

HOUSE FINANCE COMMITTEE
February 1, 2010
1:34 p.m.

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CALL TO ORDER

Co-Chair Hawker called the House Finance Committee meeting to order at 1:34 p.m.

MEMBERS PRESENT

Representative Mike Hawker, Co-Chair
Representative Bill Stoltze, Co-Chair
Representative Bill Thomas Jr., Vice-Chair
Representative Allan Austerman
Representative Mike Doogan
Representative Anna Fairclough
Representative Neal Foster
Representative Les Gara
Representative Reggie Joule
Representative Mike Kelly
Representative Woodie Salmon

MEMBERS ABSENT

None

ALSO PRESENT

William Hogan, Commissioner, Department of Health and Social Services; Alison Elgee, Assistant Commissioner, Finance and Management Services, Department of Health and Social Services

PRESENT VIA TELECONFERENCE

None

SUMMARY

HB 300-APPROP: OPERATING BUDGET/LOANS/FUNDS
HB 302-APPROP: MENTAL HEALTH BUDGET

Department of Health and Social Services

#hb300

#hb302

HOUSE BILL NO. 300

"An Act making appropriations for the operating and loan program expenses of state government, for certain programs, and to capitalize funds; making supplemental appropriations; making appropriations under art. IX, sec. 17(c), Constitution of the State of Alaska; and providing for an effective date."

HOUSE BILL NO. 302

"An Act making appropriations for the operating and capital expenses of the state's integrated comprehensive mental health program; and providing for an effective date."

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DEPARTMENT OF HEALTH AND SOCIAL SERVICES

WILLIAM HOGAN, COMMISSIONER, DEPARTMENT OF HEALTH AND SOCIAL SERVICES, presented the department's FY2011 budget overview. He referred to the "Executive Summary" (copy on file). He defined the department's mission; to promote and protect the health and wellbeing of all for a strong Alaska. He attributed the mission to the Alaska Constitution.

Co-Chair Stoltze asserted that the constitution does not contain the word "wellbeing." He felt that verbiage advanced "unprovoked good."

Commissioner Hogan referred to the document titled "Alaska Department of Health and Social Services 2010 Priorities" (copy on file). He emphasized that the department's goal is productivity. He stated the department's focus has been to help create productive families and individuals that contribute to their communities and become productive members of society. He pointed out that the department has studied outcomes to ensure that the programs and services provided produce these results.

Commissioner Hogan outlined the main priorities of the department: Substance Abuse, Health and Wellness, Health Care Reform, Long Term Care, and Vulnerable Populations. He highlighted that the department's efforts to address substance abuse have been focused in four areas: prevention, early intervention, treatment, and recovery. He elaborated that as part of the Health and Wellness priorities, the department focused on program cost reduction and prevention. Alaska has high rates of chronic disease, sexually transmitted diseases, and injuries. The department has also examined increased health care access, trauma system enhancement, emergency preparedness, and the health and social service impact on communities that will experience large economic activity such as a major gas line. He addressed federal health care reform and noted it will spur changes at the federal and state levels.

Co-Chair Stoltze asked if the interests of Alaska are being met in the proposed federal legislation and what are the department's concerns. Commissioner Hogan explained that his office works actively with the governor's office in Washington D.C. and the Alaska delegation to solicit Alaska's interests. He exemplified two legislative proposals where Alaska's position is being advocated through these channels. The first was the National Health Insurance Exchange. He believes a one size fits all model would not work for Alaska. The Department is seeking flexibility within the proposal to create Alaska's own exchange. Secondly, he expressed concern with the proposed increase for Medicaid to 133 percent of the poverty level. He asserted that the federal government should pay for the entire increase.

Co-Chair Stoltze characterized the measure of success of the Department's lobbying efforts as "fifty/fifty". Commissioner Hogan speculated that successful outcomes depend on the level of influence the state has at the federal level. He concurred with the assessment.

Commissioner Hogan added that a Health Care Commission has been established by the Department and has released a report of recommendations for consideration and prioritization. He believes the Commission is very useful in deciphering the federal health care reform legislation. In addition, the Commission thoroughly examined the four key components of health care and delivery: access, quality, cost, and prevention. He noted that the shortage

of health care workers in the state is a continuing challenge.

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Commissioner Hogan continued with issues concerning Long Term Care. He pointed out that seniors are the fastest growing population in the state. The department has been working to ensure seniors have access to in home care, a high quality nursing home option, and pioneer homes.

Commissioner Hogan announced that the final priority area deals with Vulnerable Alaskans. He stated that includes situations of abuse and neglect, juvenile justice, the developmentally disabled, and Safety Net Programs run through the Division of Public Assistance, i.e. Supplemental Nutritional Assistance Program (SNAP), Home Heating Assistance. He highlighted the Families First Initiative that identifies individuals with mental health and substance abuse problems, who are about to lose temporary assistance benefits. The program offers help to those individuals and their families.

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Representative Austerman asked for an explanation of the "environmental health and tax". Commissioner Hogan explained the concept; as large scale economic development projects take place in an area it impacts communities and families. He cited the oil pipeline and the associated societal increase in alcohol abuse and domestic violence. The department wants to take a proactive role to deal with potential problems during an economic boom cycle.

Representative Austerman asked for an explanation of the steps taken to solve the fragmented and un-coordinated health care system in Alaska. Commissioner Hogan noted that the recommendations by the Health Care Commission are an effort to address the problems. He identified a major problem as access to health care when needed; trying to avoid emergency room visits by increasing access to a primary care physician.

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Representative Austerman believed that regarding Vulnerable Populations the system is set up so that individuals and

families never break out of the assistance cycle. Earning and saving money often disrupts benefits causing the recipients to lose the personal gains made and dependent on assistance programs once again. He wondered if it was a lack of coordination and policy between the federal and state systems. Commissioner Hogan stated that some of the problems are with federal requirements. The department is attempting to recognize the barriers and not let them interfere with the individual's successful outcome. He stressed that the department's objective was to avoid creating dependence on programs

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Vice-Chair Thomas wondered how the system can be changed so that convicted felons can be eligible for the personal care assistant jobs. He related a constituent's situation.

Commissioner Hogan pointed out that background checks are required for all health care and social service providers. He noted there are "barrier crimes" that prevent anyone convicted of one gaining that type of employment. The department can grant waivers depending on the situation. The department might rewrite the regulations to allow for more flexibility yet keeping client safety a priority.

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Representative Gara remarked that the Health Care Commission suggested that the legislature explore the expansion of Community Health Care Centers as a key to providing increased access to health care in Alaska. He reported that Medicare compensates Community Health Care at a much higher rate than private practice primary care and provides low cost health care access. He felt that the Commission should have made a much stronger proposal as to their role in a solution to health care delivery problems. He wondered if there should be an expanded use of Community Health Centers to Medicare beneficiaries and for primary care.

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Commissioner Hogan agreed that the twenty six federally qualified Community Health Centers in Alaska are the foundation of the health care system in the state. He shared that they have a role to play in providing increased

Medicare access especially to seniors. The department is looking at the creation of a Medicare access clinic. He reported that the state lobbied congress to increase Medicare rates by thirty five percent. However, even with the increase, many physicians are still unwilling to take Medicare recipients. He was uncertain that Community Health Centers get an enhanced Medicare rate over physicians. Commissioner Hogan offered that the Commission was not able to offer a definitive recommendation to expand Medicare access at this time.

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Representative Gara asked if the department has a plan this year to expand medical services through the Community Health Centers. Commissioner Hogan related that he is not aware of a specific increment.

Co-Chair Hawker requested that Commissioner Hogan discuss the difference between the tenure and longevity of administratively appointed commissions as opposed to legislatively established commissions. Commissioner Hogan replied that the Health Care Commission established by the administration will disband at end of this legislative session. The department was working with the Legislature to establish the Health Care Commission in statute. Co-Chair Hawker wondered if the commission was necessary.

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Representative Fairclough wanted an overview of the department's use of stimulus funds. Commissioner Hogan replied that an enhanced federal matching percentage in Medicaid was part of the stimulus package. He explained that the department received an increase in the federal match percentage to 61 percent, up from 50 percent of federal matching funds. The state's general fund match has decreased to 39 percent down from 50 percent. The change is also due to Alaska's high unemployment rate. He reported that the federal match increase is set to expire at end of the calendar year. He indicated the department anticipates an additional six month extension of the increase.

Co-Chair Hawker explained that the governor's FY 2011 budget request assumed that the Federal Medical Assistance Percentage (FMAP) rate increase will be extended. He announced that there would be an amendment to recognize the

higher rate of approximately \$50 million if the increase is not authorized.

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Representative Austerman asked if the state saved \$50 million in last year's DHSS budget due to the FMAP increase.

ALISON ELGEE, ASSISTANT COMMISSIONER, FINANCE AND MANAGEMENT SERVICES, DEPARTMENT OF HEALTH AND SOCIAL SERVICES answered that the savings last year was approximately \$95 million, coverage for nine months. She stated that \$50 million reflects coverage for six months and is too low. The annual state Medicaid match totals approximately \$120 million.

Representative Austerman wondered what the FY 2012 total would be. Ms. Elgee responded that if the enhanced funding is removed from the budget the state would replace approximately \$120 million in federal funds with general funds.

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Representative Fairclough asked why there was not a personal services line under the Suicide Prevention Council in the budget. She asked if the position has been vacant for a year. Commissioner Hogan replied that the department moved the responsibility for coordination and oversight of the Council to the Division of Behavioral Health. The position has not been left vacant.

Ms. Elgee furthered that the transfer of staffing support for the Council was done in FY 2009 and was only a technical change. Representative Fairclough stated that the Council claimed that they hire the coordinator and the position is currently vacant.

Commissioner Hogan pledged to investigate the matter.

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Representative Gara repeated his frustration that it is known that Community Health Centers were part of the solution to the Medicare crisis. He wondered why it has not been acted upon by the legislature. He contended that two

successive Commissions came to the same recommendation without resulting action. He asserted that seniors on Medicare are having an arduous time getting primary care and the crisis is growing. Commissioner Hogan replied that a one-time \$1 million increment was received for Community Health Centers in FY 2009. He reiterated that he believes it is important but lacks funding.

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Co-Chair Hawker asked if Community Health Centers were intended to be standalone private non-profits or wards of the government. Commissioner Hogan replied that Community Health Centers are private non-profits and receive base grants from the federal government of approximately \$650 thousand to provide primary care, dental and other health services.

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Representative Doogan reflected on the \$120 million figure reported earlier and wondered how the number was determined.

Commissioner Hogan declared that out of the department's \$2.1 billion budget, approximately \$1.2 billion is for Medicaid.

Ms. Elgee shared that Medicaid was made up of many components and different programs require different match rates. The base match rates are established and paid for by the federal government and cannot go lower than fifty percent. In past years the federal government has provided more than a fifty percent match base rate but federal matches have decreased to the minimum level of 50 percent in recent years. The American Recovery and Reinvestment Act (ARRA) funding does not apply to any program that currently receives an enhanced match rates, i.e., Tribal Health reimbursements and the Children's Health Insurance Program. ARRA funding [stimulus funds] only applies to Medicaid programs that receive base match rates. Under the ARRA legislation the state received an increase to the 61 percent match rate up from the fifty percent base rate for some Medicaid programs. The \$120 million reflects the difference between a fifty percent and a sixty one percent match.

Commissioner Hogan referenced the "Fiscal Year Strategic Plan" (copy on file). He highlighted specific goals and outcomes. He cited substance abuse as an example of how the department assessed its programs by focusing on goals and outcomes. The department is focusing on four outcomes in the area of substance abuse: reducing the incidence of fetal alcohol spectrum disorder, reducing substance abuse related accidents, reducing substance abuse related violent crime, and reducing substance abuse related suicides. The department uses very specific measures and relies on the data to determine progress and set benchmarks to achieve reduction in the rates. He stressed that the department's role is to reduce incidents in the population.

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Co-Chair Hawker alluded to the involvement of the Department of Law, Department of Corrections, and Department of Public Safety with the Governor's domestic violence and sexual assault initiative as the "prosecution" piece of the initiative. He asked where DHSS fits in with the initiative as the prevention and protection piece. He asked the Commissioner what department should house the individual that oversees the initiative. Commissioner Hogan believed his department has a role to play in creating solutions to the problem along with the Department of Education and Early Development. He identified prevention activities through the Division of Public Health, helping victims of domestic violence and tackling substance abuse through an array of programs provided by DHSS as parts of the department's contribution to the initiative. He believed that the position should be located in the Department of Law along with a steering committee to form a coordinated approach.

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Representative Joule stated that he appreciated the spotlight on the domestic violence and sexual assault problem. He felt it encompassed tackling other pressing problems such as substance abuse in an integrative approach that involves prevention, cure, and punishment.

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Representative Fairclough stated she has been in communication with the governor to coordinate an effort to

discuss a more inclusive approach to the domestic violence initiative that includes the areas of mental health, substance abuse, education and health and human services.

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Representative Gara asked that out of the \$1.2 billion expenditures on Medicaid if roughly \$400 million were state funds and \$800 million were federal funds. Commissioner Hogan affirmed.

Representative Gara referred to the substance abuse increment (page 14 of the "Executive Summary") of \$2.2 million and noted the increase was devoted to distinct areas of substance abuse. He wondered if any money was being provided to reduce the waiting lists for all alcohol and substance abuse treatment programs. Commissioner Hogan reported that more money may be needed to reduce the waiting lists. He stated that it was a challenge to meet all of the needs with the funds provided and took a strategic approach to allocating the funds. In light of the fiscal constraints the department focused on the four outcomes stated earlier.

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Representative Gara reiterated his frustration with the substance abuse treatment waiting lists. He suggested consolidating the lists to gain a complete assessment of the needs. Commissioner Hogan agreed that if the needs of the waiting lists are understood in its entirety than a plan to provide more services based on actual need can be implemented to shorten the lists. He exemplified that residential needs were in more demand than outpatient services.

Representative Joule requested additional information about substance abusers on waiting lists by court order. Commissioner Hogan stated he would provide the information. He mentioned that the department was creating a substance abuse Medicaid waiver. The waiver may only provide limited services but the additional fifty percent federal funds available if established, would help to expand services.

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Commissioner Hogan referred to the Organization Chart on page 6 of the "Executive Summary" (copy on file) and described the executive management and structure of the department. He identified: Ward B. Hurlburt, M.D. Chief Medical Officer/Director of Public Health; William J. Streur, Deputy Commissioner for Medicaid and Health Care Policy; Clay Butcher, Public Information Manager; Wilda Laughlin, Legislative Relations; Tara Horton, Special Assistant Patrick Hefley, Deputy Commissioner for Family, Community & Integrated Services; Allison M. Elgee, Assistant Commissioner for Finance Management Services.

He also noted that the department works actively with the various boards and commissions particularly with those related to the Mental Health Trust Authority. The department works closely with the Authority and is in agreement with them ninety five percent of the time.

Commissioner Hogan cited page 7 of the "Executive Summary" (copy on file). He highlighted the department's accomplishments. He listed the Family-to-Family Program, Alaska Heating Assistance Program, Bring the Kids Home initiative, Senior Long Term Care, and Health Care Reform as the department's achievements. Commissioner Hogan noted that the Alaska Heating Assistance Program serves households with incomes at 225 percent of the federal poverty guidelines. He stressed the success of the Bring the Kids Home initiative. The number of children in out-of-state residential placement is now 110 down from 450 over a three year period.

Commissioner Hogan remarked that the Senior Long-Term Care, Senior and Disabilities Services, Home and Community Based Waivers, and Adult Preventive Dentistry Programs are among the departments successes. He opined that the department excelled in H1N1 [Swine Flu] preparedness.

Commissioner Hogan noted the department's efforts to work with the tribal health organizations to maximize Medicaid revenue and federal reimbursement.

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Commissioner Hogan continued the discussion with the department's Key challenges on page 9 of the "Executive Summary" (copy on file). He mentioned that under Vulnerable Populations, the Bring the Kids Home project faced challenges in developing in-state residential and community

based treatment options. He added that workforce issues continue to be problematic with vulnerable populations.

Co-Chair Hawker expressed concern regarding federal assessment payments for non-compliance of the Indian Child Welfare Act. He queried the status of the settlement. Commissioner Hogan reported that the department is working with tribal partners to ensure requirements for the Indian Child Welfare Act are implemented and relations with the tribal partners were improved. He pointed out that results varied around the state. He acknowledged the department's past failure.

Co-Chair Hawker clarified that the settlement requires the state to pay \$1.2 million each for FY 2010, FY 2011, and FY 2012. He emphasized the size of the payments and thought that the issue was significant enough for discussion with the entire Finance Committee. He attributed failure on the part of the Office of Children's Services (OCS).

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Commissioner Hogan pointed out that child protection was a difficult job and acknowledged more work had to be done.

Representative Gara talked about the need to add social workers to OCS as Independent Living Coordinators for youth coming out of foster care. He noted that there are only four for the entire state. He expressed disappointment at the poor statistics regarding youth transitioning out of foster care. He asked why there are no increases in Independent Living Coordinators [social workers] in this year's budget. Commissioner Hogan stated that it is difficult to retain social workers in the OCS area. He found it unreasonable to ask for increased positions if the department cannot retain enough OCS social workers at current staffing levels. He offered to have further discussions to implement improvements in the transitional programs within foster care. Representative Gara hoped that will continue as a discussion in the DHSS subcommittee. He suggested that "burn out" due to large caseloads might be an issue with non-retention of social workers. Commissioner Hogan replied that the department has implemented measures to support social workers.

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Representative Fairclough recalled that she served on a previous DHSS subcommittee and discussed the retention problem. She suggested that often the problem is not just with caseload but working in a toxic environment every day. She suggested that positive professional experiences should be interspersed in their routine.

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Commissioner Hogan affirmed.

Commissioner Hogan directed attention to the Overall Budget Requests on page 13 of the "Executive Summary" (copy on file). He pointed out that the overall budget reflects a 3.5 percent increase with a 6 percent increase in general funds. Most of the increase is being driven by growth in Medicaid.

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Representative Kelly wondered where the department would make cuts if no increase was available. Commissioner Hogan stated he would start with Medicaid. It makes up more than 55 percent of the budget. He offered three choices to determine cuts: eligibility, change the rates providers are paid, and change access to the type and amount of services available. The other 45 percent of the budget would be more difficult to determine. The department would work toward more performance based funding.

Representative Kelly commented that ignoring the Permanent Fund Dividend, 30 percent of Alaskans are being supported by the government. He wondered if this figure was high and how to end the "dependence rut."

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Commissioner Hogan stated the department is trying to promote independence through programs like Families First. He thought that the 30 percent figure was high.

Co-Chair Hawker recognized the presence of Anchorage Mayor Dan Sullivan.

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Representative Gara asked if there was a way to save money by having higher income recipients receiving services to pay more. Commissioner Hogan answered that the department was doing that where allowed such as with residents of the Pioneer Home.

Representative Kelly wondered about drug testing for those on public assistance. He felt this could help stop the cycle of dependence.

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Commissioner Hogan appreciated the comments and was also frustrated by the addiction problem. He noted that the Clitheroe Center is a good example for involuntary treatment. He also commented that this is the "Year of Public Safety" and hopes there will be a "Year of Substance Abuse, Prevention, Treatment, and Recovery" in the future.

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Co-Chair Stoltze asked if Representative Keller's bill [HB 259] requires mandatory drug testing for public assistance. Commissioner Hogan stated the department was helping Representative Keller so he can draft the legislation within federal guidelines. He was unsure if it was legal.

Co-Chair Stoltze anecdotally related that medical providers complain about Medicaid patients not showing up for appointments. He wondered if they can be charged a fee. Commissioner Hogan reported that he has heard similar complaints regarding Medicaid patients not showing up for their appointments. He speculated that legally the doctor cannot take financial recourse. He agreed to investigate further.

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Representative Fairclough shared that a fee was set up for patients of the Southcentral Foundation that did not show up for their appointments. She noted transportation problems with disabled and the elderly. Commissioner Hogan wondered if they were Medicaid patients.

Representative Fairclough cited increases in the DHSS budget for Information Technology Services. She asked if there was unduplicated numbers for people accessing

multiple services from DHSS. Commissioner Hogan announced that the department recently created a master client index. He stated he would send her an unduplicated count of recipients. Representative Fairclough stated the information could help provide more coordinated care for individuals or families in need of multiple services.

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Co-Chair Hawker directed attention to page 25 of the "Executive Summary" (copy on file) that is a historic look at Medicaid expenditures from FY 1991 to FY 2011. He pointed out that the expenditures jumped from \$173 million to \$1.2 billion in twenty years. During the past several years 2004-2009 the expenditures were static due to efforts to control costs. In FY 2009 a spike occurred and was maintained in FY 2010. He wondered what the causes were. Commissioner Hogan speculated that the Medicaid spike is directly related to the economic downturn and an increase in utilization. He added that there has also been some increase in the rates paid to providers.

Co-Chair Hawker notified the committee that he would like to reauthorize the private contractor Janet Clark's professional services to help reconcile the Medicaid cost projection process.

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Co-Chair Stoltze moved that the House Finance Committee Co-Chair Hawker be authorized to enter into a contract extending Janet Clark's professional services contract for one year in an amount not to exceed \$25,000. There being NO OBJECTION, it was so ordered.

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Representative Gara observed that the Medicaid spike mentioned from years 2008 until 2011 was in federal spending while state spending remained unchanged. Co-Chair Hawker replied that he was referring to the aggregate costs of services provided.

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Commissioner Hogan concluded that he attempts to balance the department's social mission with a business mission so Alaska gets the return on its investment in DHSS.

Representative Joule offered that if the state wants to make meaningful inroads the focus should be on prevention and job opportunities.

Co-Chair Hawker emphasized more focus should be placed on addiction.

#

ADJOURNMENT

The meeting was adjourned at 3:44 PM