

SENATE FINANCE COMMITTEE
February 10, 2015
9:02 a.m.

[9:02:48 AM](#)

CALL TO ORDER

Co-Chair Kelly called the Senate Finance Committee meeting to order at 9:02 a.m.

MEMBERS PRESENT

Senator Pete Kelly, Co-Chair
Senator Peter Micciche, Vice-Chair
Senator Click Bishop
Senator Mike Dunleavy
Senator Lyman Hoffman
Senator Donny Olson

MEMBERS ABSENT

Senator Anna MacKinnon, Co-Chair

ALSO PRESENT

Jeff Jessee, Chief Executive Officer, Alaska Mental Health Trust Authority; Pat Pitney, Director, Office of Management and Budget, Office of the Governor.

SUMMARY

SB 28 APPROP: MENTAL HEALTH BUDGET

SB 28 was HEARD and HELD in committee for further consideration.

#sb28

SENATE BILL NO. 28

"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."

[9:03:07 AM](#)

Co-Chair Kelly wanted to get a deeper examination of the budget, but wanted a greater understanding of the mental health budget. He wanted a new approach to the mental health budget. He queried the history of the Alaska Mental Health Trust Authority (AHMTA).

JEFF JESSEE, CHIEF EXECUTIVE OFFICER, ALASKA MENTAL HEALTH TRUST AUTHORITY, discussed the history of the AHMTA. In territorial days, individuals with a mental disability were sent to Morningside Hospital in Oregon, and, in many cases, served a life sentence. At the point of statehood, the issue of a mental health was part of the conversation. The federal government paid for Morningside, but the formulation of the state would require the state to pay for the rehabilitation. The issue halted statehood, during the debate over the mental health issues. There was cash appropriated to the first wing of the Alaska Psychiatric Institute (API) and to purchase a motel in Valdez to place individuals with mental health issues. He stated that the mental health management in the state evolved over time. For example, senior issues were assigned to the Department of Administration (DOA). He shared that, at the time of statehood, a holistic approach to mental health program was discussed. He remarked that mental health issues were not solely the purview of Department of Health and Social Services (DHSS), but also held within Department of Corrections (DOC). He stated that there were many other departments in state government that "touch" the beneficiaries, and should be examined as part of a holistic picture of the state's mental health program, including the capital budget.

Mr. Jessee presented the PowerPoint, "Mental Health Budget Bill Overview," (copy on file), and referred to slide 1, "The Budget Process - Why separate Appropriation Bill":

Settlement mandated an integrated, comprehensive mental health program

Separate bill enables a holistic approach of all mental health programs rather than in silos/per department

Mr. Jessee highlighted slide 2, "The Budget Process - A Separate Appropriation Bill":

Trustees recommend to governor annual operating and capital budgets by September 15 (required by statute)

Recommendations include not only MHTAAR but what trustees think the state should spend (GF/MH) in order to have an adequate MH program

If governor or Legislature does not follow trustee recommendations they have to explain why

[9:10:21 AM](#)

Senator Dunleavy asked if the governor or legislature had ever not followed the recommendations of the trustees. Mr. Jessee replied that almost every year, the governor or legislature did not follow the trustee recommendations.

Senator Dunleavy asked him to elaborate. Mr. Jessee responded that the trustees recommended increments, and the legislature does not fund them or according to the recommendations. Every year the AMHTA receives a letter from both the governor and legislature, outlining the contrasting decisions.

Mr. Jessee moved to slide 3, "Types of Funds in the Mental Health Budget Bill":

GF/MH - general fund/mental health

MHTAAR - Mental Health Trust Authority Authorized Receipts

MHT Admin - funds to operate the Trust

Alaska Housing Finance Corporation dividends

Alcohol tax receipts

Mr. Jessee moved to slide 4, "Examples of Holistic Approach":

Therapeutic Courts

Bridge Home

9:13:00 AM

Mr. Jessee moved to slide 5, "Therapeutic Courts":

Prevent inappropriate use of Correctional Centers and reduce criminal recidivism for targeted populations

-Anchorage Mental Health Court (est. 1998)

- Total of Trust funds ~\$1,000.0 (1st in Alaska, 3rd in the nation) over 5 years to develop, implement and evaluate
- Combined savings of nearly 2½ times program annual operating cost (\$293,000)
- 2005 transitioned to GF/MH and used available Trust funds to expand to Palmer

-Palmer Mental Health Court (est. 2005)

- Total of Trust funds ~\$600.0 to develop, implement and evaluate
- Participants were less likely to engage in new criminal conduct after exiting the program (17 percent) than an equivalent group (40 percent)
- 2007 transitioned to GF/MH and used available Trust funds to expand to other locations

-Current Trust funded mental health courts

- Fairbanks Juvenile Mental Health Court (est. 2008); FY14 \$245.6 MHTAAR
- Juneau Mental Health Court (est. 2008); FY14 \$204.4 MHTAAR

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Mr. Jessee moved to slide 6, "Bridge Home":

Targeting people exiting Alaska Psychiatric Institute or Dept. of Corrections through intensive community outreach project

- Bridge Home Program: FY14 \$750.0 MHTAAR
- Total investment since FY06: \$6,250,000 MHTAAR

- Medicaid supportive services utilized in the program

Senator Dunleavy asked what the asterisks on the slide meant. Mr. Jessee replied that he did not know.

Senator Dunleavy asked if all trust beneficiaries actively participate in one or more of AMHTA outreach services. Mr. Jessee postulated that he thought the answer was no, and went on to clarify that there were beneficiaries that had family support, so they may not need outside services; there were those that chose not to participate in services; and so on. The trust did not operate outreach services.

Mr. Jessee moved to slide 7, "FY15 - FY16 Budget." The slide depicted a \$15,000 level view of the mental health budget. He stressed that the numbers were a work in progress, because the governor had not submitted the final numbers. He stressed that there was approximately \$200 million in GF. The other funds were mostly alcohol tax money. He remarked that the capital budget numbers showed a remarkable difference between FY 15 and FY 16.

Mr. Jessee presented slide 8, "FY15 Budget (operating)." The slide divided that budget by departments. He noted that DHSS was most of the mental health budget. He stated that the budget also included the DOA, DOC, Department of Labor and Workforce Development (DOLWF), Department of Law, Department of Education and Early Development (DEED), Department of Natural Resources (DNR), Department of Revenue (DOR), the University of Alaska (UA), and the Court System.

Mr. Jessee presented slide 9, "FY15 Budget (DHSS Operating)," and explained that the mental health bill was far reaching in just DHSS. He shared that within DHSS the budget affected Behavioral Health; Medicaid Services; Senior and Disability Services; Pioneer Homes; Children's Services; Juvenile Justice; and Public Assistance, Health Care Services, Public Health, and Departmental Support.

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Co-Chair Kelly queried the successes in the programs. Mr. Jessee stated that Housing First, as a concept, occurred in the Lower 48 when jurisdictions discovered that many homeless people had severe addiction problems, and

homelessness was extremely expensive. Up until that point, the government required homeless people to get sober before they were granted housing. After some time, homelessness was deemed extremely expensive. Therefore, providing housing to those individuals resulted in a positive, and less expensive outcome. The housed individuals saw improved health care; the utilization of health care costs were reduced; they were not contacted by police; and the alcohol abuse was reduced. He remarked that it was a myth to assume that homeless people enjoy being homeless, because they consider it like camping. He furthered that it was also a myth to assume that homeless people "enjoy" drinking. The Housing First project in Seattle proved that the people in the project went through treatment an average of 15 times before they were sober. He felt that participation in treatment proved the desire to stop abusing alcohol. He stated that a Housing First project in Anchorage was established, and had positive outcomes. He stated that the individuals and neighborhood had showed a positive outcome. He announced that UA was going to conduct an in-depth evaluation of the program. He furthered that the Tanana Chiefs Conference was interested in a tribal-operated Housing First project in Fairbanks. He stressed that the issues must be examined holistically.

[9:35:10 AM](#)

Mr. Jessee stated that family support for senior programs was also an issue in the mental health budget. He stated that supporting the families before the senior was a ward of the state, was a preventive and cost-saving measure.

Senator Hoffman queried the estimated homeless population in Alaska. Mr. Jessee replied that in Anchorage alone there are 200-250 chronically homeless individuals.

Senator Hoffman queried the number of homeless individuals in Fairbanks. Mr. Jessee estimated that the number was roughly similar to that of Anchorage. He furthered that Juneau also had a similar number to Anchorage.

Senator Hoffman asked if there were homeless people in rural Alaska. Mr. Jessee replied that there were homeless people and "housing burdened" people in rural Alaska. He explained that "housing burdened" meant that there were many family members living in a very small space.

Senator Hoffman queried the impact of Housing First on the larger population in receiving employment. Mr. Jessee looked at the Anchorage Housing First project. He shared that a number of the residents also worked for Rural Alaska Community Action Program (Rural CAP), and some were then able to get a job outside of the program. He stressed that the population in that project was often health impaired, in addition to substance abuse. Therefore, employment was a problem, because of the prevalence of chronic disease and other health problems.

Co-Chair Kelly queried the management of the unsuccessful programs. Mr. Jessee noted a program called Healthy Families, which identified high-risk families at the moment a child was born and provided outreach. It was the hope that there would be better outcomes in the family, in terms of child protection and other problems. He shared that the trust spent approximately \$250,000 to have Johns Hopkins explore the actual outcomes of the programs. It was determined that the program did not have positive outcomes. There were issues with the fidelity with the model and program implementation.

Co-Chair Kelly remarked that the program was enacted at a time where there was similar fiscal challenges as the current budget year. He appreciated the high level of program scrutiny from the AMHTA.

[9:41:08 AM](#)

Senator Dunleavy wondered if the Healthy Families program was a problem, or if the implementation was the problem. Mr. Jessee replied that the program was an evidence-based successful concept. The program in Alaska did not have fidelity with the successful model.

Senator Dunleavy asked if the management of the program was the problem. Mr. Jessee replied in the affirmative.

Senator Dunleavy wondered if there was a "failure to perform clause" in the management and administration of the program. Mr. Jessee noted he was not aware of any performance-based employment contracts for executive directors, but felt that it may not be a bad idea. He noted that the business model of behavior health was complicated, because of reimbursement rates and other issues. He

stressed that supporting the administrators with the proper assistance was important in providing adequate support.

Co-Chair Kelly asked to move on, and noted that it was important to examine successful outcomes. He referred to slide 10, "FY16 GF/MH Recommendations." He wondered why MHTAAR money was not used for the programs. Mr. Jessee responded that the trust had approximately \$25 million per year for spending. He felt that money would only support the base programs, and the result would have a negative impact on the legislature's willingness to provide funding for the effective programs.

[9:46:33 AM](#)

Co-Chair Kelly asked how frequently the AMHTA closely examined its programs, and adjusted its enthusiasm for unsuccessful programs. Mr. Jessee replied that the trust measured the program effectiveness on a daily basis. He stated that every grant had a set of trackable performance measures. He stated that there was not a similar level of scrutiny for the every single grantee program, however the outcomes were examined. He shared that sending children out of the state was not resulting in a positive outcome. He remarked that the trust was able to sustain programs across changes in administration. He stated that the program recommendations were the result of a rigorous data-driven agenda.

[9:51:46 AM](#)

Co-Chair Kelly asked if the trust has had a discussion about the current fiscal environment and its position in deficit situation. Mr. Jessee replied in the affirmative. He shared that the budget had the lowest GF/MH recommendations in his memory.

Mr. Jessee moved to slide 15, "Current Priorities":

Restore Homeless Assistance Program Funding

Medicaid Expansion and Reform

Recidivism

Substance Abuse Prevention and Treatment

9:54:02 AM

Co-Chair Kelly queried the trust's investment in the priorities. Mr. Jessee replied that the trust put \$850,000 into the Homeless Assistance Program; the trustees authorized almost \$2 million to Medicaid Expansion; the trust paid for hiring Carmen Gutierrez for the Recidivism plan; and a couple million dollars would be put toward substance abuse prevention and treatment in the current year.

Co-Chair Kelly remarked that the administration wanted to expand Medicaid before Medicaid reform, and the legislature wanted, at least, reform first. He wondered if the trust had conducted any research on Medicaid reform and its recommendations. Mr. Jessee responded that they have already been collaborating with the DHSS. He used patient-centered medical homes as an example of collaboration. He stated that Alaskans were heavy utilizers of behavior health services and basic health services. He stated that intensive case management had proved to be a cost saver. He stated that the trust had committed \$300,000 to DHSS to hire some technical assistance, to research the other states' effective reform and expansion strategies.

Co-Chair Kelly noted that the committee needs to know the Trust's recommendation, and they need hard evidence to support Medicaid expansion. Mr. Jessee urged caution in considering the Medicaid program as a stand-alone budget element. He noted the correlation between individuals coming out of corrections and high Medicaid costs.

Co-Chair Kelly reiterated the need for evidence. He noted that the most common scenario was that spending does not create savings. Mr. Jessee replied that the Trust understood that Medicaid expansion was a high stakes issue.

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Senator Dunleavy wondered if the budget had any earmarks to underwrite Medicaid expansion. Mr. Jessee noted that it was not in this budget, but it would be reflected in the budget detail of the Governor's budget.

Senator Dunleavy asked how the recommendations on slide 10, were formed. Mr. replied noted that the recommendations

were formed based on what the trust thought was most critical for an ongoing sustainable budget.

Senator Dunleavy asked about the Licensed Marriage and Family Therapist item. Mr. Jessee replied that it was a small increment that would help establish the credential process to provide an ability to access federal resources for the services.

Senator Dunleavy hoped to be convinced of the effectiveness of Medicaid expansion.

Co-Chair Kelly wondered how behavioral health programs had thrived without adequate case management within the current Medicaid system. Mr. Jessee replied that a case manager would be helpful in ensuring that beneficiaries were treated. He stressed that the case manager must be paid. He felt that paying case managers was a wise financial choice. He announced that the division had established an "Assertive Community Treatment" which was a mobile case management system.

[10:07:21 AM](#)

Co-Chair Kelly noted that in his personal experience he observed a staggering cost to the state resulting from an individual who did not show up to appointments or take the full regimen of antibiotics. He noted that lack of an effective case management practice. Mr. Jessee agreed that there were problems.

Co-Chair Kelly asked Mr. Jessee to postulate an effective case management. Mr. Jessee guessed \$5 to \$10 million.

Co-Chair Kelly wondered if the Trust had designed a case management system. Mr. Jessee replied in the negative.

Co-Chair Kelly asked if the Trust would support a case management system. Mr. Jessee noted the trust was supporting the division, in community treatment.

Co-Chair Kelly asked if the current behavioral grants contained funds for case management. Mr. Jessee replied that case management would be unnecessary, if there was continued cutting of programs.

Co-Chair Kelly noted that he would like to have a different relationship with the AMHTA and wanted to speak about the mental health budget. Mr. Jessee stated he embraces accountability and the trust is committed to reform and using Medicaid expansion as a catalyst.

10:13:03 AM

Vice-Chair Micciche referred to individuals who abuse services, and asked what systems currently function to ensure the services were provided for the right individuals. Mr. Jessee noted that any system will have under-performing and well performing aspects. He noted that no matter the system, there will always be individuals which will take advantage, and the trust is well aware of the fiscal issues with those who take advantage of the system.

Co-Chair Kelly asked Mr. Jessee to address Area Health Education Centers (slide 10). Mr. Jessee explained that the centers provided care management, so individuals could navigate their health care system to better access the specific services.

Co-Chair Kelly asked about the difference between the current Medicaid waiver and personal care attendants (PCA) care in the Senior In-home Services request. Mr. Jessee explained that that PCA services had paid individuals to provide care to a specific person. The Caregiver Grant Program was designed to support the caregivers. The Senior In-home Services provided other types of services for those trying to care for loved ones may need to access, and were not necessarily Medicaid or Medicare billable services.

Mr. Jessee referred to back to slide 7, and referred to the underlined capital portions of the mental health bill. He noted the substantial difference between the FY 15 Enacted Capital, and the WIP in the governor's initial budget. He explained the Homeless Assistance Program (HAP) funding. He referred to the handout "Impact of the Loss of AHFC Basic Homeless Assistance Program (BHAP) Funding."

Mr. Jessee referred to slide 13, explaining that there are two agencies that receive homeless assistance funding: BHAP and SNHG. He stressed that SNHG was essential in establishing the Housing First program.

[10:20:34 AM](#)

Senator Bishop wondered what would occur if the SNHG was zeroed out. He surmised that the \$547,000 would not go to Fairbanks. Mr. Jessee replied in the affirmative.

Senator Bishop asked if those people that currently receive services would then become homeless again. Mr. Jessee did not know what would occur, if the funding was eliminated.

Senator Bishop asked if he had done a cost-benefit analysis, and what strain it would put on other services in the state. He wondered if Medicaid expansion may "backfill that number." Mr. Jessee noted that the trust had not examined the downstream costs, if the services were eliminated. He furthered that Medicaid expansion may help to fill the numbers. He remarked that Medicaid would not directly fund the housing, but it did fund the treatment services that individuals need in order to maintain their housing.

Co-Chair Kelly clarified that on the BHAP handout, the items listed were on the capital list. Mr. Jessee noted the BHAP handout listed the agencies that received the BHAP and special needs housing grants in the past.

Co-Chair Kelly wondered if those items were part of the capital budget piece. Mr. Jessee replied that those items were included in the missing mental health capital budget bill. He stated that one body took all of the projects, except for one, and the other body did the opposite. The result of that process made all items conferenceable.

[10:24:43 AM](#)

Mr. Jessee concluded his slides and encouraged the committee to look broader than subcommittee budgets. He noted that a lot of state costs are driven by behavioral health issues, and the state should get a better handle on those issues.

Vice-Chair Micciche hypothesized that if we expanded Medicaid, could Mr. Jessee provide offsets that would reflect some benefit to the beneficiaries. Mr. Jessee responded the affirmative. He stated that there would be some opportunities for offsets in the behavioral health grants. He stressed that the Medicaid expansion would

provide federal reimbursement, so there would be GF savings in the grants. He stressed that the offsets were intended to expand capacity to better serve the beneficiaries.

Vice-Chair Micciche requested a document to further explain the benefit of Medicaid expansion. Mr. Jessee agreed to provide that information.

Senator Hoffman wondered if the document could be delineated with a timeframe. Mr. Jessee agreed to that format.

Senator Olson surmised that Mr. Jessee was in favor of Medicaid expansion, as long as guidelines were in place to further continue to the current programs. Mr. Jessee replied in the affirmative.

[10:29:45 AM](#)

Senator Dunleavy asked how the committee would hold the trust accountable. Mr. Jessee replied that future requests for project funding innately have accountability measures when the results are examined.

Senator Dunleavy asked if Mr. Jessee had the same vision of Medicaid as "everyone else." Mr. Jessee responded that he did not consider Medicaid expansion as a panacea, but considered it as a way to help more individuals. He felt that Medicaid expansion would develop a more sustainable state budget over time.

Senator Dunleavy asked if the trust reported unsuccessful programs to the legislature. Mr. Jessee replied that the trust worked to identify the problematic programs, and then attempt to assist the programs.

Co-Chair Kelly commented that it would be of interest to the committee to have a list of discontinued programs Mr. Jessee agreed to provide that information.

Co-Chair Kelly noted that the trust had been very responsible, even though the legislature had provided very little oversight. He felt that there should be a higher level of scrutiny on the mental health budget.

[10:35:06 AM](#)

Vice-Chair Micciche agreed with Co-Chair Kelly and stated that the AMHTA was an important asset and expressed his appreciation for Mr. Jessee's tenacity.

Senator Hoffman asked Mr. Jessee to give a brief description of the success of the AMHTA, and to characterize how the investments were made. Mr. Jessee noted that a venture capital fund such as the trust is a unique and wonderful way to serve. He noted that the trust invested over \$16 million dollars. He stressed that the trust had many separate interest, because of the investments in innovations and systems to better serve Alaskans.

Senator Hoffman queried the number of acres managed by the trust. Mr. Jessee replied that the trust managed approximately 950,000 acres. He stated that the Trust Land Office had contributed nearly \$100 million to the endowment, and continued to produce \$4 million to \$5 million per year on top of the generated principal.

Co-Chair Kelly asked how many acres were owned by UA.

PAT PITNEY, DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET, OFFICE OF THE GOVERNOR, replied that UA owned 250,000 acres.

Senator Olson wondered if the mental health budget took recommendations from other departments when formulating its budget. Mr. Jessee referred to slide 7, and stated that the trust money MHTAAR is a zero-based budget. He noted that they complete a two year budget, which the trustees will modify.

Senator Olson asked if Mr. Jessee was in favor of the budget process. Mr. Jessee replied in the affirmative, because it was helpful to have a long-term budget perspective.

SB 28 was HEARD and HELD in committee for further consideration.

ADJOURNMENT

10:42:36 AM

The meeting was adjourned at 10:42 a.m.