

**ALASKA STATE LEGISLATURE**  
**SENATE HEALTH AND SOCIAL SERVICES STANDING COMMITTEE**

March 16, 2015

1:32 p.m.

**MEMBERS PRESENT**

Senator Bert Stedman, Chair  
Senator Cathy Giessel, Vice Chair  
Senator Bill Stoltze  
Senator Johnny Ellis

**MEMBERS ABSENT**

Senator Pete Kelly

**COMMITTEE CALENDAR**

CONFIRMATION HEARINGS

Commissioner - Department of Health and Social Services  
Valerie Davidson

- CONFIRMATION ADVANCED

Board of Dental Examiners  
Dr. Thomas Kovalski  
Paula Emswiler Ross  
Dr. Paul Silveira

- CONFIRMATIONS ADVANCED

Alaska Mental Health Trust Authority Board of Trustees  
Christopher Cooke  
Mary Jane Michael  
Carlton Smith

- CONFIRMATIONS ADVANCED

Board of Nursing  
Julie Gillette  
Sharyl Toscano

- CONFIRMATIONS ADVANCED

Board of Examiners in Optometry

Paul Barney  
Dr. Stephen Stralka

- CONFIRMATIONS ADVANCED

Board of Pharmacy

Leif Holm

- CONFIRMATION ADVANCED

Board of Massage Therapists

David Edwards-Smith  
Amanda Unser  
Traci Gilmour  
Ron Gibbs  
Shirley Nelson

- CONFIRMATIONS ADVANCED

State Medical Board

Dr. Steven Humphreys

- CONFIRMATION ADVANCED

Violent Crimes Compensation Board

Dr. George Brown

- CONFIRMATION ADVANCED

**PREVIOUS COMMITTEE ACTION**

No previous action to record

**WITNESS REGISTER**

VALERIE DAVIDSON, Commissioner-designee  
Department of Health and Social Services  
Anchorage, Alaska

**POSITION STATEMENT:** Provided information related to her confirmation hearing.

JOHN SHERWOOD, Deputy Commissioner  
Department of Health and Social Services  
Anchorage, Alaska,

**POSITION STATEMENT:** Answered questions related to Medicaid claims.

**ACTION NARRATIVE**

1:32:27 PM

**CHAIR BERT STEDMAN** called the Senate Health and Social Services Standing Committee meeting to order at 1:32 p.m. Present at the call to order were Senators Ellis, Giessel, and Chair Stedman. He said today's work is to review some of the governor's appointments. Senator Stoltze arrived shortly thereafter.

**CONFIRMATION HEARINGS:**

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CHAIR STEDMAN announced the list of confirmations.

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SENATOR STOLTZE said positive things about the Alaska Mental Health Trust Authority Board of Trustees. He noted their importance in developing resources to benefit trustees.

SENATOR STOLTZE moved to forward the names of the appointees to the full legislature sitting in joint session for a vote.

CHAIR STEDMAN reminded members that signing the report in no way reflects individual members' approval or disapproval of the appointees, and that the nominations are merely forwarded to the full legislature for confirmation or rejection. There being no objection, it was so ordered.

He introduced Commissioner-designee, Valerie Davidson, noting that Department of Health and Social Services (DHSS) is one of the largest departments in the state with a billion-plus budget.

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VALERIE DAVIDSON, Commissioner-designee, Department of Health and Social Services, provided information related to her confirmation hearing. She shared that she was born in Bethel and lived there and in Aniak. She said she was a Head Start kid and received health care from Clara Morgan whom she credited with many of her values. She recalled persons who influenced her growing up. [This confirmation hearing contains discussion related to Medicaid.]

She said she moved to Salcha, Alaska, and attended Salcha Elementary School and then Eielson Air Force Base Junior High. A family expectation was to rise to the occasion and thrive. She said she attended University of Alaska - Fairbanks, and University of Alaska Southeast. She worked as an intern and staff for John Binkley. She said her undergraduate degree is in Elementary Education with a specialty in Early Childhood and a minor in Bilingual Education. She said she is a strong believer in early childhood education.

She said she attended graduate school at the University of New Mexico School of Law and then worked in Anchorage for a year. She then moved back to Bethel and began a career in Tribal

Health. She worked for the Yukon-Kuskokwim Health Corporation for seven years, three of the years as general counsel and four of the years as executive vice president. She then moved to the Alaska Native Tribal Health Consortium in Anchorage where she worked for eight years.

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CHAIR STEDMAN asked what motivated Ms. Davidson to become commissioner, especially during this time of lack of funding.

COMMISSIONER DAVIDSON responded that it is a big job in a big department with a complicated budget, but said she has never turned away from a tough job. She shared a personal story about health care. She spoke of her interest in improving health care systems. She stated that some of her particular passions are child welfare cases and the fact that what the state is doing now is not working. She said she has a goal of developing a better partnerships between the state, tribes, and the federal government to solve problems together, especially in light of the budget situation.

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COMMISSIONER DAVIDSON said her style is straightforward and collaborative, and she welcomes a diversity of opinions.

She said she has four priorities for the department. The first is to create a sustainable health care delivery system. She opined that expansion and reform go hand in hand. The Governor requested every department to describe what it would look like in four years with a 25 percent reduction. Of DHSS's budget of \$2.7 billion, \$1.7 billion is Medicaid and \$700 million of that is from general funds. She stated that reform is the opportunity to meet budget challenges. She said the second priority is child welfare matters and she is planning meetings to bring tribal and federal partners together to work with the state. The third priority is to work with federal partners to reduce costs. The fourth priority is improving wellness and prevention opportunities in order to save costs further down the road.

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SENATOR STOLTZE mentioned stakeholders as a subject from the last meeting. He spoke strongly of honoring all points of view. He noted a combativeness in a Lunch and Learn presentation on Medicaid against some stakeholders. He requested comments on differing policies.

COMMISSIONER DAVIDSON said she does welcome differing opinions, but does not necessarily agree with them. She noted a discrepancy in the presentation regarding years of Medicaid expansion in a couple of states before the current expansion of Medicaid was offered. She suggested it would be better to compare data from the same years. She emphasized that looking at various perspectives does not mean she is going to agree 100 percent of the time, but she hoped stakeholders could have honest conversations out in the open. She noted there is another Lunch and Learn coming up.

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SENATOR GIESSEL asked for examples of Ms. Davidson's work with private sector providers outside of tribal or federal programs.

COMMISSIONER DAVIDSON provided an example of when she worked under Commissioner Gilbertson with the Yukon-Kuskokwim Health Corporation as way to maximize federal contributions. She noted five non-profit organizations they worked with. She discussed ways to develop partnerships to transition services. She said they held community meetings which were difficult. Bethel Community Services provided services not provided by the tribe. She concluded that the solution was to think of the clients and provide services that made sense. The transition of the five programs took place within ten months.

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SENATOR GIESSEL recalled Commissioner Gilbertson believed that health care would transition from the small provider to a hospital environment in the future. She asked how Commissioner Davidson plans to go forward working with the diverse types of health care providers.

COMMISSIONER DAVIDSON stated that she has not worked for a non-tribal health provider. She shared that the department has written an RFP and the successful bidder will look at health care reform opportunities and waiver programs in other states and seek what is right for Alaska. Then the department will engage stakeholders to see what Alaska has to do to move forward. She stressed that the state has to have that conversation in order to redesign the Medicaid system. She commented that there are large providers in tribal health, but also very small ones, and everyone had a seat at the table. There were necessary and tough conversations.

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SENATOR ELLIS addressed a different topic regarding two constituents who want to change and improve the Psychiatric Patients Grievance Process. He asked that the department meet with the constituents and address their concerns.

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SENATOR GIESSEL asked about the Medicaid payment system, which is not working very well. She asked for the status of Xerox's MMIS payments and the timeframe for getting health care providers paid.

CHAIR STEDMAN inquired when the "bugs would be fumigated."

COMMISSIONER DAVIDSON explained that there have been significant challenges with the MMIS system. Xerox was awarded the contract in 2007 and the original "go live" date was in 2010, but the actual go live date was October of 2013. One of the biggest challenges was that the system that was to be tested was not rigorously tested. The department knows there is a need to improve the accuracy and timeliness of the claims.

She related that there have been some improvements. The Division of Health Care System has been working to get providers paid, but the backloads are still there. Going forward, the claims are paying more timely and Director Brody has said that 97 percent of new claims are paid in a timely manner. She emphasized that under the new administration, the department has done its best to be as transparent as possible and has posted the backlogs to a website. The department sued Xerox and there was a hearing in February. The vendor has indicated that all problems have been solved, but she said she does not agree.

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She said providers are contacting the Division of Health Care Services to set up repayment for the advances they received. In the past, some providers had to have advance payments in order to stay in business.

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SENATOR GIESSEL asked how many are in the backlog and what the timeframe is.

JOHN SHERWOOD, Deputy Commissioner, Department of Health and Social Services, answered questions related to Medicaid claims. He said that currently all of the suspended Medicaid claims amount to a little over \$100,000 and \$68,000 of those are mass adjustments that did not process correctly.

CHAIR STEDMAN asked for the projected timeframe for clearing up the claims.

MR. SHERWOOD said there is not a fixed schedule for reprocessing claims, but he thought it might be August, if Xerox stays on track with the progress they've been making.

SENATOR GIESSEL stated she was reluctant to see 40,000 beneficiaries added to Medicaid in light of the backlog.

COMMISSIONER DAVIDSON replied that the department expects to be back on track by about August. Of the 40,000 beneficiaries that would be eligible for Medicaid expansion, the department expects about 20,000 to actually enroll. They are working with Xerox to ensure that new claims are paid. The providers have up to one year to meet timely filings. The department expects to be ready for the expansion population.

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SENATOR GIESSEL provided a scenario where providers agree to wait for payment, but now there are 20,000 more beneficiaries. She asked if the providers can absorb that many new beneficiaries.

COMMISSIONER DAVIDSON emphasized that the providers welcome Medicaid expansion as an opportunity to provide services. Many of the individuals who are in the expansion population are getting care already through emergency rooms. The providers have said they would like to see these patients in a primary care setting, such as with a community health practitioner or behavioral health practitioner. Other providers are ready and able to provide additional services to new beneficiaries. Providers are not mandated to take on any more Medicaid patients.

SENATOR GIESSEL asked if community health aids are all part of the Native Health Care System. She noted that not all Medicaid beneficiaries fall under that system; there are people outside the system. She asked if Commissioner Davidson thought the new beneficiaries could be absorbed.

COMMISSIONER DAVIDSON pointed out that many non-Natives use the Tribal Health System because there is no other provider available. The state does not receive a 100 percent federal match for a non-IHS patient. Veterans in rural communities also receive services from the Tribal Health System and those costs

are billed to the Veterans Administration. Tribal Health is in larger communities, as well in rural communities.

She noted that there are opportunities for nurse practitioners and physician assistants to provide services, that before had been provided by physicians. Every time the state has the opportunity to look at alternative providers, additional people can be served.

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SENATOR GIESSEL said Medicaid will not change how nurse practitioners can practice. She said 50 percent of Medicaid beneficiary's live in Anchorage. She asked if the Railbelt providers can absorb the new beneficiaries.

COMMISSIONER DAVIDSON reiterated that the department has heard from providers that they support Medicaid expansion.

SENATOR STOLTZE inquired about cost containment and asked if Medicaid expansion and reform still go hand in hand.

COMMISSIONER DAVIDSON stated that the department believes that Medicaid expansion and reform go hand in hand. She said, "We are building upon the reform efforts that the department has already undertaken and we see there are more opportunities for reform."

SENATOR STOLTZE said, "Can go hand in hand or must go hand in hand?"

COMMISSIONER DAVIDSON said "must" given the current budget scenario. She reiterated how much the department must cut in order to meet the Governor's request. She said the department has to look at reform in order to address the current budget situation.

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SENATOR STOLTZE questioned what is enforceable by the federal government. He wondered if the state has the ability to pass reform.

COMMISSIONER DAVIDSON said the department is in active negotiations with the Centers for Medicaid and Medicare Service (CMS) about the reform efforts already under way, regardless of expansion. For example, utilizing a waiver to be able to work with the Tribal Health System to take advantage of 100 percent federal match. Also, the department is working with CMS on waivers to be able to finance services already provided. She

said Medicaid reform is tough, but the state has to keep moving forward. The department believes that by doing expansion, leveraging federal resources and opportunities, and redesigning the way the state provides health care, will allow the state to provide health care more efficiently and to provide services to those who are without health care, in a way that is cost effective.

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CHAIR STEDMAN noted a forthcoming bill regarding cost containment.

SENATOR STOLTZE asked if he could provide a list of issues to see where there is agreement.

CHAIR STEDMAN said that opportunity would come during a bill discussion.

SENATOR GIESSEL asked for the RFP timeframe.

COMMISSIONER DAVIDSON said the RFP report about key reform efforts in Medicaid will be delivered to the legislature next January 2016.

SENATOR GIESSEL noted there is a RFP to audit the Department of Health and Social Services (DHSS).

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SENATOR GIESSEL said in accordance with AS 39.05.080 the Senate Health and Social Services Committee has reviewed the following appointment and forwards the name of Valerie Davidson to joint session for confirmation. This action does not denote support or non-support of the appointee. There being no objection, it was so ordered.

CHAIR STEDMAN congratulated Commissioner Davidson.

SENATOR STOLTZE acknowledged the presence of Dr. George Brown.

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There being nothing further to come before the committee, Chair Stedman adjourned the Senate Health and Social Services Standing Committee at 2:33 p.m.