified amount of time and that any contracting agency be fully evaluated on a regular basis.

Recommendations

The Controller of CCSF should evaluate the contracting procedures of DPH to determine if the policy for evaluating contracts for services could be more standardized throughout DPH and if contracts should be reviewed regularly by the Controller's office.

The Chief Financial Officer of DPH should be given greater responsibility for overseeing the financial aspects of contracting to assure fiduciary consistency, cost-effectiveness, and fair pricing of services delivered. There should be an immediate addition of internal auditors (they currently have just one) to facilitate this internal review.

Finding

Labor Costs

As stated, DPH faces immediate and severe financial challenges which threaten its very survival. It will be impossible to meet these challenges without creatively and seriously addressing labor relations. With a staff of approximately 6,000, DPH is the largest employer of civil service personnel. Staff are represented by nine labor unions across the various divisions. We find that there may not be enough consideration given to the needs of specific divisions in the negotiation of contracts. Also, each mayoral administration has a different style and method of addressing labor issues, which makes these divisions vulnerable. A solution is critical to assuring that DPH can survive into the future.

Recommendation

The SFHC should convene a task force of representatives from DPH, labor unions, the Mayor, the Board of Supervisors, Human Resources, Civil Service, and citizens to address the rising costs of health care labor. Possible solutions to consider could include: amending the City Charter to allow DPH to negotiate all of its own labor contracts rather than binding them to city-wide bargaining and instituting a three-person arbitration panel with one member chosen by the City, one by the union involved, and a third member mutually agreed upon by both entities to evaluate and suggest changes to work rules.

Finding

Medi-Cal inpatient utilization has accounted for a major portion of indigent-care funding. The State is now requiring county health departments to compete with private commercial health companies for these funds (Appendix E). This decision by the State is based on bottom-line cost-controls. These changes are projected to result in severe cuts to DPH revenue (Appendix F). DPH responded well to this crisis. Planning for this change began some time ago, and the department is well poised to confront this challenge. Management of DPH has been quite effective, responsible, and responsive, and deserves a good deal of praise for their thoughtfulness and creativity. DPH has detailed plans addressing their efforts (as identified by the Deloitte & Touche Consulting Group), so it will not be articulated here.

Recommendation

Continue with planning currently in place while at the same time eliciting pro bono assistance from the business and academic communities with problem-solving expertise in this area.

Finding

Structure

County health departments exist to provide specific services, many of which are not viable components of commercial health entities. As the department moves to assure that operations are competitive with commercial organizations, core public health functions¹ must be maintained.

DPH is currently developing plans to restructure itself in an effort to become more cost-effective and reflect the changing structures of the health care industry.

Recommendations

Any plans of DPH in response to external cost pressures should include a basic commitment to the traditional core responsibilities of a county health department.

SFHC should assure that any plans to restructure DPH are examined in a number of public hearings which are well publicized. Citizen input and outside expert testimony should be carefully considered, evaluated, and included in any strategy for change.

Finding

Finance

The Civil Grand Jury did not examine the finances of DPH. The department's budget is so large that it would take much more time and expertise than we had available to fully understand the financial operation. We do not believe that the department has received an extensive, comprehensive, external audit in some time. The Board of Supervisors recently passed a resolution requiring that all city department be audited every eight years. This process should assist DPH in addressing the financial challenges it is facing in light of the changes in the health care industry.

The Deloitte & Touche Consulting Group (Appendix G) has been engaged by DPH to recommend methods for enhancing revenues and reducing costs

Recommendations

The Mayor and the Board of Supervisors should give DPH top priority in receiving a financial audit in the 1996-1997 fiscal year.

SFHC should hold public hearings on the forthcoming Deloitte & Touche recommendations pertaining to enhancement of revenues and reduction of costs and/or services.

Responses required

Mayor

Board of Supervisors

Director of Public Health

Health Commission

Controller

APPENDICES *

Note: Appendices consist of the following items, which can be obtained by contacting the San Francisco Civil Grand Jury.

SAN FRANCISCO DEPARTMENT OF PUBLIC HEALTH -
EXPENDITURES, REVENUES, AND GENERAL FUND

FORMS OF MANAGED CARE

HEALTH CARE TRENDS

THE MAJOR DIFFERENCES (IN HEALTH CARE)
MEDI-CAL TRENDS AND CHALLENGES
FEDERAL BUDGET IMPACT ON SAN FRANCISCO
DELOITTE & TOUCHE REPORT EXECUTIVE SUMMARY
*From DPH documents.