DEPARTMENT OF ADMINISTRATION
FY19 - Increment Status Report

Governor's Budget Items Approved as Requested or Modified

Item #	Appropriation/ Allocation	Description	Amount/Fund Source	FY19 CC Book Comment	GF Dec?	LFD Notes/ Questions	Agency Comments
1	Centralized Administrative Services/ Retirement and Benefits	Alaska's Health System	$1 million ACHI Fund (DGF) **IncOTI**	The legislature approved two Governor's requests for one-time increments tasking the Division of Retirement and Benefits (DRB) to take the lead as follows: • **Stakeholder Engagement for Alaska Health System Reform – IncOTI: $250.0 ACHI Fund (DGF).** Participate in a stakeholder process to develop a plan for Alaska's health care system to improve population health and the patient care experience while reducing the per capita cost. • **Evaluate Consolidated Purchasing and Health Care Cost Reduction Strategies – IncOTI: $750.0 ACHI Fund (DGF)**. Evaluate and execute strategies to reduce the growth of state health care spending across state agencies and other public payers.	No	Please provide the status of the Alaska Health System Reform working group recommendations. Which entities are currently involved and what is the timeline for action?	**The full $250.0 increment has been distributed** to the Alaska Healthcare Transformation Project. The project management committee consists of seven representatives from the legislature, administration, Mat-Su Health Foundation, Alaska State Hospital and Nursing Home Association, Alaska Primary Care Association, and the Alaska Native Tribal Health Consortium. A convening group made up of over 40 individual identified recommendations and gaps in research or analysis that need to be completed. NORC at the University of Chicago in collaboration with the Alaska Institute of Social and Economic Research and the Alaska Institute for Circumpolar Health Studies are working to complete these analyses which are expected to be finalized and published between January 31, 2019 and mid-May. Following publication, the project will focus on developing a roadmap for moving by mid-summer, 2019. More information is available at http://akhealthcaretransformation.com/. **Currently $443.0 of the $750.0 increment** has been obligated to several contractors to collect data, conduct actuarial analysis, and stakeholder engagement and governance consideration and recommendations. The remaining increment is anticipated to focus on legal and regulatory analysis and will be obligated based on the recommendations from the actuarial and governance work which are anticipated in early 2019.
2	Centralized Administrative Services/ Health Plans Administration	Administrative Fee Increase Due to Medicare Part D Employer Group Waiver Plan Participation	$3,750.0 Group Life Health and Life Benefits Fund (Other)	The AlaskaCare retiree health plan currently files for federal subsidies for Medicare eligible retirees through the Retiree Drug Subsidies program. Contract negotiations with Aetna were recently completed and the Division of Retirement and Benefits expects a $3.75 million increase to administrative fees for the period beginning January 1, 2019 through June 30, 2019. This increment will promote a cost shift from the State to the federal government. Over time, the waiver is expected to reduce the State's share of the cost of drugs for retirees by $50 million to $60 million annually, which will then reduce employer contributions to retirement systems	No	What are the projected savings anticipated for FY19 and FY20 due to the shifting of costs from the State to the federal government?	The increased federal subsidies are estimated to generate health trust savings in FY19 and FY20 of $6.8 million and $35.7 million respectively beyond what the health care trusts currently receive. This reflects timing differences for various subsidy payments which range from monthly, to quarterly, to the following calendar year. When fully mature the anticipated savings are at least $36 million. This is higher than the prior $20 million savings estimates and will be updated to reflect actual plan experience in the next several weeks. The estimated impact to the OPEB liability and the state assistance payment will be updated with based on actual experience.
3	Legal and Advocacy Services/ Public Defender Agency	Public Defense Support to Reduce Delay, Litigation, and Case Costs	$453.5 UGF	The Public Defender Agency's current caseloads exceed the American Bar Association guidelines for maximum ethically permissible caseloads. This base increment will allow the Agency, on an ongoing basis, to fill three positions for public defense and will aid in meeting its legal obligations. The overall result will be reduced delays, litigation, and case costs	No	Were new positions established or vacant ones filled (and when)?	No new positions were provided with the increased funding therefore vacant positions were filled. Two Anchorage incumbents had start dates of July 30, 2018 and August 6, 2018. The Bethel incumbent had a start date of August 2, 2018.

Governor's Budget Items Approved as Requested or Modified (Continued)

Item #	Appropriation/ Allocation	Description	Amount/Fund Source	FY19 CC Book Comment	GF Dec?	LFD Notes/ Questions	Agency Comments
4	Legal and Advocacy Services/ Office of Public Advocacy	Public Guardian Personal Services Support	$700.0 UGF **7 PFT Positions**	Although the Governor had requested $1 million UGF and the addition of ten new PFT positions, the legislature approved $700.0 UGF and 7 PFT positions. This addition was approved to allow the Office of Public Advocacy to hire nine Public Guardians and one Guardian Ad Litem. While caseloads would remain higher than the national recommended maximum, the addition of staff is the start of an effort to provide the resources needed to properly manage the affairs of each ward over time.	Potential UGF reduction in FY19 for months positions were vacant.	What is the status of the new hires? Date(s) of hire and locations.	All seven position have been created, five have been filled. The remaining two positions are being recruited for. Of the five positions that were filled, one position was filled in Fairbanks on September 10, 2018, four in Anchorgage on October 3, 2018 and December 3, 2018. The final two postitions have been posted and as soon as two qualified candidates are identified, they will be hired. These two positions will also be based in Anchorage. The new hires have allowed some caseloads to be shifted to cover other underserved areas such as Kenai and Homer.
5	Shared Services of Alaska/ Business Transformation Office	Debt Collection and Vendor Fees	$1,200.0 GF/Program Receipts (DGF)	SSoA is funded by: 1) inter-agency receipts based on back-office work (travel paperwork and accounts payable) that is being completed by positions transferred from other departments and 2) 5% of the total amount of debt collected through contracts for collection services. The money associated with debt collection is classified as program receipts and is used to reduce interagency receipts paid by agencies. The legislature added $700.0 GF/Program Receipt authority (in addition to the $500.0 GF/PR initially requested by the Governor) in the FY19 Conference Committee.	No	What is the status of this change and the collection of these program receipts?	The collections program is the more difficult program to stand up initially. DOA has completed that initial set up and developed contract relationships. Once that was omplete, the department began reaching out to state agencies and onboarding new debt, in addition, the program is in discussions with municipalities to continue expanding the program. At this time, DOA has collected and deposited the first two quarters of collection and vendor fee revenues for FY2019. While collection revenue continues to be ramped up, the vendor fee collections increases are greater proportionately. Compared to FY2018, there has been approximately $450.0 more current year than prior. As we onboard new collection portfolios and vendor fees, DOA anticipates the new revenues to continue to increase in the current year and in the future.

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Legislative Additions

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6	Legal and Advocacy Services/ Office of Public Advocacy	Improve Services Provided to Abused and Neglected Children by Adding Four Guardian ad Litems	$465.0 UGF **4 PFT Positions**	The legislature specifically added funding to hire one additional Guardian Ad Litem (GAL) each in Anchorage, Fairbanks, Palmer, and Juneau to help bring caseloads down to acceptable levels. The number of GAL appointments has skyrocketed in recent years, growing from 1,076 in FY12 to 1,949 in FY17. Almost all of these are for Child in Need of Aid (CINA) cases. A smaller number are for custody and domestic violence cases. GALs are court-appointed and statutorily required by AS 44.21.410. The Office of Public Advocacy Child Advocacy Unit represents the best interests of abused and neglected children who are involved in the juvenile courts, including CINA, domestic violence, juvenile delinquency, private custody, adoption, and emancipation cases. While OPA is using contractors to meet some of the need, it has been difficult to find and retain contract GALs and ensure high quality work. Staff GALs generally provide higher quality service because they have direct supervision and support and greater knowledge of relevant laws and policies.	Potential UGF reduction in FY19 for months positions were vacant.	What is the status of the new hires? Date(s) of hire and locations. Were new positions established or vacant ones filled?	All four positions have been created and hired. A new position in Juneau was added and filled on August 2, 2018. A new position In Anchorage was added and filled on August 16, 2018. A new position was added in Fairbanks and filled on September 5, 2018. A new position was added in Palmer and filled on September 10, 2018.
7	Legal and Advocacy Services/ Public Defender Agency	Increase Public Defender Agency Funding to Meet Projected FY19 Caseload	$827.2 UGF **4 PFT Positions**	In addition to the acceptance of the Governor's increment for $453.5 UGF to fill three positions, the legislature increased base funding to the Public Defender Agency (PDA) by $827.2 UGF and added four more PFT positions. Per the Alaska Division of Legislative Audit, the recommended maximum ethical caseload for the PDA is 60 hours per week, or a weighted average of 59 cases per attorney. The Agency is currently projecting a weighted average of 92 cases per attorney, 56% above the recommended maximum. Per the Agency, these caseloads are unsustainable, cannot be absorbed, and may force attorneys to refuse case appointments on ethical grounds. The funds added by the legislature will allow for the addition of four Attorney III positions and provide funding for a vacant Law Office Assistant I position. The attorney positions are expected to be located in Bethel, Ketchikan, Fairbanks, and Anchorage.	Minimal potential reduction	What is the status of the new hires? Date(s) of hire and locations.	Four new attorney positions were created, two in Anchorage, one in Bethel, and one in Fairbanks. All four have been filled. The Anchorage incumbents had start dates of September 4, 2018 and September 10, 2018. The Bethel incumbent started September 11, 2018 and the Fairbanks incumbent started August 28, 2018. The vacant Law Office Assistant I position in Anchorage was filled June 11, 2018.