

**HSN MEMBERSHIP MEETING
FEBRUARY 17, 2006**

I. Worker Health Care Security Act - Debbi Lerman

Supervisor Ammiano's proposed Worker Health Care Security Ordinance (WHCSO) was significantly amended this week:

- In the original draft, employers who are subject to the Health Care Accountability Act (HCAO) were not subject to this Ordinance. The revised language now states that employees who are covered under the HCAO are exempt, but any other employees at that organization may now fall under this Ordinance.
- The threshold number of employees for nonprofits has been increased from 20 to 50. The threshold remains 20 at for-profit entities. When calculating the number of employees in an organization, those covered under HCAO are subtracted.
- The health care payment amount is based on a ten county survey of civil service employee health care costs, and then prorated to an hourly amount. . If the survey result is \$365/month, the hourly benefit cost would be approximately \$2.12. Originally, business would pay this full amount for each employee. As amended, small businesses, defined as less than 100 employees, must pay half the rate of the 10-county survey. Large employers with 100 or more employees must pay 75% of this rate.

Other specifics in the proposed Ordinance include:

- Nothing in the Ordinance requires payments to, or on behalf of, covered employees to be equitable.
- Employers can comply with the Ordinance by providing insurance that costs at least the required amount, reimbursing for actual expenses, or establishing Health Savings Accounts.
- A Task Force will be established to review the possibility of employer fees to support City health care services for uninsured workers.

In addition, the Mayor and Ammiano have created a Universal Health Care Council which is working to develop a plan to cover the City's 40,000 uninsured with a limited package of preventive and primary care services at City and nonprofit health clinics and SF General Hospital. It is unclear how the Council will reconcile with Ammiano's WHCSO. The Council's basic proposal covers a larger group of people, while Ammiano's legislation provides a greater level of benefits at a higher cost.

Ammiano's Ordinance might affect nonprofits with training programs longer than six months, where the trainees are considered employees. These agencies may have to provide this benefit for their trainees for the period beyond six months. While this is probably a very small number of nonprofits, please contact Debbi Lerman at debbilerman@sfn.org, if your organization will be adversely affected by this proposed Ordinance.

The next Committee hearing on the legislation will be March 1, and then the Ordinance may be sent to the full Board, or may be held until the Council issues its recommendations in May. Several HSN members urged that HSN strongly support the goals of this Ordinance, and not push to exempt nonprofits. Expanding coverage is the ultimate goal, and HSN members do provide health insurance for their full-time employees.

II. Community Living Trust Fund – Margy Baran, IHSS, and Herb Levine, ILRCSF

The Community Living Trust Fund (CLTF) concept was developed by the Controller. He proposed to fund it with tobacco tax revenue to provide home-based and community-based care for people coming out of Laguna Honda Hospital (LHH), and to keep people from going into LHH unless absolutely necessary. The Health Commission has recommended that DPH established the Trust Fund, but no funding has been allocated yet.

DPH had \$7 million in unanticipated revenue from increased Medi-Cal rates that could have been placed in the Fund. Unfortunately, DPH directed the money elsewhere, and lost a great opportunity. Advocates in the long-term care community are trying to convince the Mayor to begin funding the CLTF.

The Community Placement Plan calls for an entity to administer the CLTF funds and a separate entity to assess patients' needs on a case by case basis. People at LHH would receive first priority for funds from the CLTF, people on the LHH waiting list would receive second priority, people who meet the guidelines for LHH admission would be the third priority, and finally, any person who meets the admission guidelines for any skilled nursing facility.

In order to build political support for funding the CLTF, community-based nonprofits are holding a bake sale on February 22, Washington's Birthday, in front of City Hall. The money raised will be presented to the City. HSN members are urged to support this event.

III. Guest Speaker – Controller Ed Harrington

City Budget

The City's financial situation is improving. The City still has a deficit of \$35 million, but this is significantly less than the earlier projection of \$80 million. While the City is experiencing job growth, there are still 65,000 fewer jobs than in 2000. In addition, energy costs are higher and the Police and Elections Departments are over-spending. There has been some savings in workers compensation costs. Fortunately, revenue is increasing. Property tax is up \$63.5 million, which comes from an improved assessment appeal record (which allows the Controller to release reserve funds), and some backfilled State funds from the Vehicle License Fee and sales tax (known as the "triple flip"). San Francisco's Property Transfer tax is up \$21.5 million. However, this is one of the most volatile taxes, and depends on whether large commercial properties are sold. In addition, the Business tax has increased \$9.3 million. All other taxes are essentially flat. Of this increased revenue, \$13.1 million is required for baseline funding for MUNI, Parking & Traffic, Library and the Children's Fund.

Because revenue is increasing, the City will now have to set aside approximately \$7.2 million for the Rainy Day Reserve (RDR). The requirements of the RDR kick-in when the City's revenue growth exceeds 5%. Projected growth for the current fiscal year is 5.4% over the prior year. The revenue associated with any growth over 5% must be allocated as follows: 50% for the RDR, 25% for capital and one-time expenditures and 25% for discretionary expenditures. Funds can only be taken out of the RDR when revenue growth falls below zero. The requirements for the RDR do not consider whether the City's costs have also increased.

The FY 2004-05 Year-End Fund Balance was \$137.18 million. The FY 2005-06 Projected Year-End Fund Balance is \$137.31 million. Since these numbers are essentially equal, the City has balanced this year's budget with current revenue.

There are several proposals for spending this year's additional revenue, particularly within DPH. The required rebuilding of SF General Hospital (SFGH) is not moving forward on the ballot, partially because no engineering studies or environmental impact reports have been completed. Therefore, the Mayor is proposing to spend \$25 million for these studies. Many people believe the State's required deadline for seismically upgrading hospitals will be extended. Funding these studies would be a one-time only expense, and not an ongoing budget commitment.

Work to rebuild Laguna Honda Hospital with 780 beds is moving forward. There is a proposal to allocate \$9 million of the City's surplus for furniture and beds. There are also proposals to spend \$1.5 million for needed equipment at the community clinics. For example, an elevator at Tom Waddell would allow them to use the upper floor and see patients more efficiently.

The Mayor is considering \$16 million for violence prevention efforts, of which approximately half the funds would be allocated to the Police Department and the other half for community projects, such as summer activities for kids, and a full time book mobile in the Western Addition. Supervisor Daly's Charter Amendment would allocate funds for community-based homicide prevention programs. It has been amended to call for \$10 million/year for 3 years.

There are unknown potential costs from the City's current labor negotiations. Beginning June 30 this year, the City is required to again contribute the employee share of 7.5% for employees' pensions. Some unions have asked for this payment to be changed to a raise. SEIU wants to see SFGH rebuilt, so they support funding the studies, however, they also want raises. It is currently hard for the City to recruit employees when surrounding counties are paying higher salaries. San Francisco's retirement plan is fully funded at 108%. However, new accounting standards are now requiring that funds for retirees' health benefits are set aside. If San Francisco is required to set aside funds, it could be a huge liability.

Other issues

- Mr. Harrington thanked the HSN members for their work supporting the Community Living Trust Fund.
- He informed the group that signatures had been submitted to qualify the Laguna Honda Hospital Special Use District measure on the June ballot. This measure would restrict access at LHH by excluding any person whose primary diagnosis is psychiatric.
- San Francisco is still pursuing a Medi-Cal waiver and even offered to write the federal waiver proposal, but the state Health Department denied the request. Mayor Newsom will discuss the issue with the Governor.
- San Francisco has not issued the bonds to pay ourselves back for the \$80 million in tobacco tax funds. Hard costs can only be paid back for three years once the bonds are issued, but the City Attorney has determined that soft costs can be paid back over a longer period.

IV. Guest Speaker – *Barbara Garcia, Deputy Director, DPH*

Nonprofit Cost of Doing Business Increases in DPH Budget

HSN thanked Barbara Garcia for enthusiastically supporting the Mayor's budget instructions to account for nonprofit contractors' cost increases. She deserves recognition for her work to survey DPH's contractors to accurately calculate their increased costs of doing business (CODB) and incorporate them into the Department's budget. Other Departments should have taken similar steps.

Ms. Garcia outlined the DPH budget process. They have had more interaction with the Mayor's Office this year than in the past. On February 21, the Health Commission will begin to review DPH's base budget, including structural and revenue neutral proposals. DPH is striving to treat contractors as they treat themselves. The preliminary results of her survey show approximately 6% cost of doing business increases among contractors. DPH has allocated roughly \$5 million for nonprofit CODB increases, which would provide 2-3% increases in the upcoming budget. Since full cost increases cannot be covered, DPH will negotiate with individual contractors. They may have to redesign contracts and possibly reduce service units for the contracts. Ms. Garcia will inform the program managers of any changes, so that they do not hold contractors accountable for old standards. Covering contractors' full costs is a multi-year process, especially workers' comp costs. She is interested in studying the options for group purchases of workers' comp coverage.

Efforts by both the hospital and community groups to keep people out of the hospital has helped DPH's budget this year. However, the Mayor's Office has asked them to provide \$7 million in contingency cuts, so reductions are being discussed. The Department is still negotiating with the Mayor's Office about the timing and actual level of contingency cuts, but reductions may be required.

Several HSN members thanked Ms. Garcia for her work to include contractor CODB increases in the DPH structural baseline budget, which is a major success for HSN. She responded that DPH cannot meet the City's public health needs without the nonprofit contractors. If the contractor agencies are not healthy, then DPH is not healthy. DPH would need a broader discussion before launching any change in calculating indirect rates (such as was proposed during last year's budget discussions). DPH does have several new initiatives they would like to implement, but these will not be presented to the Health Commission yet because they could cost \$15-\$20 million and there may be no funding for them.

Substance Abuse Request for Proposals

The Request for Proposals (RFP) process was based on DPH's decision that outpatient substance abuse programs should not stand alone, but need relationships with primary care and mental health services, as well as case management in order to address the clients' total needs. DPH is striving to serve the right populations in the right neighborhoods and to assure that services are provided with ethnic and cultural proficiency. DPH hopes to "even-out" the cost of outpatient services and increase the total number of units of service. The award letters will be sent out next week, and then DPH will begin the process of negotiating and shifting resources to start the transfer of patients as soon as possible. DPH will not cut funds from currently funded programs that are not selected in this RFP round. There is an appeal process for contractors. DPH wants to be certain that clients are helped through the transition to a new program, and that no organization loses its focus and mission.

Disaster Planning

Ms. Garcia needs assistance from the contractor community for disaster preparedness. All City employees must have a City identification badge that will enable them to serve as emergency workers in the event of a disaster. There is also language in all contracts about employees serving in the event of a disaster. Therefore, nonprofit contractor staff will need identification badges so that they can also enter the City and certain areas during a disaster. In the event of a major vaccination or treatment effort, the City will need hundreds of sites. DPH is working with the Community Clinic Consortium to identify sites and develop protocols, but additional sites will be needed. Within DPH, Anne Kronenberg and Mary Ellen Carrol are the point people. They need to link the contractors into their process as soon as possible.

Several HSN members commented that disaster planning in San Francisco is a disaster that has not included the nonprofit community. The model effort underway in District 5 did not invite a single nonprofit organization to their planning meetings. The nonprofit community has a higher percentage of employees living in the City, and therefore available more quickly to help in the event of a disaster.

V. Next Meeting and Adjournment

- HSN's next membership meeting will be held on Friday, March 17, from 9:30 a.m. – 11:30 a.m. at LightHouse for the Blind, 214 Van Ness Ave (between Grove and Hayes).
- HSN's next Public Policy Committee Meeting: Wednesday, February 22 at 10 am at Progress Foundation, 368 Fell Street (between Gough and Octavia).
- The meeting adjourned at 11:30 a.m.

ATTENDEES AT HSN GENERAL MEMBERSHIP MEETING, FEBRUARY 17, 2006

Anita Aaron, LightHouse for the Blind
Sherilyn Adams, Larkin Street Youth
Brett Andrews, Positive Resource Center
Margy Baran, IHSS Consortium
Kavoos Bassiri, RAMS
Nancy Brundy, Institute on Aging
Merrill Buice, HSN
Debberra Burrell, BVHP Foundation
Keith Bussey, Haight Ashbury Free Clinics
Donna Calame, IHSS Public Authority
George Clark, LightHouse for the Blind
Nick Crane, Curry Senior Center
Ben Eiland, Haight Ashbury Free Clinics
Lewis Eldridge, Haight Ashbury Free Clinics
Steve Fields, Progress Foundation
Nick Footracer, Children's Council of SF
Richard Heasley, Conard
Dick Hodgson, SF Community Clinic Consortium
Alecia Hopper, Mental Health Assoc of SF
Jackie Jenks, Central City Hospitality House
Debbi Lerman, HSN
Herb Levine, ILRCSF
Rod Libbey, Walden House
Ellen Lord, LightHouse for the Blind
Eve Meyer, SF Suicide Prevention
Nancy Nielsen, Lutheran Social Services
Ken Reggio, Episcopal Community Services
Gina Rodriguez, SF Community Clinic Consortium
Vicki Schwartz, Huckleberry Youth Programs
Andrea Spagat, Center for Human Development
Judith Stevenson, Baker Places
Steven Tierney, SF AIDS Foundation
Aaron Wagner, Planning for Elders
Jenny Wiley, Hospitality House
Kelly Wilkinson, Episcopal Community Services
Carla Wilson, Quan Yin Healing Arts Center