

SENATE FINANCE COMMITTEE  
February 17, 2017  
8:31 a.m.

[8:31:04 AM](#)

CALL TO ORDER

Co-Chair Hoffman called the Senate Finance Committee meeting to order at 8:31 a.m.

MEMBERS PRESENT

Senator Lyman Hoffman, Co-Chair  
Senator Anna MacKinnon, Co-Chair  
Senator Click Bishop, Vice-Chair  
Senator Mike Dunleavy  
Senator Peter Micciche  
Senator Donny Olson  
Senator Natasha von Imhof

MEMBERS ABSENT

None

ALSO PRESENT

Valerie Davidson, Commissioner, Department of Health and Social Services; Shawnda O'Brien, Assistant Commissioner for Finance Management Services, Department of Health and Social Services.

PRESENT VIA TELECONFERENCE

SUMMARY

FY 18 BUDGET OVERVIEW:

DEPARTMENT OF HEALTH and SOCIAL SERVICES

Co-Chair Hoffman announced that the committee would be considering a presentation from one of the four major cost driving departments of the state. He relayed that hearings of this nature usually took place in subcommittee, but that the standing committee was attempting to better understand the services provided by the department and a deeper

appreciation of departmental spending. He reminded the public that the state was in a financial crisis, and relayed that the senate had a target goal of streamlining the state's budget by 10 percent of the total \$3 billion deficit. He warned that the state was in "crisis mode" and had only one year left of CBR savings. He thought that making structural changes, in addition to revenue measures, was the prudent way to move forward.

^FY 18 BUDGET OVERVIEW: DEPARTMENT OF HEALTH and SOCIAL SERVICES

[8:33:49 AM](#)

VALERIE DAVIDSON, COMMISSIONER, DEPARTMENT OF HEALTH AND SOCIAL SERVICES (DHSS), introduced herself and her support staff.

[8:35:23 AM](#)

Commissioner Davidson discussed the presentation "Department of Health and Social Services - Senate Finance - FY2018 Department Overview" (copy on file).

Commissioner Davidson turned to Slide 2, "Health & Social Services":

The Department of Health and Social Services (DHSS) was originally established in 1919 as the Alaska Territorial Health Department. With the formal proclamation of statehood on January 3, 1959, the department's responsibilities were expanded to include the protection and promotion of public health and welfare. These core duties are reflected in the mission of the department - to promote and protect the health and well-being of Alaskans - and are outlined in Article 7, Sections 4 and 5 of the Constitution of the State of Alaska.

Department Home and Resource Links  
<http://dhss.alaska.gov>

Constitutional Authority - Article 7, Sections 4 and 5:  
<http://ltgov.alaska.gov/services/alaskas-constitution/>

Duties of the Department

<http://www.legis.state.ak.us/basis/statutes.asp#47.05>

FY18 Proposed Department Budget  
[https://www.omb.alaska.gov/html/budget-report/  
department-table.html?dept=HSS&fy=18&type=Proposed](https://www.omb.alaska.gov/html/budget-report/departments-table.html?dept=HSS&fy=18&type=Proposed)

[8:36:25 AM](#)

Commissioner Davidson discussed Slide 3, which showed a bar graph entitled, 'Department of Health and Social Services Share of Total Agency Operations.' She noted that the following five slides had been prepared by the Division of Legislative Finance (LFD).

SHAWNDA O'BRIEN, ASSISTANT COMMISSIONER FOR FINANCE MANAGEMENT SERVICES, DEPARTMENT OF HEALTH AND SOCIAL SERVICES, informed the committee that the slide contained a 10-year look back of the department's overall budget for unrestricted general funds (UGF). She noted that the decline of UGF beginning in FY 16.

[8:37:12 AM](#)

Co-Chair MacKinnon noticed a footnote that indicated that according to the Department of Labor (DOL), there were 334,628 resident workers in Alaska in 2014. She wondered whether services were provided by DHSS to non-resident workers.

Ms. O'Brien requested clarification of the question.

Co-Chair MacKinnon explained that the slide contained a box in the upper left that listed the department's total FY 18 UGF budget was equal to \$3,414 per resident worker. She wondered whether the box text was meant to be a comparison to the footnote.

Ms. O'Brien explained that the footnote had been prepared by LFD, and represented the average dollars that the department was budgeted, per the resident worker based on DOL data. She added that the figures included people who were considered residents in the state.

Co-Chair MacKinnon appreciated that the department had used LFD numbers. She asked why the department had asked LFD to give management plan instead of actuals over the same

period. She wondered whether the numbers would be different.

Ms. O'Brien replied that actual data could be provided. She believed that LFD used the management plan format for all departments, and that DHSS had not made the request for them to do so.

[8:39:11 AM](#)

Senator Micciche noted the additional text in the box on Slide 3, which said that the department's UGF budget grew by \$300 million between FY 08 and the FY 18 Governor's request - an average annual growth rate of 3.1 percent. He probed the dramatically increased cost of state government between 2010 and 2013, which he argued had been more than 3.1 percent.

Ms. O'Brien explained that most of the growth had been in UGF spending, though some was designated general fund (DGF) dollars. She explained that DGF spending included programs like the alcohol assessment fund the vaccine fund. She offered to provide more detail as to the causal effect of the growth from 2010 to 2013.

Senator Micciche was curious whether all the department's services were necessary and constitutionally required.

[8:41:18 AM](#)

Senator Dunleavy asked whether Ms. O'Brien could outline programs, and additions to existing programs that occurred between 2010 and 2013. He wondered how long an individual had to be in the state before being eligible to receive benefits through DHSS.

Ms. O'Brien offered to provide specifies detail on the eligibility requirements for the many DHSS programs.

Senator Dunleavy thought that the information would be helpful to the dialogue.

[8:42:28 AM](#)

Senator Olson asked whether DHSS had considered how the graph on slide 3 would look when considering the absence of Medicaid expansion.

Ms. O'Brien responded that there was specific information about the Medicaid expansion numbers on future slides. She explained that slide 3 reflected general fund spending. She relayed that future slides would compare total funds with overall general fund. She said that for Medicaid expansion specifically, increases in federal authorization were noted that reflected as increasing Medicaid program costs, while decreasing the general fund dollar spend.

Senator Olson asked when the Medicaid payments for seniors receiving dental benefits was reinstated in the state, and how those numbers would affect the graph on slide 3.

Ms. O'Brien replied that she could provide the information at a later date.

[8:44:14 AM](#)

AT EASE

[8:44:44 AM](#)

RECONVENED

Commissioner Davidson relayed that the dental benefit had been added back to Alaska's Medicaid program in approximately 1998. She offered to provide more detail about the budget implications of the addition.

[8:45:09 AM](#)

Ms. O'Brien spoke to Slide 4, which showed a bar graph titled "Department of Health and Social Services Line Items." The slide provided a picture as to how the department's funding was broken down across all of the line items in the budget. She shared that the majority of the budget fell in the grants and benefits line, with the emphasis being mostly on the benefits. She noted that there had been growth in the line item.

[8:45:44 AM](#)

Ms. O'Brien reviewed Slide 5, which showed a line graph entitled "Appropriations within the Department of Health and Social Services (GF Only)." She noted that the graph illustrated the department's budget broken down by division, and represented general fund dollars only, by division. She pointed out to the committee that the largest expenditure in the department was in the Medicaid Services

component. She reiterated that the department had seen a decline in state Medicaid spending. She explained that for most of the divisions it was difficult to see any dollar change in the budget over the past decade because the budgets for those divisions were already very low.

[8:46:38 AM](#)

Senator Micciche returned to Slide 3, and again mentioned the budget growth between 2010 and 2013. He said that the same dramatic increase could be seen on Slide 4, as well. He believed Slide 5 clearly demonstrated the primary cost driver of the increase between 2010 and 2013. He reiterated his desire to determine what services had contributed to the increase.

[8:47:51 AM](#)

Ms. O'Brien pointed out to the committee that there had been a significant dip in 2010 (shown on slide 5) at which time DHSS had received funding from the American Recovery and Reinvestment Act. She said that one of the drivers of cost increases after that was the replacement of that funding in the Medicaid program with UGF dollars. She stated that another cost driver for the Medicaid Services program was the increased enrollment in utilization in the program from 2010 to 2013. She offered to provide further information regarding how the enrollment had increase over time.

[8:48:46 AM](#)

Ms. O'Brien presented Slide 6, which showed a graph titled "Appropriations within the Department of Health and Social Services (All Funds)." She explained that the slide contained the same information as the previous slide, but broken down by all the funding sources within the department. She highlighted that while benefits and services had increased in Medicaid, UGF spending had been on the decline since FY 15, which meant that the increase was largely federal dollars.

Senator Dunleavy asked whether the decrease had been the result of cost shifting.

Ms. O'Brien replied in the affirmative, but added that program growth should be considered as well.

8:49:54 AM

Co-Chair MacKinnon queried whether the state accepting the condition to advertise Medicaid benefits to the general population when accepting general funds.

Commissioner Davidson answered in the negative.

Co-Chair MacKinnon argued that the department's daycare assistance program had been advertised on the screen of a public movie theatre she had recently patronized.

Commissioner Davidson stated that the childcare benefit was provided to states to be able to support residents in their work. She continued that many individuals entering the work market had difficulty paying for the high cost of childcare. She said that the program helped subsidize the cost of childcare for working class Americans.

Co-Chair MacKinnon asked whether advertising of the program was required as a condition of accepting the federal funds.

Ms. O'Brien stated that there was not a requirement by the federal government to advertise the program. She added that some of the services offered through the program through the grantee agencies could support outreach efforts in communities.

Co-Chair MacKinnon asked whether the state was requiring grantee to advertise programs.

Ms. O'Brien replied that it was not required, but that it was within the purview of the program grantees whether to advertise.

8:52:13 AM

Senator Micciche returned to the issue of cost shifting. He believed that the figures were proportional to the increase of GF fund costs. He said that although the federal investment had increased, the GF trend had followed closely behind, which he would not define as a cost shift, but an increase across the board.

Commissioner Davidson contended that the 10-year look back period between 2008 and 2018, that could be true; however, the most recent period between FY 15 to FY 18, showed that

the department had been aggressive in refinancing the Medicaid program to seek more federal dollars to allow for the saving of GF dollars. She said that a large provision was included in SB 74, which she would speak to later in the presentation.

Senator Micciche agreed that the trends in the past 3 years had been down on state spending and up on federal spending.

[8:54:07 AM](#)

Senator von Imhof queried the drivers of the rise in healthcare costs in the state.

Commissioner Davidson stated that many factors had contributed to increased cost of healthcare. She said that the department had seen a decline in the state's economy over the last several years, which had resulted in more people being eligible and signing up for Medicaid. She lamented that as the department's budget was cut, the healthcare and social services needs of the people in the state were increasing. She noted that Alaska was a large state with a small population and as a result a cost driver for Medicaid was the access to care. She relayed that emergency medical travel was covered by Medicaid.

[8:58:28 AM](#)

Co-Chair MacKinnon asked whether the daycare assistance program was federally funded, and if it required state matching funds.

Ms. O'Brien replied in the affirmative.

[8:59:05 AM](#)

Ms. O'Brien showed Slide 7, which showed a graph titled "Department of Health and Social Services - Total Funding Comparison by Fund Group (All Funds)." She explained that the slide showed how DHSS funding broke down across funding categories. She said that as the overall departmental costs had increased, federal funding had also increased. She continued to say that general fund spending had been on the decline, while other sources of funding had remained at consistent levels.

[8:59:50 AM](#)

Commissioner Davidson relayed that the following 12 slides, 8 through 19, included 99 rows and 122 columns of budget item detail. She related that she did not plan to discuss the detail row by row, but would point out significant highlights. She said that the matrix had been prepared at the request of the other body, and was a helpful way to examine the department's budget in detail. She relayed that the columns were numbered down the left to track the 99 lines of detail. She discussed the columns along the top, which detailed the following formation, respectively: Allocation and/or Program; Funding (in thousands) (UGF, DGF, Fed, and other); number of Employees (in the unit); number of Alaskans Served; percentage Cost (of the program recovered) through Fees; Rating of Importance to Mission (using criteria provided by the other body - a "critical" rating suggests that the program directly accomplishes the department's constitutional or statutory mission statement, a rating of "important" means that the program may not directly relate to core services, but provides indirect support and services that would need to be reassigned if the program did not exist, a "beneficial" rating means that the program enhances and supports core services, or provides beneficial and efficient services to a wide range of Alaskans but could not be removed without direct impact to the core service, and the "status quo" - meaning that it has been historically funded, or had been funded because of a statutory requirement but had not real effect on core services or potentially hampered agency funding); Rating of Effectiveness (rated a scale of 1 to 3: 1- "getting the job done", 2- "getting the job done, but with substantial opportunity for improvement", 3- "not getting the job done and limited opportunity for improvement"); Constitutional Requirement; Federally Required; Required by State. She explained that the grey horizontal rows were summaries, not all the information was filled in because the detail could be found in the other columns. She spoke to Item 1:

Allocation and/or Program:  
Department of Health and Social Services

Total Funding: \$2,724,939.1  
UGF: \$1,063,072.8  
DGF: \$97,099.9  
Fed: \$1,463,744.8  
Other: \$101,021.6

Total Number of Employees:  
3,492

Number of Alaskans Served:  
All Alaskans

percentage Cost of through Fees:  
2.64 percent

Constitutional Requirements:  
Article 7.4  
Article 7.5

Required by Statute:  
44.29, Department of Health and Social Services

[9:03:51 AM](#)

Co-Chair Hoffman asked whether there were any ratings in the "3" category.

Commissioner Davidson stated that there were none in the FY 18 budget.

Co-Chair Hoffman asked whether the state had considered privatizing services to seniors in Alaska Pioneer's Homes.

Commissioner Davidson agreed that much of the assisted living facilities in the rural areas of the state are provided by Indian Health Services (IHS) organizations and allowed the department to take advantage of 100 percent federal match, which was always in the state's best interest. She related that the Pioneer Home model did not exist in other states, but noted that some states had veteran's nursing homes that might be comparable. She noted that SB 74 had originally required the department to conduct a privatization study of the Pioneer Homes in the state, but that upon passage, the task had been scaled back to considering the pharmaceutical services in Pioneer Homes. She said that the department had issued a request for proposal (RFP) twice and had received no responses to date.

[9:06:39 AM](#)

Senator Micciche reiterated that the committee was focusing on constitutionally required services. He argued that

Articles 7.4 and 7.5, of The Constitution of the State of Alaska were incredibly general and did not define a specific level of service. He believed that Commissioner Davidson would need to reevaluate her priorities about which services were necessary for the care of the people of Alaska. He suggested that that the definition of what was constitutionally required of the department should be curtailed. He categorized the state's constitution as a "thin book that was general in nature."

[9:08:11 AM](#)

Co-Chair MacKinnon asked whether Commissioner Davidson could describe the magnitude of the dollars that supported the department under DGF.

Ms. O'Brien stated that the largest DGF fund categories were in public health and public assistance. She detailed that the types of funds under those categories were the PFD Hold Harmless funding, Tobacco Education Secession funding, alcohol and recidivism funds, vaccination assessment funds, and general fund program receipt authority.

Co-Chair MacKinnon asked whether there were waivers available in the department that could extend benefits beyond the statutory requirements.

Ms. O'Brien stated that there was an exemption allowance for people to receive benefits, beyond what they would normally be eligible for otherwise, with the Alaska Temporary Assistance for Needy Families (TANIF); the exemptions were evaluated on a case by case basis, and the number of people who received the exemption was minimal when compared to the overall service population.

Co-Chair MacKinnon asked whether DHSS could provide more information as to whether it was the same small group of people or number families receiving the exemption habitually. She noted that the program had been intended to lead to families transitioning out of exemption status.

Ms. O'Brien recalled seeing that there were approximately 168 people. She said she could get back to the committee with an average dollar figure. She shared that the extenuating circumstances with people needing benefit extension had to do with significant barriers to work, and there was specific focus in the division to help those

families. She offered to provide specific examples on situational trends at a later date.

[9:11:53 AM](#)

Co-Chair MacKinnon asked how many people were on TANIF.

Ms. O'Brien agreed to provide a current caseload count.

Senator von Imhof noted that the current administration at the federal level was working to cut Medicaid and administer block grants to states to pay for recipients. She said that if the state spent more money on patients than the block grant covered, the state would have to pay the difference. She recalled that the Governor had requested millions of dollars for the FY 16 Supplemental Budget. She wanted to know what DHSS was going to do to deal with the state's fiscal crisis.

Commissioner Davidson affirmed that the department's FY 17 budget had included \$27 million supplemental request. She explained that the request represented claims that had been reprocessed through the Medicaid Management Information System (MMIS), built for the state by Xerox, which had failed to work on its go-live date of October 1, 2013. She said that through great effort the department had improved the system, but that the clean-up from prior years when the system was not working had been costly. She stated that certification of the MMIS system was currently awaiting determination. She lamented that the change in the federal administration had slowed the process. She relayed that the lack of certification hindered the department's ability to claim an enhanced federal match, from 50 percent, to 75 percent, for maintenance and operation of the system.

[9:16:10 AM](#)

Commissioner Davidson furthered that the department had made advances to providers throughout the state who had provided healthcare services to Medicaid beneficiaries, while under a system that was incorrectly processing claims. She stated that those advance payments totaled \$165.3 million, \$122.2 million had been recovered, and the outstanding balance was \$43 million. She said that the department anticipated a 90 percent payback, or \$38.7 million, by June 30, 2017.

Commissioner Davidson admitted that there were critical bugs that remained in the system. She said that advances were no longer being paid to providers, because they were being paid through the MMIS system. She related that there were too many possibilities about what might happen at the federal level for the department to address any one specifically. She said that if the decision was made nationally to go to block grants, Alaska would not fare well. She explained that block grants were advantageous for states with large populations that were relatively concentrated in a small number of population centers and did not need to travel to get healthcare. She added that the grants also favored states that had a relatively low cost of care. She shared that states with less stable economies would not fare well under a grant program. She explained that the allocations for the grants would be made at the beginning of the year and would not be allocated again until the beginning of the next year, which would be difficult for an economy in decline because there would be no mid-year correction for people who enrolled mid-year.

[9:20:28 AM](#)

Commissioner Davidson continued to discuss the negative effects of switching to a grant block program would have on the state.

Senator von Imhof demanded to know what the commissioner would do with a budget that was short several hundred million dollars for FY 18.

Commissioner Davidson replied that when the changes were made at the federal level, DHSS would have to make necessary adjustments to the Medicaid program. She reiterated that the details of what would occur on the national level were still unknown, which made them difficult to plan for.

Senator von Imhof rebutted that she hoped that the commissioner was considering the possible changes now, rather than waiting to see what would happen on the national level.

[9:23:00 AM](#)

Vice-Chair Bishop requested additional detail on fraud investigation within the department.

Commissioner Davidson spoke to Slide 8, items 2 - 4:

Allocation and/or Program:  
Alaska Pioneer Homes (503)

Funding (in thousands)  
\$62,625.6  
\$\$33,999.4 UGF  
\$17,477.7 DGF  
\$696.7 Fed  
\$10,451.8 Other

Number of Employees:  
611

Ms. O'Brien stated that Pioneer Homes comprised 2.3 percent of the overall DHSS budget. She said that the majority of the staff provided direct services, working in the homes, with the residents.

[9:24:56 AM](#)

Ms. O'Brien turned to Slide 9, item 5:

Allocation and/or Program  
Behavioral Health (483)

Funding (in thousands)  
\$134,237.4:  
\$60,186.4 UGF  
\$27,120.3 DGF  
\$15,803.0 Fed  
\$31,127.7 Other

Number of Employees  
369

Ms. O'Brien relayed that the division comprised 4.9 percent of the department's overall budget. She noted row 11, and shared that the Alaska Psychiatric Institute had the majority of the division's staff, 251 employees, who provided direct services to patients in the hospital. She said that row 6 listed treatment and recovery grant components, which was where the largest amount of UGF was reflected, the funding was used for grant services, and

substance use prevention and treatment. She said that an overall reduction of over \$10 million in UGF had been witnessed over the past three fiscal years due to SB 74.

[9:26:13 AM](#)

Ms. O'Brien discussed Slide 10, items 15 - 23:

Allocation and/or Program:  
Children's Services

Funding (in thousands)  
\$152,415.0:  
\$86,064.7 UGF  
\$5,6000.0 DGF  
\$53,575.3 Fed  
\$7,175.0 Other

Number of Employees:  
533

Ms. O'Brien related that the Office of Children's Services (OCS) made up 5.6 percent of the department's overall budget. She shared that the majority of the staffing for OCE was in Front Line Social Workers at 476 employees. She relayed that rows 20 through 23 were the Foster Care and Guardianship Payments.

[9:27:01 AM](#)

Ms. O'Brien spoke to Slide 11, itemss 24 - 29:

Allocation and/or Program  
Health Care Services (485)

Funding (in thousands)  
\$21,399:  
\$8,159.3 UGF  
\$2,079.6 DGF  
\$9,951.2 Fed  
\$1,208.9 Other

Number of Employees:  
128

Ms. O'Brien said that the division comprised .8 percent of the overall budget of the department and was responsible

for the payment processing of all the Medicaid services payments. She said that the staff in the division were directly involved in the Medicaid redesign work and SB 74 imitative efforts. She noted row 25, Catastrophic and Chronic Illness Assistance, and said that the overall budget had been reduced by \$1.3 million, over the past three fiscal years, due to Medicaid expansion.

Co-Chair Hoffman asked how often DHSS reviewed the fees that were changed by the department for different programs.

Ms. O'Brien stated that fees for the Pioneer Homes had been most recently reviewed in 2017 and had resulted in a rate increase. She said that the fee structure for Public Health Nursing had been under review.

Commissioner Davidson interjected that the department was taking careful consideration for fee increases that would save DHSS money, but increase fees in another department. She said that DHSS's biggest customer for public health labs was the Department of Corrections (DOC) and increasing the lab fees would increase the expense to DOC, which would not result in the saving of additional state resources. She said that correlations of this nature had stopped the department from increasing certain fees.

Co-Chair Hoffman agreed that decisions of that nature should be scrutinized to determine the net result to the state overall, and not just individual departments.

Commissioner Davidson stated that the department had done the research and had implemented fee increased where a demonstrable benefit to the state had been determined.

[9:30:26 AM](#)

Co-Chair MacKinnon questioned the savings to the state from the Medicaid expansion. She requested a detailed explanation of the rate increases at Pioneer Homes.

Ms. O'Brien believed the rate increase for the current year had been approximately 1.3 percent. She agreed to provide specific amounts for each year to the committee.

Co-Chair Hoffman asked what the delinquency rate was for Pioneer Home fees.

Ms. O'Brien agreed to provide the information.

[9:31:54 AM](#)

Ms. O'Brien reviewed Slide 12, items 30 - 42:

Allocation and/or Program  
Juvenile Justice (319)

Funding (in thousands)

\$56,534.3:

\$53,630.9 UGF

\$1,521.2 Fed

\$1,382.2 Other

Number of Employees

456

Ms. O'Brien shared that the division made up 2.1 percent of the department's overall budget. She noted that rows 31 through 39 reflected the division employees, who provided direct services in detention facilities and probation offices. She pointed out to the committee that the Ketchikan Regional Youth Facility had closed in September of 2016 and the Nome Youth Facility would close in 2018.

Co-Chair MacKinnon thought it appeared as if there were about 456 employees providing services to approximately 1200 youth.

Ms. O'Brien replied in the affirmative. She elaborated that the numbers represented the point in time (FY 16) that the documents were prepared.

Co-Chair MacKinnon asked if the ratios and cost were comparable to what other states were doing.

Ms. O'Brien stated that based on the recent feasibility study, the numbers represented what would be necessary, at the minimum level, for each of the facilities. She believed that the numbers were comparable to other states.

Co-Chair MacKinnon clarified that she was questioning the cost as compared to the population served.

Ms. O'Brien stated she could provide more information.

9:35:04 AM

Ms. O'Brien presented Slides 13 and 14, items 43 - 57:

Allocation and/or Program  
Public Assistance

Funding (in thousands)  
\$305,089.0:  
\$136,331.1 UGF  
\$18,542.7 DGF  
\$136,066.8 Fed  
\$14,148.4 Other

Number of Employees  
557

Ms. O'Brien said that the division comprised 11.2 percent of the departments overall budget, with most of the staff in field services. She shared that the Adult Public Assistance program was the largest UGF recipient in the division, with the expenditures being used to satisfy the state's maintenance of effort requirement for Medicaid.

Ms. O'Brien highlighted Slides 15 and 16, items 58 - 70:

Allocation and/or Program  
Public Health  
\$117,372.1:  
\$43,015.3 UGF  
\$25,804.7 DGF  
\$41,436.3 Fed  
\$7,115.8 Other

Number of Employees  
425

Ms. O'Brien stated that the division made up 4.3 percent of the department's overall budget. She pointed to row 60, the public health nursing component, which was where much of the staffing was for the division. She noted row 70, Community Health Grants, which had recently been reduced in the divisions budget through refinancing efforts resulting from SB 74. She said that program was currently 100 percent federally funded in most cases.

Ms. O'Brien discussed Slide 17, rows 71 - 79:

Allocation and/or Program  
Senior and Disabilities Services (487)

Funding (in thousands)

\$67,768.7:  
\$42,506.4 UGF  
\$21,802.5 Fed  
\$3,459.8 Other

Number of Employees

173

Ms. O'Brien stated that the division made up 2.5 percent of the department's overall budget. She relayed that Medicaid services were not represented in the divisions budget, but could be found in the Medicaid Services component. She related that most of the staffing could be found providing direct program related services in the division.

[9:37:47 AM](#)

Ms. O'Brien spoke to Slide 18, items 80 - 89:

Allocation and/or Program  
Department Support Services (106)

Funding (in thousands)

\$47,582.6:  
\$16,768.4 UGF  
\$17,763.5 Fed  
\$13,050.7 Other

Number of Employees

240

Ms. O'Brien shared that the division comprised 1.7 percent of the department's overall budget and the majority of the staffing was information technology services.

Co-Chair Hoffman queried what percentage of the component was in Juneau.

Ms. O'Brien noted that most of the staff was in Juneau.

Senator Micciche referred to item 82, and asked what the work done by the 12 public affairs positions.

Ms. O'Brien explained that the public affairs group dealt with public information in public health, outbreak, media contacts, and program-related requirements.

Commissioner Davidson added that DHSS did much of its advertising for wellness and prevention within the division. She used the example of the recent marijuana legalization, and recounted that the DHSS public information team had developed an effective advertising campaign warning teens of the dangers of marijuana on the developing brain.

Co-Chair MacKinnon asked whether DHSS was using smoke cessation funds for second-hand smoke issues related to marijuana.

Commissioner Davidson replied in the negative. She said that the marijuana tax funds had not been designated to the department for use for public health messages. She said an existing team and funds were used.

[9:41:54 AM](#)

Senator Dunleavy hoped to determine whether the federally required funds were actually required, or if they could be interpreted as allowable.

Commissioner Davidson offered the example on Line 88, Information Technology Services, which reflected that the program was federally required. She said that in order to be able to bill correctly, and to submit reports to the Centers for Medicare and Medicaid services, the department had to have certain systems in place. She added that the department was required to comply with Health Insurance Portability and Accountability Act (HIPAA) standard, which was also a federal requirement.

Senator Dunleavy asked whether the federal requirement was the exact program on line 88, or simply required paperwork needed to be done.

Commissioner Davidson detailed that DHSS was required to provide certain information and to have functioning systems; in order for the department to have functioning systems that meet the federal requirement the employees on line 88 were necessary.

Senator Dunleavy maintained his position that perhaps the positions were not completely necessary.

[9:44:49 AM](#)

Senator Micciche added that the state was going to have to cut positions if the legislature failed to pass a sustainable budget. He directed committee attention to Page 9, item 14, which listed Residential Child Care (253) as federally required. He argued that the item was not constitutionally required. He felt that the commissioner thought that the item was required, but that it was not an actual legally required program. He lamented that, due to the financial crisis, the state could no longer afford all the programs offered by the department. He warned against using the Constitution and Alaska State Statutes as an excuse, or defining code, for establishing program requirements.

[9:47:42 AM](#)

Commissioner Davidson agreed that reasonable people could disagree over an analysis of what services were most important to provide. She referred to the line item that the senator had questioned. She explained that the Residential Child Care program supported children who experienced severe childhood trauma and were in residential treatment services. She elaborated that the program serviced children who were in state custody who had experienced significant trauma to the point where they needed behavioral health services.

Senator Micciche thought he may have chosen an unfortunate example, but he believed he had made his point.

Senator Dunleavy maintained that some of the department's programs might not be legally required, he believed that all items should be called into question and potentially eliminated. He repeated his semantic argument concerning what was required and what was "required" under the law.

Commissioner Davidson stated that the document was the department's best analysis what was required by law.

Co-Chair Hoffman surmised that Senator Dunleavy was attempting to separate the "niceties from the necessities".

[9:51:23 AM](#)

Vice-Chair Bishop referred to Slide 5, and asked whether there were any programs that had been created using ARRA those funds that were being sustained by general funds.

[9:51:55 AM](#)

Senator Olson reiterated Senator Micciche's thoughts that the State Constitution was not the ultimate authority of law, but was a "condensation of a much larger thought process that went into a work product called The Constitution." He worried about the cost of litigation that could result because of not following constitutional guidelines.

[9:53:44 AM](#)

Co-Chair Hoffman stated that the overall issue was what level of service the state should provide to citizens considering the current financial crisis.

Senator Micciche commented that the conversation would continue during subcommittee meetings.

Senator Dunleavy reiterated his previous concerns about the necessity of spending on certain programs that might not be constitutionally mandated.

[9:56:49 AM](#)

Co-Chair Hoffman summarized the budgetary process.

Commissioner Davidson thanked the committee, and commented that based upon current projects for FY 18, the department would be taking administrative actions to reduce departmental costs. She relayed that more detail would be provided during subcommittee hearings.

Co-Chair Hoffman discussed housekeeping.

#

ADJOURNMENT

[9:59:18 AM](#)

The meeting was adjourned at 9:59 a.m.

