

SENATE FINANCE COMMITTEE
January 28, 2016
9:11 a.m.

[9:11:30 AM](#)

CALL TO ORDER

Co-Chair Kelly called the Senate Finance Committee meeting to order at 9:11 a.m.

MEMBERS PRESENT

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

MEMBERS ABSENT

Senator Donny Olson

ALSO PRESENT

Russ Webb, Chair, Board of Trustees, Alaska Mental Health Trust Authority; Jeff Jessee, Chief Executive Officer, AMHTA; John Morrison, Executive Director, Trust Land Office, AMHTA.

SUMMARY

SB 140 APPROP: MENTAL HEALTH BUDGET

SB 140 was HEARD and HELD in committee for further consideration.

#sb140

SENATE BILL NO. 140

"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."

[9:12:32 AM](#)

^PRESENTATION: MENTAL HEALTH BUDGET

9:12:35 AM

RUSS WEBB, CHAIR, BOARD OF TRUSTEES, ALASKA MENTAL HEALTH TRUST AUTHORITY, introduced himself. He discussed the PowerPoint, "Trust: Alaska Mental Health Trust Authority (AMHTA)." He looked at slide 2, "Trustees":

- Russ Webb, chair
- Mary Jane Michael, vice chair
- Larry Norene, secretary
- Laraine Derr
- Paula Easley
- Carlton Smith

Mr. Webb looked at slide 3, "Trust Beneficiaries":

Approximate Number of Trust Beneficiaries

Mental Illness: 34,000
Developmental Disabilities: 13,000
Chronic Alcoholism/Substance-Related Disorders:
20,000
Alzheimer's disease and related dementias: 6,000
Traumatic Brain Injury: 11,000

Senator Hoffman wondered whether the beneficiaries were mostly located in Fairbanks, Anchorage, and Juneau, or were they located throughout the state. Mr. Webb replied that the slide related to the number of people with a condition, not the number of people served. He furthered that the numbers served would be significantly smaller than the displayed numbers. He explained that Fairbanks, Anchorage, and Juneau contained the highest populations, but the numbers represented people throughout Alaska.

Co-Chair MacKinnon asked whether there was a way to overlay the beneficiaries and those who qualify for Medicaid. Mr. Webb responded that there was an assessment within the behavioral health system, and deferred to Department of Health and Social Services (DHSS) for more information about an estimate.

Mr. Webb discussed slide 4, "Established Focus Areas":

1. Disability Justice
2. Substance Abuse Prevention and Treatment
3. Beneficiary Employment and Engagement
4. Workforce Development
5. Housing and Long-term Services and Supports

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JEFF JESSEE, CHIEF EXECUTIVE OFFICER, AMHTA, displayed slide 5, "What is the Mental Health Budget Bill?" He stated that the presentation would offer a high level overview of the Mental Health Bill, its purpose, value, and its function.

Mr. Jessee highlighted slide 6, "Mental Health Budget Bill":

1. General Fund/Mental Health Base
2. Capital Budget
3. Mental Health Trust Authority Authorized Receipts (MHTAAR)

Mr. Jessee explained that, at the time of the state's settlement, there was no comprehensive and integrated mental health system. There was a fragmented delivery system to the beneficiaries. He explained that, once the mental health bill is delivered to the legislature, the bill is changed significantly. He stated that there should be a discussion regarding how the separate budgets would interface. He stated that Medicaid and justice reform must be integrated into the mental health budget. He stressed that the bill is intended to provide a "big picture."

Mr. Jessee addressed slide 7, "General Fund/Mental Health Base":

- Amount is established by identifying the mental health services funded within the state's GF budget
- These funds are designated as GF/MH
- Final budget from the previous fiscal year establishes the base

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Co-Chair MacKinnon queried the power to define "mental health." Mr. Jessee replied that the beneficiary groups

were set by the judge during the litigation. He explained that the litigation, and the reason for the definition of "mental health." He stated that individuals with traumatic brain injuries were recently added to the list of qualified beneficiaries.

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Co-Chair Kelly stated that there had been recent research of the history of Morningside.

Mr. Jessee stated that there were some individuals at Morningside with severe cerebral palsy. He stressed that their physical disability inhibited their ability to easily communicate.

Mr. Jessee looked at slide 8, "Mental Health Budget Bill (FY16 Enacted)." He noted that the largest component of the mental health budget bill was for DHSS (GF/MH) at \$112.422 million. He stressed that dissecting an agency's budget was an "art not a science." He explained that there was a determination of whether all of the drug and alcohol prevention programs should be included in the mental health bill. He stressed that there was no "magic formula" in deciding what should be included within the mental health budget.

Mr. Jessee addressed slide 9, "Capital Budget":

- Separate MH appropriation bill includes portion of the state's capital budget that funds mental health projects
- Includes funds for both operating and construction to provide housing for Trust beneficiaries

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Co-Chair MacKinnon wondered if AMHTA worked with Alaska Housing Finance Corporation (AHFC). Mr. Jessee replied in the affirmative. He furthered that AHFC was a significant portion of the mental health capital budget.

Mr. Jessee highlighted slide 10, "Mental Health Trust Authority Authorized Receipts -MHTAAR":

- Trustees authorize state agencies to spend Trust funds for specific operating and capital projects

- State agencies must have legislative approval to receive and expend Trust funds

Mr. Jessee stressed that there was no desire to create a separate system for mental health. Rather, the mental health budget was an integrated budget through many state agencies.

Mr. Jessee discussed slide 11, "Long-term Funding Strategy":

- Funds projects and activities that make significant and long-term system improvements. The Trust can act as a "venture capitalist" funding innovation to increase effectiveness/efficiency of systems serving beneficiaries

- Substantial portion of Trust funding is for ongoing/long-term projects

Mr. Jessee stated that the slide showed the grants that had been funded for the most recent ten years. He remarked that there was nearly \$8 million from MHTAAR. He stated that the authority grants was significantly less than the \$8 million for MHTAAR.

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Co-Chair Kelly wondered if long-term was considered four years. Mr. Jessee replied that long-term was considered longer than four years.

Mr. Jessee addressed slide 12, "Current Priorities":

1. Medicaid Redesign
2. Justice Reinvestment

Multi-prong approach: expanding and redesigning Medicaid and reforming the behavioral health system are the foundation to successful criminal justice reform.

Mr. Webb displayed slide 13, "Why is the Trust so engaged with Medicaid Redesign?":

- For over 20 years Alaska has been pursuing a strategy of "Medicaid refinancing" to take advantage of federal matching dollars and reduce GF expenditures
- Systems serving Trust beneficiaries are now funded primarily through Medicaid
- Sustainability of Medicaid is crucial to protecting Trust beneficiaries
- Redesign must make Medicaid sustainable and improve results

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Co-Chair MacKinnon wondered if there was a comparison with other states regarding Medicaid redesign. Mr. Webb replied that the Medicaid redesign was not unique to Alaska. He stated that it was a major effort with other states in the country. He remarked that there were various steps that Alaska had copied from other states, and some steps that other states had taken but not Alaska.

Co-Chair MacKinnon shared that there was a suggestion by the public for eliminating the optional programs within Medicaid. She wondered if Alaska had become a magnet for people with mental health issues to come to Alaska to take advantage of the optional programs. Mr. Webb felt that the current system did not attract people to Alaska. He stressed that the system of care moved to eliminate the option for people to be housed in institutions.

Co-Chair MacKinnon noted that the 65 years and older population was growing at a rapid rate. She noted that some individuals were taking advantage of the system. She wondered if there were aspects of the system that attracted people to Alaska. Mr. Jessee replied that the only other state that offered a "fee for service" system. He explained that creating "holes" in the continuum of care by removing optional services, required cognizance of understanding where the need would be placed in other systems. He stressed that it was more important to manage a system of care, rather than reducing the number of eligible services. He stressed that there must be the most cost-effective constellation of services to meet the basic needs of the beneficiary, rather than setting arbitrary silos of services.

Mr. Jessee looked at slide 14, "Medicaid Redesign":

- The Trust has invested over \$600,000 this year on various contracts to provide a strong base of information and options to help the state make strategic decisions regarding Medicaid redesign.

Mr. Jessee stressed that the Medicaid redesign would be a long-term process.

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Senator Bishop wondered if the qualified individuals who were given GF dollars were still receiving services. Mr. Webb replied that some of those people were not able to be served in a Medicaid finance system. He shared that adult, low income males, between the ages of 18 and 65 who were at high risk in the prison population were not eligible for Medicaid until expansion. He stated that those men with general substance abuse problems or mental health problems did not have access to care.

Senator Bishop wondered if those individuals would have access after reform. He noted that drug and alcohol problems were common in the prison system. Mr. Jessee relayed that there was currently a greater ability to serve those individuals to prevent and treat their problems in order to reduce the prison population.

Co-Chair MacKinnon discussed her earlier question regarding seniors, and whether the system was attracting people to Alaska for a variety of reasons. She wondered if it was accurate to say that a person 65 years or older would qualify 100 percent for Medicare rather than Medicaid. Mr. Webb stated that most individuals 65 years or older would qualify for Medicare. He furthered that some would qualify for Medicare and Medicaid, and some would not qualify for either.

Mr. Jessee pointed out that Medicare did not pay for long-term care services, so Medicaid may pick up the long-term care cost for some poor individuals.

Co-Chair MacKinnon felt that people may divert from Medicaid to Medicare, and found it intriguing that one could continue with Medicaid benefits while also on Medicare.

Co-Chair Kelly surmised that Medicaid was "need driven" after age 65.

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Mr. Jessee addressed slide 15, "Funding Has Been Used For Technical Assistance Contracts":

- Reviewing Medicaid reform nationwide to identify what has worked -best practices
- Developing a roadmap for Alaska to reduce costs and improve outcomes
- Redesign behavioral health system to avoid costly crises and higher cost care, maximize federal dollars, improve results to reduce costs affecting other parts of budget

Mr. Jessee explained that AMHTA had partnered with Charlie Curry to examine the reforms made by other states that would be applicable to Alaska to build a sustainable mental health program. He felt that Mr. Curry was a tremendous resource. He stated that there were many opportunities to examine external aspects.

Co-Chair MacKinnon wondered if Mr. Jessee meant to say "President Bush", not "Governor Bush." Mr. Jessee replied in the affirmative.

Co-Chair MacKinnon recalled that Senators Murkowski and Begich brought the Charlie to Alaska. Mr. Jessee agreed.

Mr. Jessee highlighted slide 16, "Redesign ... Now and in the Future":

- A number of reforms are already under consideration
- 1915 (i)/(k) state plan options for Home-and Community-Based services
 - Primary Care Access Initiative

- Behavioral Health Access Initiative

- Data Analytics/IT infrastructure

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Vice-Chair Micciche wondered where "high risk physical management" such as obesity would be categorized. Mr. Jessee replied that, generally, obesity would not be considered behavioral health. He stated that some eating disorders could be considered a behavioral health diagnosis.

Vice-Chair Micciche asked whether high risk behavior was in trust's purview, or in purview of DHSS. Mr. Jessee replied that the high risk behavior would within DHSS work.

Senator Dunleavy wondered if those with physical issues that required pain killers, with no manifestation of mental health issues, and become addicted to opiates, would be under the purview of the trust. Mr. Jessee replied in the affirmative.

Senator Dunleavy queried the addiction preventative measures. Mr. Jessee replied that there should be a question of how the medical industry prescribed painkillers. He stressed that there should be training and best practices to ensure that those individuals did not become addicted. The focus should be toward how the individuals would stop taking the painkillers.

[10:09:23 AM](#)

Senator Dunleavy remarked that the Mat-Su Health Organization was looking at the issue. Senator Dunleavy remarked that there were many drug commercials currently on television. He wondered if there was an issue at the federal level to regulate advertising. Mr. Jessee replied that the AMHTA did not do much work on the federal level. He understood the problem with the pharmaceutical advertising. He furthered that the alcohol industry had a strong tie to the sports industries. He remarked that he understood that there should be a balance of free speech.

Senator Dunleavy wondered if reform included preventative care. Mr. Webb replied that AMHTA was already focused on

prevention. He stressed that the attempt to affect policy, messages to children, and addicts. He stated that there was a constant prevention effort. He stated that the tobacco national policy change was a result of the efforts of the policy makers. He shared that the trust would work with the state to continue prevention efforts.

Mr. Jessee continued to discuss slide 16:

- Pilot Accountable Care Organizations
- Alternative Benefit Plans for Expansion Population

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Mr. Jessee looked at slide 17, "What's Next?":

- Bills
 - SB 74/HB190
 - SB 78
 - HB 219
 - HB 227
- Reports
 - DHSS: Medicaid Redesign and Expansion report
 - LB&A: Medicaid Cost Containment and Reform Initiatives report

[10:16:19 AM](#)

Mr. Jessee displayed slide 18, "Justice Reinvestment."

Co-Chair Kelly wondered when the video would occur. Mr. Jessee said the video would be presented later in the meeting.

Mr. Webb highlighted slide 19, "Why is the Trust so engaged with Justice Reinvestment?":

- Trust beneficiaries account for more than 40 percent bookings and 40 percent of Department of Corrections (DOC) population, each year

- For felony offenses, Trust beneficiaries remain in jail twice as long as non-beneficiaries

- Recidivism rates are approximately twice as high for Trust beneficiaries

Mr. Jessee addressed slide 20, "Justice Reinvestment." He stressed that there were three aspects that would reduce recidivism for trust beneficiaries were housing, employment, and support for recovery. Removing just one of those aspects caused a significant increase in recidivism.

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Mr. Jessee presented a video.

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Mr. Jessee presented a video.

Mr. Jessee looked at slide 21, "Justice Reinvestment":

- There is a critical intersection between criminal justice reform and Medicaid expansion and re-design in re-establishing access to behavioral health services for Trust beneficiaries at high risk of and with involvement in the criminal justice system

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Mr. Jessee hoped that the video would help the public understand that incarceration of criminals with mental health issues, did not reduce recidivism.

Mr. Webb explained that there were 60 people in the correctional system with Alzheimer's disease and related dementia.

Mr. Jessee highlighted slide 22, "What's Next?":

- Recidivism Reduction Plan
- DOC -Prisoner Reentry Initiative (AK-PRI)
- Pew Public Safety Initiative, Justice Reinvestment Project
- Criminal Justice Commission
- SB 91
- Alaska Justice Information Center

Mr. Jessee addressed slide 23, "FY17 Budget." He understood that there was a major fiscal crisis, so all spending must be essential.

Mr. Jessee looked at slide 24, "FY17 Operating Increments":

IT Application/Telehealth Service System Improvements

Mr. Jessee highlighted slide 25, "FY17 Capital." He stated that most of the funds were for ongoing operating costs.

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Mr. Jessee discussed slide 26, "Cash Assets at End of FY15 in millions":

Payout
Settlement
Inflation Proofing
TLO Contributions
TLO Real Estate Acquisitions
Unrealized Appreciation
Budget Reserves

Mr. Jessee looked at slide 27, "Utilize POMV strategy":

The Trust's base payout is 4.25 percent of the average value of the fund's cash assets

Funding approach ensures relatively stable cash flow from year to year

Mr. Jessee discussed slide 28, "FY17 Anticipated Income." He stated that there was a payout, prior year's lapse, land office average spendable income, and interest average. The total distributed income was almost \$29 million.

Mr. Jessee looked at slide 29, "Payout History." He noted the increase in the payout over time with the growing reserve. He noted the increase in the available amount of money to support the state's mental health program.

Mr. Webb highlighted slide 30, "Trust Land Office":

- GOAL: Match or exceed spendable income generated by cash investments

- KEY STRATEGIES:

- Acquiring income-generating real estate

- Exploring and marketing mineral resources

- Land trade with Forest Service to increase marketable timber

Vice-Chair Micciche wondered if the POMV was created in 2008. Mr. Jessee replied in the negative. The POMV was initiated at inception.

Co-Chair MacKinnon felt that the goal was obtuse. She queried the goal in dollars. Mr. Jessee replied with slide 28. He noted that almost \$21 million was from the payout; the Land Office income was currently at \$4.3 million. He stated that the Land Office anticipated income was also \$20 million.

Co-Chair MacKinnon surmised that there was an exerted effort to add \$16 million to equal the payout from the interest income. Mr. Jessee replied in the affirmative.

Co-Chair MacKinnon wanted to see that plan.

Mr. Webb stated that Mr. Morrison would provide some issues and direction of the Trust Land Office.

[10:41:46 AM](#)

JOHN MORRISON, EXECUTIVE DIRECTOR, TRUST LAND OFFICE, AMHTA, highlighted slide 31, "Trust Land Office, Annual Revenue - FY 1995 to FY 2015." He stated that there was a considerable amount of information on the slide including real estate; timber; lands; coal, oil and gas; and minerals and materials. He noted that the left of FY 10 was dominated by timber and land. Those revenues were largely principle, and related to unrepeatable one-time events.

Senator Bishop wondered what the slide would look like with all of the land rights. Mr. Morrison agreed to provide that information.

Co-Chair MacKinnon wondered the Trust Land Office was interested in an ownership portion of a pipeline. Mr. Webb responded that the Trust Land Office did not rule out any options that would produce revenue.

Mr. Morrison continued to discuss slide 31. He announced that the Trust Land Office mission was to maximize revenue. He stated that all the decisions regarding trust assets were directly related to the best interest of the Trust. He stated that the Trust Land Office had adopted the mantra to "diversify, develop, and defend trust assets." He looked at the 2010 and 2011 time frame. He stated that, until 2010, the Trust Land Office was dependent on two income streams that were not repeatable events. He explained that from 2011 to current day, the Trust Land Office had a more dependable and repeatable income revenue stream that was continuing to expand. He also stated that the slide represented a directionally incorrect activity, as the Trust Land Office fully transitioned to a sophisticated fixed asset management model rather than a land office model.

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Mr. Morrison looked at slide 32, "Trust Land Office Changing Timber Revenue FY95 to FY15." The slide stressed the fallacy of relying on one source of revenue. He noted the significant timber revenue, but had recently tapered off. There were some lands that had not been as marketable to harvest timber. He shared that there was a proposed forest service land exchange to trade roughly 20,000 with the forest service. He stated that there could be as much as \$60 million in trust revenue. He shared that there would be legislation move that exchange forward.

Mr. Morrison addressed slide 33, "Trust Land Office Revenues vs. Expenditures FY 1995 - FY 2015." The blue line was the one-time principle injections; the green line was the income revenue; and the purple line was the cost of the Trust Land Office.

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AT EASE

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Co-Chair Kelly discussed the schedule.

SB 140 was HEARD and HELD in committee for further consideration.

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ADJOURNMENT

10:50:29 AM

The meeting was adjourned at 10:50 a.m.