

**ALASKA STATE LEGISLATURE  
LEGISLATIVE BUDGET AND AUDIT COMMITTEE**

Anchorage, Alaska

May 13, 2015

3:07 p.m.

**MEMBERS PRESENT**

Representative Mike Hawker, Chair  
Representative Kurt Olson  
Representative Lance Pruitt  
Representative Steve Thompson  
Representative Sam Kito

**MEMBERS ABSENT**

Senator Anna MacKinnon, Vice Chair  
Senator Lyman Hoffman  
Senator Cathy Giessel  
Senator Bert Stedman  
Senator Click Bishop  
Senator Pete Kelly (alternate)

Representative Mark Neuman (alternate)

**OTHER LEGISLATORS PRESENT**

Representative Liz Vazquez  
Representative Paul Seaton  
Representative Cathy Munoz  
Representative Tammie Wilson

**COMMITTEE CALENDAR**

PUBLIC TESTIMONY: DEPARTMENT OF HEALTH AND SOCIAL SERVICES  
PERFORMANCE REVIEW

**PREVIOUS COMMITTEE ACTION**

No previous action to record

**WITNESS REGISTER**

MARY SHIELDS, Chair  
Alaska Commission on Aging  
Anchorage, Alaska

**POSITION STATEMENT:** Testified during the public review of the Department of Health and Social Services.

BRETT GLIDDEN  
Homer, Alaska

**POSITION STATEMENT:** Testified during the public review of the Department of Health and Social Services.

DAVID MORGAN, Director  
Alaskan Center for Sustainable Health Care Spending and Policy  
Anchorage, Alaska

**POSITION STATEMENT:** Testified during the public review of the Department of Health and Social Services.

ELIZABETH VAZQUEZ  
Anchorage, Alaska

**POSITION STATEMENT:** Testified during the public review of the Department of Health and Social Services.

REPRESENTATIVE PAUL SEATON  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** Testified during the public review of the Department of Health and Social Services.

JIM WALDINGER  
Public Consulting Group  
Boston, Massachusetts

**POSITION STATEMENT:** Shared background information explaining their involvement with the Department of Health and Social Services performance review.

JENNY WALL  
Public Works  
Austin, Texas

**POSITION STATEMENT:** Shared background information explaining their involvement with the Department of Health and Social Services performance review.

#### **ACTION NARRATIVE**

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**CHAIR MIKE HAWKER** called the Legislative Budget and Audit Committee meeting to order at 3:07 p.m. Representatives Hawker, Kito, Pruitt, and Olson were present at the call to order.

Representative Thompson arrived as the meeting was in progress. Also in attendance were Representatives Vazquez, Munoz, Wilson, and Seaton.

**Public Testimony: Department of Health and Social Services**  
**Performance Review**

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CHAIR HAWKER announced that the only order of business would be public testimony on the performance review of the Department of Health and Social Services (DHSS) conducted in accordance with House Bill 30, the statutory requirement that every State of Alaska agency be reviewed for its ongoing performance every ten years. He reported that the DHSS process had begun at the beginning of 2015, with anticipation of a final report by the end of the year. He explained that the Legislative Audit Division had hired consulting groups to work alongside the division on this report, and that these contractors were also listening and available on-line.

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CHAIR HAWKER said that the Department of Health and Social Services was the largest agency at the State of Alaska and, due to its size and its scope, the performance review would be focused on three critical components of the department: behavioral health, long term care, and the overall organizational administrative structure of the department. He stated that the purpose of these hearings, as required by statute, was to give the contractors for the performance review the opportunity to hear any public comments. He reported that, although the meeting was being held in Anchorage, it was being teleconferenced statewide, providing the opportunity for anyone to participate. He reiterated that the purpose of this meeting was to provide public feedback to the consultants, not for any individual committee action, and was focused on the performance operations and interaction of the DHSS with the community. He stated that this meeting was not to debate any issues specifically related to budget items. He clarified that this would provide information for the contractors to review the DHSS organizational structure and its implementation and whether this promoted or inhibited the efficiency and effectiveness of the department in achievement of its mission. He pointed out that anyone wishing to submit written testimony could do so.

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CHAIR HAWKER opened public testimony.

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MARY SHIELDS, Chair, Alaska Commission on Aging, paraphrased from a prepared statement, which read:

My name is Mary Shields. I currently serve as Chair of the Alaska Commission on Aging.

The Commission on Aging is a Governor-appointed board under the Department of Health and Social Services with the mission to ensure the dignity and independence of all older Alaskans, and to assist them in leading useful and meaningful lives through planning, advocacy, education, and interagency cooperation. The Commission was established in 1982.

The Commission consists of 11 members, seven of whom are public members mostly of senior age appointed by the Governor to serve four-year terms based on their knowledge and demonstrated interest in the concerns of older Alaskans.

The Commission also has four designated seats including one seat for the Department of Health and Social Services. Duane Mayes, Director of the Division of Senior and Disabilities Services, serves in that position and keeps ACoA informed of the Department's programs and services for Alaska seniors.

The Department is an important partner to the Commission on Aging. As Alaska's State Unit on Aging designated by the Governor, the Department works closely with the Division of Senior and Disabilities Services and the Commission on Aging to carry-out these responsibilities which include administration of funds for senior programs, development of the Alaska State Plan for Senior Services, advocacy for policies that affect Alaska seniors, outreach, and educational activities. Currently, the Commission is working in close partnership with several of the Department's divisions within the Department of Health and Social Services, including Senior and Disabilities Services, the Division of Public Health, the Division of Behavioral Health, and others to finalize the Alaska

State Plan for Senior Services, FY2016-2019. Division staff who contributed to the Plan were responsive, honest, and hard-working in their efforts to forecast the needs of seniors for the next 4 years. This Plan satisfies a federal mandate for all states to receive funding through the Older Americans Act for programs serving people age 60+.

The Alaska Commission on Aging, with support from the Alaska Mental Health Trust Authority, Alzheimer's Resource of Alaska, and the Department of Health and Social Services collaborated to develop Alaska's Roadmap to Address Alzheimer's Disease and Related Dementia that was published this year. As the result of our fast-growing senior population, Alzheimer's is one of the most pressing health care challenges we face in Alaska today. Several divisions within the Department were represented in the Roadmap's Steering Committee and will continue to be involved in the Roadmap's implementation.

Based on my observations, the Department is working successfully to provide much needed programs for seniors in a timely and fair manner. They work hard to address current issues with providers through face-to-face meetings, teleconferences, and email E-Alerts.

The Department is a leader in adopting the Results-Based Accountability management framework. The RBA framework enables the Department to deliver quality services while making the best use of public resources and measuring its impact on the health and well-being of Alaskan individuals, families, and communities. Using the RBA framework, the Department has developed strategies to work across divisions in order to leverage resources and build more cost effective programs.

During this very difficult fiscal time in Alaska, the Department will need to be innovative and make some very difficult funding decisions. We believe that the current leadership of the department well qualified to take on this very difficult task.

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CHAIR HAWKER relayed that it was good to hear when things were "working right and well" within an agency. He said that there had not been a lot of response generated for this public testimony.

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BRETT GLIDDEN said that she had worked for several agencies delivering behavioral health services, and that, as she was a certified chemical dependency counselor in Alaska, she was testifying both as a citizen and as a service provider. She reported that she had seen remarkable programs funded by DHSS. Recently, she had been working with a local coalition reviewing community access to behavioral health and other related human services, and she had been researching specific grant funding for substance abuse. She reported that she had been working closely with the Department of Health and Social Services to outline the current funding and its use with current programming. She relayed that she had "hit a couple of walls as a community member that have made it difficult." She declared that it was specifically difficult to find out what was happening with funding in administration versus programming. She stated that her approach was not from an audit point of view, but as a concerned community member with experience in non-profits and an understanding of fiscal responsibility. She stated that she had often been frustrated with a lack of transparency for understanding the amount of money allocated for her region. She pointed to the difficulty of interfacing between the general community and the department for finding out anything but general public figures. She noted that her last request had not been responded to for more than a month. She asked for a more user friendly approach to the interface with Department of Health and Social Services. She offered her belief that she should not have to work so hard for answers from public agencies.

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DAVID MORGAN, Director, shared his background in healthcare and healthcare finance, which included service on the Alaska Health Care Commission, and Chair of the Municipality of Anchorage Health Care Commission. He added that he was also a fellow of the national Healthcare Financial Management Association. He stated that he wanted to discuss the management overview and philosophy of the Department of Health and Social Services. He declared that the real question was for the quality of what we were getting for our dollars. He relayed that the actual amount

paid by the state on health care for employee insurance and Medicaid payments was about \$2.6 billion. He added on the Indian Health System payments of \$800 million, the community health center payment of \$40 million, and the aggregate total became \$7.6 billion. He declared that he was not asking for money, but instead he shared the need for discussion of the overall management philosophy. He pointed to the legislative audit of Department of Health and Social Services which revealed confusion with no clear metric or goal. He stated that many individuals in the department were not even aware of the key performance indicators report. He reported that his discussions with John Boucher, author of the report, had found inconsistencies of cost and operational data that conflicted with presentations on projections given to the legislature. He offered his belief that there should not be a reorganization of the organization or the payment structure, but that it was necessary to transform what was being done, and to develop a system that met the needs of those people receiving the services. He advocated the Nuka System of Care, a style and philosophy of care that could drop costs between 30 - 40 percent. He suggested that the legislative leadership meet for discussions regarding this system of health care, as the goal was to give people the health care they need and want, and to use best evidence medicine. This would improve the quality and lower the cost by improving health.

MR. MORGAN, in response to Chair Hawker, explained that Nuka was a [Alaska] native word meaning health, that it was a concept and philosophy of care management, and that it was the development of systems that would allow people to avail themselves of activities that would make people healthier. He offered an example of diabetes management, which included a health nutrition education program that taught people how to check blood, review diet, and learn to cook, among other things, which would improve health, reduce dependency, and result in fewer emergency room (ER) visits. He declared that although this was hard work for health professionals, it paid off with healthier populations and lower costs. He said that a reshaping of the delivery system to focus on health care would take a few years, but was better than throwing more money at the current system as this just created more problems. He recommended an evaluation based on the existing key performance indicators, and work with the Nuka Institute, to develop these programs for Medicaid and public health. He declared that state and retired employees would ask for it once it became successful. He suggested using the \$2.6 billion to work through health professionals in the Department of Health and Social Services, as the remainder of

the other programs were administrative, for a change in the philosophy to one of integrating a program of better health. He acknowledged that this was a lofty goal.

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The committee took a brief at-ease.

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ELIZABETH VAZQUEZ stated that she was testifying as a citizen, not as a legislator, and she shared her educational and work background that reflected her "passion for health care."

CHAIR HAWKER reminded her that this was a performance review.

MS. VAZQUEZ suggested that the consultants look more closely at prevention, as there was a lot of research that low levels of Vitamin D contributed to depression, cancer, and other diseases. She stated that there were also extensive studies on the effects from low levels of Vitamin B12 and other B vitamins. She asked that the consultants find a way to make the healthcare system sustainable, as Alaska has been able to fund many programs that other states cannot provide. She offered her belief that it was critical to know how Alaska was doing in comparison to other states. She acknowledged that, as seniors were the fastest growing segment of the population, there were problems including dementia, the rate for which increased with age. She declared that the Medicaid budget was not sustainable, and she asked to look into means of more prevention. She stated that the cost of nursing homes was disconcerting, and she asked what could be done to make them more affordable.

REPRESENTATIVE PRUITT asked if there were any other areas that would benefit from a review committee analysis. He asked if some of the departments were not working at the highest efficiency.

MS. VAZQUEZ said that she would send in some suggestions from her legislative office.

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REPRESENTATIVE PAUL SEATON, Alaska State Legislature, suggested that the review committee look at the lack of follow through by the Department of Health and Social Services for House Concurrent Resolution 5, passed unanimously by the Alaska House

of Representatives and Senate in 2011, which called for prevention of disease as the primary model for health care in Alaska. He declared that the previous administration had done little or nothing to advance this prevention of disease model in Alaska. He pointed out that, although the legislature had spoken strongly, this had been ignored by DHSS in the past, and that this should be reviewed again. He suggested that the current administration also be reviewed to ensure that they were being more pro-active with moving in the direction called for by the aforementioned resolution. He offered his belief that there had not been much action toward prevention or Vitamin D use from the previous DHSS commissioner. He expressed his concern that the standards of care for Alaska in the public health system were not being based on comparisons of the best available data, or science. He stated that a high standard was being placed on a change from the status quo even though there was little evidence to justify the current levels, especially with regard to nutrition.

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JIM WALDINGER, Public Consulting Group, offered an update, stating that the performance review team had been collecting information and data while talking with state staff and providers in Alaska over the past few months. He pointed out that there were two teams, one team was leading the behavioral health performance review and the other team was leading the long term care performance review. He declared that everyone they had met with had been very accommodating, helpful, and open. He stated that the review team will likely release some of its findings during the summer.

CHAIR HAWKER clarified that the performance reviews were actually conducted by the state's legislative auditor, although there were contractors engaged to provide additional "mission specific knowledge on the agencies." He pointed out that the final reports would come from the Legislative Audit Division.

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JENNY WALL, Public Works, reported that her company had assisted state and local governments, as well as individual agencies, in more than 12 states with performance reviews. She noted that her group was specifically working on the organizational and administrative portions of this performance review. She shared that the field work, which included extensive interviews with

staff at all levels, as well as comparative and best practices research for comparable agencies, was being completed.

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**ADJOURNMENT**

There being no further business before the committee, the Legislative Budget and Audit Committee meeting was adjourned at 3:54 p.m.