



May 11, 2026

Via Email: Senate.Finance.Committee@akleg.gov

Co-Chairs: Sen. Hoffman, Sen. Olson and Sen. Stedman and Members of the Senate Committee on Finance
Alaska State Senate
Juneau, Alaska

RE: Clarification on Overhead Assumptions and 70–80% Compensation Requirement

Dear Co-Chairs and Members of the Committee,

Consumer Direct Care Network – Alaska (CDAK) appreciates the opportunity to provide additional clarification regarding overhead assumptions referenced in recent discussions surrounding HB 96 and the proposed 70%–80% caregiver compensation requirement.

CDAK continues to support efforts to strengthen the direct care workforce and improve caregiver compensation. However, we write to clarify that the underlying financial assumptions used to support fixed compensation thresholds appear inconsistent with the State Department of Health’s own rate study findings, as documented in the Guidehouse Alaska LTSS Rate Evaluation.¹

Guidehouse’s analysis in section C.1.5 identifies that indirect costs associated with delivering services—including administrative and program support functions—constitute approximately 40 percent of total service costs. These costs include essential infrastructure such as compliance systems, electronic visit verification (EVV), supervision, workforce training, administrative staffing, insurance, and facility-related expenses. **These are not discretionary expenditures; they are required to operate within the Medicaid program and ensure safe, compliant, and accessible service delivery.**

When applying this cost structure, a fundamental constraint emerges. If approximately 40 percent of reimbursement is required to support operational infrastructure, then only approximately 60 percent of total revenue remains available for direct care compensation under current rates. **A statutory requirement directing 70 percent to 80 percent of reimbursement toward wages therefore exceeds the available margin identified in the State’s own analysis.**

This structural imbalance is particularly pronounced for small and rural providers, who face higher administrative and delivery costs and often lack the ability to offset fixed expenses through diversified service lines. In this context, available operating margin is effectively exhausted well below a 70 percent threshold.

¹ Alaska Department of Health (DOH). *Alaska Long-Term Services and Supports (LTSS) Rate Evaluation Report*. Prepared by Guidehouse Inc., November 26, 2025. Available at: <https://health.alaska.gov/media/xi1ldsoi/ak-doh-ltss-rate-evaluation-report.pdf>



Importantly, the Guidehouse report in section C.1.4 also highlights limitations in current cost visibility. The State’s cost survey captures provider expenses at a high level and does not provide sufficient detail on specific cost drivers or variation across providers. As a result, simplified financial models may overstate available ‘working room’ by not fully incorporating the complete scope of required operational costs.

Guidehouse further recommends in Finding 3 (LT-F3) the need for ongoing cost analysis and enhanced rate reporting to improve transparency, track cost trends over time, and support more accurate rate-setting. This recommendation underscores the importance of grounding policy decisions in comprehensive and current cost data rather than static or simplified assumptions.

Given these findings, CDAK respectfully suggests that fixed compensation thresholds be evaluated in alignment with the full cost structure identified in the State’s Department of Health rate study and embrace the findings for more granular data collection and analysis. Doing so will ensure that policies intended to strengthen the workforce do not inadvertently destabilize providers or reduce access to care.

CDAK appreciates the Legislature’s continued engagement on this issue and remains committed to collaborative, data-driven solutions that support both caregiver compensation and long-term system sustainability.

Respectfully submitted,

/s/ Megan Szymanski

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