Fiscal Year 2023
Subcommittee Book

Department of Health

Governor's Operating Budget Request

Legislative Finance Division
Box 113200
Juneau, AK 99811-3200
(907) 465-3795
www.legfin.akleg.gov

Column Definitions

21Actual (FY21 LFD Actual) - FY21 actual expenditures as adjusted by the Legislative Finance Division. For FY21 Final and Actual columns, OMB reported CBR appropriations as UGF 1004 instead of CBR 1001.

22 CC (FY22 Conference Committee) - FY22 operating budget (numbers and language) as approved by the Conference Committee on the operating and mental health appropriation bills. The column excludes fiscal note appropriations, special legislation included in other appropriation bills, and reappropriations.

22 Auth (FY22 Authorized) - The Conference Committee operating budget (adjusted for vetoes) plus fiscal note appropriations, updated CC language estimates, operating appropriations included in other bills, reappropriations, and funding carried forward from previous fiscal years.

22MgtPln (FY22 Management Plan) - Authorized level of expenditures at the beginning of FY22 plus position adjustments and transfers (made at an agency's discretion) within appropriations.

Adj Base (FY23 Adjusted Base) - FY22 Management Plan less one-time items, plus FY23 adjustments for position counts, funding transfers, line item transfers, temporary increments (IncT) from prior years, and additions for statewide items (e.g. salary and benefit increases). The Adjusted Base is the "first cut" of the FY23 budget; it is the base to which the Governor's and the legislature's increments, decrements, and fund changes are added.

23Gov (23 Governor's Request 12/15) - Includes FY23 Adjusted Base plus the Governor's operating budget requests for increments, decrements, fund source changes, and language transactions submitted on December 15, 2021. Because the Alaska Marine Highway System's budget is now based on a calendar year and has a different effective date than other agencies, it is separated into its own column; therefore the 23Gov column is an aggregate of two columns.[23GOVAMHS+23GovNoAMHS]

GovSupT (Governor's Supplemental Total) - Governor's regular and fast track FY22 supplemental requests submitted 12/15/21.[GovSup 12-15+GovSupFT]

TABLE OF CONTENTS

Department of Health

FY23 - Summary of Significant Budget Issues
($ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
1	Behavioral Health / Behavioral Health Treatment and Recovery Grants	Transition Behavioral Health Treatment and Recovery Grants to 1115 Medicaid Waiver	($790.0) GF/MH (UGF)	The Department reports there will be no interruption in services with this decrement for transitioning services (previously provided through UGF grants) to services provided through the Medicaid 1115 waiver. **Fiscal Analyst Comment:** Some providers have indicated that 1115 waivers cannot replace UGF grant revenue.
2	Behavioral Health / Behavioral Health Prevention and Early Intervention Grants	MH Trust: Crisis Now Continuum of Care Grants (FY23-FY26)	$900.0 GF/MH (UGF) **IncT**	The Crisis Now model is intended to reduce the amount of law enforcement and emergency room utilization by individuals experiencing a mental health crisis. As envisioned, a crisis call center would accept calls from individuals in need of assistance and direct callers to the appropriate service. Alternatively, individuals in crisis could also be dropped off by law enforcement or walk into a local stabilization center, where available. In addition to a crisis call center, the model utilizes a Mobile Crisis Team, 23 Hour-Crisis Stabilization Services, and Short-term Stabilization to create a behavioral health emergency network of services. Determination of the right level/type of treatment occurs through the behavioral health providers implementing the model. The Department is utilizing the 1115 Behavioral Health Medicaid Waiver to fund these crisis services which are allowable Medicaid expenses if the individual is Medicaid eligible and the provider is eligible to bill Medicaid. States that have implemented the model, including Arizona and Louisiana, report most individuals who contact the crisis call center have their crisis resolved over the phone. Individuals may be diverted initially to 23-Hour Stabilization services in communities that establish them. In addition, mobile crisis teams may be deployed to resolve behavioral health crises. In communities that do not have the full continuum, individuals may divert directly into short term crisis residential centers or utilize the current Title 47 civil commitment process that includes a hold in a hospital or other facility until admission to API or another Designated Evaluation and Treatment Center (DET) including Fairbanks Memorial Hospital, Mat-Su Regional Medical Center, or Bartlett Regional Hospital. The pilot project (FY23-FY26) will initially be stood up in Fairbanks, Mat-Su, Anchorage and Juneau.

Department of Health
FY23 - Summary of Significant Budget Issues
($ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
2	Behavioral Health / Behavioral Health Prevention and Early Intervention Grants	MH Trust: Crisis Now Continuum of Care Grants (FY23-FY26)	$900.0 GF/MH (UGF) **IncT**	(continued) **Fiscal Analyst Comment:** This funding is more appropriately placed in the Behavioral Health Treatment and Recovery Grant allocation within the Behavioral Health appropriation.
3	Health Care Services / Medical Assistance Administration	Transition Pilot Health Home Project to Medicaid	($201.0) GF/Match (UGF)	Chapter 24 SLA 2016 (SB 74) provided a pilot care coordination demonstration program using 100% GF. The contractor is paid a per member per month fee to case manage 5,000 patients. Due to differences between reporting capabilities and reporting requirements, the deliverables have been difficult to fulfill and the contract is being reduced 50% in FY23 while the remainder will be eliminated in FY24. The Department reports that services will be continued through the Medicaid section 1915(b) waiver. **Fiscal Analyst Comment:** Medicaid section 1915(b) waivers, commonly referred to as "freedom-of-choice" waivers, allow a state to require Medicaid patients to participate in managed care for some or all of their benefits (except for family planning). If this reduction moves forward, the Department will need to apply to the Centers for Medicare and Medicaid Services (CMS) for the 1915(b) waiver, and that turnaround is estimated to take approximately six months for approval.
4	Public Assistance / Permanent Fund Dividend Hold Harmless	Permanent Fund Dividend Hold Harmless	$13,500.0 PFD Fund (Other) **IncOTI**	The PFD Hold Harmless appropriation provides payments that replace Alaska Temporary Assistance, Adult Public Assistance, Supplemental Security Income, and Supplemental Nutrition Assistance Program (SNAP) benefits for individuals who would lose eligibility or whose benefits would be reduced if they received a Permanent Fund Dividend. The program has maintained $17.7 million in budget authority for several years (FY15 to current); actual expenditures have averaged around $14.9 million. This request would bring total FY23 authority to $31,224.7. **Fiscal Analyst Comment:** The Governor requests an identical amount in the fast-track supplemental budget which is associated with a second PFD payment in FY22. This FY23 request appears to be unnecessary.
5	Public Assistance / Public Assistance Field Services	Delete Authority No Longer Needed for Devices	($215.0) GF/Match (UGF)	The Department associates this savings with the deletion of 121 positions in FY22 and a resulting reduction in core service costs. **Fiscal Analyst Comment:** The FY22 reduction of 121 positions included 20 positions added in FY19 on a temporary basis (to address an application backlog) and scheduled to be removed in

($ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
5	Public Assistance / Public Assistance Field Services	Delete Authority No Longer Needed for Devices	($215.0) GF/Match (UGF)	(continued) FY22, plus 101 positions the Department had planned to remove through attrition. As of January 14, 2022, 101 of the 121 PCNs are vacant.
6	Senior and Disabilities Services / Governor's Council on Disabilities and Special Education	MH Trust: Governor's Council on Disabilities and Special Education	$50.0 GF/MH (UGF)	Additional funding would address a small gap to support the Council's Research Analyst 3 position. Due to a couple Executive Director changes in recent years, a review of the GCDSE's operating budget and fund sources has been underway. It was determined that the federal funds they receive need to be reallocated to ensure federal compliance, resulting in a small gap. This $50.0 GF/MH increment will make the GCDSE's operating budget whole.
7	Departmental Support Services / Various	GF Match Replacement to Meet Federal Match Requirements	**Net Zero** $1,778.6 GF/ Match (UGF) ($1,220.0) Gen Fund (UGF) ($558.6) GF/MH (UGF)	To ensure federal match requirements are met, fund changes to replace UGF (fund code 1004) and GF/MH (fund code 1037) with GF Match (fund code 1003) occur in the following allocations: **Public Affairs:** $67.1 GF Match, ($67.1) UGF 1004 **Commissioner's Office**: $284.9 GF Match, ($76.3) UGF 1004 and ($208.6) GF/MH **Admin Support Services**: $254.8 GF Match, ($254.8) UGF 1004 **Info Tech Services**: $1,025.1 GF Match, ($725.1) UGF 1004 and ($300.0) GF/MH **State Facilities Rent**: $146.7 GF Match, ($96.7) UGF 1004 and ($50.0) GF/MH
8	Departmental Support Services / Commissioner's Office	Homeless Management Information Systems	**Total: $750.0** $375.0 Gen Fund (UGF) $375.0 Stat Desig (Other) **IncOTI**	As part of the Governor's "People First Initiative", funding will support the creation of a new database on homelessness which will be inclusive of the elements in the existing Homeless Management Information System (HMIS) database, but with additional data elements that will allow for improved services to individuals experiencing homelessness and better insight into the challenges of addressing this issue. **Fiscal Analyst Comment:** The transaction notes state this is part of the Safety First Initiative program which began in 2016 as a collaboration with the Anchorage Community Development Authority and the Anchorage Downtown Partnership. However, the program was discontinued on January 1, 2022 as the overwhelmed safety ambassadors patrolling downtown Anchorage are encountering more situations that necessitate Anchorage Police Department (APD) involvement. The safety ambassadors will still patrol downtown Anchorage as the "eyes and ears" for APD. The Statutory Designated Program Receipts (SDPR) will be collected from other agencies supporting those experiencing homelessness.

($ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
8	Departmental Support Services / Commissioner's Office	Homeless Management Information Systems	**Total: $750.0** $375.0 Gen Fund (UGF) $375.0 Stat Desig (Other) **IncOTI**	(continued) **Items 8 and 9 are related.**
9	Departmental Support Services / Commissioner's Office	Initiative to Address Homelessness	**Total: $382.3** $46.3 Fed Rcpts (Fed) $336.0 GF/Match (UGF) **1 PFT Position**	Funding will support one position to manage the new database on homelessness (see item 8) and provide $250.0 for additional database management. **Items 8 and 9 are related.**
10	Departmental Support Services / Various	Executive Order Support Positions	**Total: $734.9** $733.7 I/A Rcpts (Other) $1.2 CIP Rcpts (Other) **2 PFT Positions** **3 TMP Positions**	Through Executive Order, the Governor is proposing to restructure the Department of Health and Social Services into two departments. **The Department of Health** (DOH) would include: 1. Division of Public Health; 2. Division of Public Assistance; 3. Division of Behavioral Health; 4. Division of Healthcare Services; and 5. Division of Senior and Disabilities Services. **The Department of Family and Community Services** (DFCS) would include: 1. Division of Juvenile Justice; 2. Alaska Psychiatric Institute; 3. Alaska Pioneer Homes; and 4. Office of Children's Services. In addition to reclassing a full-time network specialist position for $42.3 I/A in the Health Care Services appropriation, the following new positions are being requested in the Departmental Support Services appropriation:

($ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
10	Departmental Support Services / Various	Executive Order Support Positions	**Total: $734.9** $733.7 I/A Rcpts (Other) $1.2 CIP Rcpts (Other) **2 PFT Positions** **3 TMP Positions**	(continued) **Public Affairs ($131.7 Inter-agency Receipts)** 1. Full-time Information Officer (06-#415), range 20, located in Anchorage **Administrative Support Services ($202.9 Inter-agency Receipts)** 2. Full-time Office Assistant 2 (06-#416), range 10, located in Juneau 3. Full-time Administrative Officer 2 (06-#417), range 19, located in Juneau **Information Technology ($399.0 Inter-agency Receipts, $1.2 CIP)** 4. Full-time Data Processing Manager 1 (06-#421), range 22, located in Juneau 5. Full-time Systems Programmer 1/2 (06-#422), range 20/22, located in Juneau 6. Non-permanent Microcomputer/Network Technician 1 (06-#418), range 14, located in Juneau 7. Non-permanent Microcomputer/Network Technician 1 (06-#419), range 14, located in Fairbanks 8. Non-permanent Microcomputer/Network Technician 1 (06-#420), range 14, located in Anchorage.
11	Medicaid Services / Medicaid Services	Match Requirement for Increased Medicaid Utilization	$45,000.0 GF/ Match (UGF)	This **$45 million UGF** request restores $35 million decremented in FY22 and adds another $10 million to Medicaid's FY23 base budget. In FY22, the Governor requested a $35 million decrement, along with backstop language using unspent FY21 Medicaid funding. In FY20, the program lapsed $59.1 million UGF which was primarily due to a 6.2% increase to the regular Medicaid Federal Medical Assistance Percentage (FMAP) due to the Public Health Emergency (PHE). At that time, the enhanced FMAP (more federal revenue) looked likely to continue well into FY21 (which it did), increasing the probability that FY21 would lapse a sufficient cushion, should the backstop be needed. The FY22 base reduction was expected to be realized in FY23, however, the short-term justification revolved around the enhanced FMAP and $59.1 million of UGF savings realized in FY20. The legislature approved half of the requested reduction -- $17.5 million -- and the Governor vetoed the remaining $17.5 million. The backstop language provision was denied. Moving into FY23, the Department projects a $72 million UGF shortfall due to a variety of reasons including, but not limited to, the following: 1.Increased utilization - as the pandemic nears its full two year mark, individuals are seeking care that they may have delayed early in the pandemic;

($ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
11	Medicaid Services / Medicaid Services	Match Requirement for Increased Medicaid Utilization	$45,000.0 GF/ Match (UGF)	(continued) 2. Inflation has increased the cost of care; and 3. The enhanced FMAP will end with the PHE. Savings associated with the enhanced FMAP were quantified at around $17 million per quarter in FY21. Of the projected $72 million shortfall, $45 million is being requested and approximately $27 million is intended to be addressed through some combination of the following efforts (the listed amounts exceed $27 million as the Department has not always been able to realize planned savings): 1. **$17 million** projected to be captured once Medicaid eligibility redetermination resumes. Until the PHE is over, states receiving the enhanced FMAP must adhere to the continuous enrollment requirement). 2. **$7 million** - Implementation of "Section 1945 Health Homes". Section 1945 Health Home Services are patient centered medical homes, authorized during SLA 2016 (Ch. 25, SB 74); 3. **$3 million** - Pay for performance incentive for hospitals. This incentive to encourage hospitals to report their costs is intended to provide an entry point to move from fee for service towards managed care; 4. **$4.64 million** - Expand tribal reclaiming to the Administrative Services Organization (ASO) for the Division of Behavioral Health. **Fiscal Analyst Comment:** The FY21 UGF lapse was approximately $87.6 million, however, the final amount could change as this figure includes encumbrances that may be liquidated. The enhanced FMAP is currently set to expire at the end of June, 2022. **Items 11 and 12 are related.**
12	Medicaid Services / Medicaid Services	FY23 Open Ended Federal Receipt Authority	**Net Zero**	The legislature approved open-ended federal authority in FY20, FY21, and FY22 in response to COVID-19. The Department has indicated that this authority is requested for both COVID and non-COVID activities. **Items 11 and 12 are related.**

Department of Health

FY23 - Summary of Significant Budget Issues
($ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
13	Various	Replace Authority Unavailable due to Alaska Constitution Article IX Section 17(d)	**Net Zero** $6,935.5 UGF ($6,935.5) DGF	The Recidivism Reduction Fund, Marijuana Education and Treatment Fund, and Tobacco Education and Cessation Fund are subject to transfer to the CBR. The following appropriations previously appropriated money from these funds and will need to be replaced with unrestricted general funds in FY23 to continue to provide existing service levels: **Behavioral Health:** $3,791.2 1037 GF/MH UGF ($243.2) 1180 A/D T&P Fund DGF ($1,042.3) 1246 RcdvsmFund DGF ($2,505.7) 1254 MET Fund DGF **Public Health:** $2,672.8 1004 UGF ($2,672.8) 1168 Tob ED/CES DGF **Medicaid Services:** $97.5 1004 UGF $375.0 1037 GF/MH UGF ($97.5) 1168 TobED/CES DGF ($375.0) 1246 RcdvsmFnd DGF **Total:** $6,935.5 UGF ($6,935.5) DGF **Fiscal Analyst Comment:** Under Article IX, Section 17(d) of the Alaska Constitution, available balances of certain funds used by various appropriations within DHSS were transferred to the Constitutional Budget Reserve Fund (CBR); a process commonly referred to as the "CBR sweep." Budget authority that cannot be satisfied with projected fiscal year 2023 revenue collections is replaced with unrestricted general funds in the Governor's budget to ensure continuity of service. The legislature may wish to ask if the premise of these fund changes assumes there is no carryforward.

Department of Health

FY23 - Summary of Significant Budget Issues
($ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
14	Various	Mental Health Trust Authority Authorized Receipts Funding	$3,080.8 MHTAAR (Other)	The Mental Health Trust Authority submits a "zero-based" budget for Mental Health Trust Authority Authorized Receipts - meaning that all MHTAAR funding in state agencies is removed from the adjusted base and reconsidered by the Mental Health Trust Authority each fiscal year. For FY23, MHTAAR is requested in the following appropriations for various mental health efforts: **Behavioral Health**: $1,023.1 **Public Health**: $461.9 **Senior and Disabilities Services**: $1,578.1 **Items 14 and 15 are related.**
15	Various	Restore GF/MH Mental Health Trust Recommendations Approved by the Legislature in FY22 and Vetoed by the Governor	$545.5 GF/MH (UGF)	In addition to MHTAAR funding (see item xx), the Mental Health Trust Authority also makes recommendations involving general funds (GF/MH). In FY22, the legislature approved the Trust's GF/MH recommendations, however, the Governor vetoed them. This year, the Governor is putting forward the Trust's FY23 GF/MH recommendations. GF/MH items vetoed in FY22 and restored in the FY23 request are listed as follows (by appropriation): **Behavioral Health / Behavioral Health Administration** Peer Support Certification: $50.0 (a lower amount of $20.0 GF/MH was approved in FY22) Zero Suicide Initiative: $62.5 (a lower amount of $53.5 GF/MH was approved in FY22) **Public Health / Emergency Programs** DHSS Comprehensive Program Planning Coordinator: $75.0 Beneficiary Mental Health Status Data Collection: $45.0 **Senior and Disability Services (SDS) / SDS Grants** Maintain Aging and Disability Resource Centers: $250.0 SDS Administration: $63.0 **Items 14 and 15 are related.**
16	Various	Cross-appropriation Transfer Authority up to $20 million	**Net Zero**	Cross-appropriation transfer authority is requested in each of the proposed departments (Department of Family and Community Services and the Department of Health). In recent years, the legislature has approved this flexibility in the Department of Health and Social Services, up to

Department of Health

FY23 - Summary of Significant Budget Issues
($ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
16	Various	Cross-appropriation Transfer Authority up to $20 million	**Net Zero**	(continued) $20 million, with the exception that no funding may be transferred out of the Medicaid appropriation.

This Page Intentionally Left Blank