MEMORANDUM

TO:	Disability and Aging Services Commission
THROUGH:	Shireen McSpadden, Executive Director
FROM:	Daniel Kaplan, Deputy Director of Administration, Human Services Agency (HSA)
DATE:	February 5, 2020
SUBJECT:	Department of Disability and Aging Services (DAS) Budget for FY 2020-21 and 2021-22

Through this memo, we present to you for review and approval the FY 2020-21 and FY 2021-22 budgets for the Department of Disability and Aging Services (DAS). In developing this budget, HSA used as guidance the budgeting principles described to both the Human Services Commission and the Disability and Aging Services Commission, as well as overarching budget goals set by the Mayor to address fiscal sustainability, accountability for results, and government responsiveness to clients and community.

As described at the DAS Finance Committee meeting on January 15, the budget outlook this year is similar to previous years. Slowing revenue growth and increasing expenditures are resulting in a citywide deficit that requires corrective action.

HSA works diligently to maintain critical client aid and services. Overall, the budget proposal prioritizes core functions, minimizes service impacts, and seeks to leverage new revenue options.

Reduction Plan

The Mayor's Office has requested budget reductions of 3.5% in each upcoming budget for FY 2020-21 and FY 2021-22, respectively. Therefore, HSA's two-year budget submission must include reductions in discretionary General Fund support of $2.2 million in FY 2020-21, and $4.4 million in FY 2021-22. Based on the Governor's proposed budget in early January, HSA anticipates increases to its State allocations for Medi-Cal (+$1.8 million) and IHSS Administration (+$0.7 million). These changes, coupled with better-than-expected revenues in a number of programs in the current fiscal year, offer HSA sufficient means to both meet its reduction target, and to support targeted substitutions, in the upcoming budget years.

DAS Budget for FY 2020-21 and FY 2021-22

The Department's proposed $383.6 million budget for FY 2020-21 is $4.3 million or 1% more than the original FY 2019-20 budget of $379.3 million. The department's revenues of $243.5 million in FY 2020-21 are $2.5 million, or 1%, more than FY 2019-20 revenues of $241 million. The budget reflects increased costs related to the In-Home Supportive Services (IHSS) Maintenance of Effort, mandated growth in the Dignity Fund, and mandated increases to salaries and fringe benefits. These increases are offset by reductions in other areas, including one-time Board of Supervisors' addback funding, which included $5 million of ERAF funds in FY 2019-20. The budget for FY 2021-22 is similar to FY 2020-21 except for increases in the same three DAS budget items as previously described: the IHSS MOE, Dignity Fund, and salaries and fringe.

The documents that follow this memo provide additional information about proposed position substitutions, program budget details, and other details in the DAS budget.

Major Budget Proposals and Enhancements

IHSS Maintenance of Effort

HSA projects an increase in costs to its In-Home Supportive Services (IHSS) Maintenance of Effort (MOE) of: $10.9 million in FY 2020-21, and an additional $9.1 million in FY 2021-22, for a cumulative increase of $20 million, relative to the projected FY 2019-20 MOE. However, because the current-year MOE is less than projected when the FY 2019-20 budget was submitted, the net increase in cost to the City in FY 2020-21, is only $3 million.

The cost growth is attributable to: a) required inflation on the MOE; b) wage increases for IHSS providers; and c) increases in the hourly rate paid for contract-mode services. While still substantial, these increases are reflective of budgetary changes to the IHSS MOE at the State level—including reducing the annual inflation factor from 7% to 4%—which improves the outlook for the City's MOE obligation relative to prior years.

Dignity Fund

In keeping with Proposition I (2016), the FY 2020-21 budget will include an additional $3 million in new Dignity Fund appropriation, with the FY 2021-22 budget including a further $3 million in new funding–or $6 million cumulative, above FY 2019-20, for program enhancements. A portion of the growth will be used to support cost-of-doing business (CODB) increases for DAS contracts supported by the Dignity Fund, in keeping with the citywide rate. For FY 2020-21, the City's 2.5% CODB for community-based organizations will require approximately $1,250,000 of the new growth appropriation. The CODB rate for future fiscal years is yet to be determined, but is expected to be a similar amount. Pursuant to the Fund's Service and Allocation Plan (SAP), new appropriation in FY 2020-21 will support services in the Access & Empowerment, Caregiver Support and Housing Support service categories, while new funding in FY 2021-22 will support Nutrition & Wellness and Self-Care & Safety programming.

New Initiatives

In addition to the preceding details regarding the FY 2020-21 and FY 2021-22 DAS budget, the department is also proposing the following new budgetary initiatives. In accordance with the Mayor's instructions, costs for these proposals have not been included in the foregoing discussion of financial changes to the DAS budget, and their consideration is contingent on availability of funds.

Fund Placements in Residential Care Facilities for the Elderly (RCFEs) for Public Guardian and Adult Protective Services Clients

DAS is proposing an innovative, multi-departmental pilot program to provide long-term housing and care to older people experiencing homelessness who require a probate conservatorship to provide for their own protection. Specifically, the Office of the Public Guardian (PG) proposes to partner with Zuckerberg San Francisco General Hospital (ZSFGH) to facilitate safe discharges to licensed, long-term care settings for low-income, older adults who lack capacity due to cognitive impairment, and who do not have a surrogate decision-maker.

This pilot aims to free up acute, inpatient care resources and expedite appropriate discharges by providing monthly "patches" to support ongoing placement in licensed care facilities, with the goal of serving 40 individuals over a two-year period. The Public Guardian is the only City department that has the legal authority to seek out probate conservatorships for the benefit of individuals who are unable to provide for their own health and safety, and that lack capacity due to a cognitive impairment. Through conservatorship, the PG can place an individual who lacks capacity in a long-term care setting and oversee their care on an ongoing basis. However, the PG does not currently have funds to pay for costs of care not covered by Medi-Cal. Although the PG has the authority to manage the income of conservatees, older homeless individuals are only able to cover a small fraction of the cost of their care through limited SSI income. As a result, these individuals lack access to a long-term placement to provide for their care, and ultimately they remain in the hospital for much longer than is necessary.

The requested 40 patches would be phased in over two years and would cost $1,380,000 in FY 20-21 and $2,760,000 in FY 21-22.

The proposed initiative has a number of fiscal, operational and health-related benefits. For DAS/PG clients, lengthy hospital stays are not associated with positive health or functional outcomes for older adults with dementia. With additional funding to move these clients out of ZSFGH and into more appropriate long-term care settings, this program would alleviate at least some of the outsize financial burden currently shouldered by ZSFGH for this population. Operationally, when custodial patients occupy acute-care beds that are limited in supply, they prevent patients with critical needs from accessing that level of care from ZSFGH. When the hospital is on diversion and unable to accept new patients, the impact from the custodial-care patients is felt across the City.

DAS is also seeking $100,000 in additional funding to secure two additional emergency placement beds for Adult Protective Services' (APS) clients, which would bring the total number of APS emergency-placement beds up to four in FY 2020-21. These beds are used primarily for stabilizing APS clients with an acute situation, often recovery from a health-related issue. APS has seen the need for these beds increase in recent years. The beds also provide a crucial short-term options in an appropriate, supportive setting while long-term housing is secured.

The total cost for this combined initiative is $1,480,000 in FY 2020-21, and $2,960,000 in FY 2021-22, and both amounts are solely county General Fund.

Assisted Living Facility City-Owned Property Concept

Due to rising costs and real estate values, San Francisco's supply of affordable, assisted living facilities that support low-income residents is quickly decreasing. At the request of Mayor Breed and Board President Yee, the Long-Term Care Coordinating Council (LTCCC) convened the Assisted Living Workgroup to study the situation last year. One of the recommendations from this group was to explore the concept of providing City-owned space at low cost as a strategy to make ALFs viable for low-income residents.

Further analysis suggests that such a model is only fiscally feasible if the ALF in question meets certain criteria.

- Due to economies of scale, the approach works better in larger facilities. A facility with 50+ beds, for example, could devote over half of its occupancy to low-income residents. As the size of the facility decreases, however, more beds must be set at market-rate for the facility to break even—limiting the number of beds available for low-income residents.
- The model is best for clients with moderate-to-high needs. For residents with Specialty or Enhanced level-of-care needs, facilities receive higher subsidy rates from the State and City, increasing overall revenue. For this reason, the approach is feasible only if the ALF provides a setting for higher-needs clients.
- Expenses associated with maintaining the physical space, such as utilities, maintenance and property insurance should be included in the package of costs covered by the City. While minimal for the City, bearing these costs would provide an additional buffer to ALF operators working on already-tight budgets.

While many details in this proposal would necessarily be specific to particular location, analysis suggests that the City providing space for affordable, assisted living can be feasible for larger facilities serving clients with moderate-to-high needs.

Position Changes

DAS proposes the following positions changes in the FY 2020-21 and FY 2021-22 budgets:

- 6 position substitutions to align positions with current department uses, as well as to increase operational efficiency and effectiveness of client services.
- Reassign 21 positions in order to accurately reflect how positions are funded and/or in which division work is performed. These shifts mostly represent DAS staff moving, internally, from one unit to another, and are primarily related to the reorganization necessitated by the newly-created Office of Community Partnerships, as well as to better reflect the structure of the Benefits and Resources Hub at 2 Gough. One 1404 Clerk position is moving from DAS to HSA Program Support and Operations.

The net cost of the position substitutions is estimated at $170,509 ($131,292 General Fund).

Required Action and Recommendation

With this memo, we request approval of the proposed FY 2020-21 and FY 2021-22 budgets for the Department of Disability and Aging Services.