

HOUSE FINANCE COMMITTEE
March 12, 2019
1:35 p.m.

[1:35:03 PM](#)

CALL TO ORDER

Co-Chair Foster called the House Finance Committee meeting to order at 1:35 p.m.

MEMBERS PRESENT

Representative Neal Foster, Co-Chair
Representative Tammie Wilson, Co-Chair
Representative Jennifer Johnston, Vice-Chair
Representative Dan Ortiz, Vice-Chair
Representative Andy Josephson
Representative Gary Knopp
Representative Bart LeBon
Representative Kelly Merrick (via teleconference)
Representative Colleen Sullivan-Leonard
Representative Cathy Tilton

MEMBERS ABSENT

Representative Ben Carpenter

ALSO PRESENT

Lacey Sanders, Budget Director, Office of Management and Budget; Sana Efird, Administrative Services Director, Department of Health and Social Services, Office of Management and Budget; Adam Crum, Commissioner, Department of Health and Social Services.

PRESENT VIA TELECONFERENCE

Representative Kelly Merrick

SUMMARY

FY 20 BUDGET OVERVIEW: DEPARTMENT OF HEALTH AND SOCIAL SERVICES

[1:36:17 PM](#)

Co-Chair Foster reviewed the meeting agenda.

^FY 20 BUDGET OVERVIEW: DEPARTMENT OF HEALTH AND SOCIAL SERVICES

[1:37:30 PM](#)

SANA EFIRD, ADMINISTRATIVE SERVICES DIRECTOR, DEPARTMENT OF HEALTH AND SOCIAL SERVICES (DHSS), OFFICE OF MANAGEMENT AND BUDGET introduced a PowerPoint presentation titled "FY2020 Governor's Amended Budget Department of Health and Social Services Overview" dated March 12, 2019 (copy on file). She began with the department's seven core services on slide 3. She detailed that the core services had come from an exercise undertaken by the department about five years earlier as a part of a results-based budgeting effort that included the entire department. She relayed that the department would do the exercise again with the new commissioner and administration (likely in the coming summer) to determine whether the core services were still reflective of the department's priorities. She noted the department's total budget had been aligned to meet the core services.

[1:39:18 PM](#)

Co-Chair Foster recognized that Representative Merrick had called into the meeting but there had been some technical difficulties.

Vice-Chair Johnston asked whether the core service to manage health care coverage involved United Technologies.

Ms. Efird replied that the service did not have a relationship to the managed care organization. She detailed that the item was a core service that DHSS divisions (through their budgets) contributed to meeting for Alaskans. She referenced slide 3 and highlighted the department's mission to promote and protect the health and well-being of Alaskans. She reported that the department's responsibility for health and the public welfare were included in Article VII, Sections 4 and 5 of the Alaska Constitution.

[1:40:34 PM](#)

Vice-Chair Ortiz appreciated the list of core services and the dollar figures that went to meet the needs of those services (slide 3); however, he believed a list of programs that fell underneath each of the services was needed to provide better information. He asked if there was a backup document that listed programs associated with the core services.

Ms. Efird replied that DHSS had the document and would provide it.

LACEY SANDERS, BUDGET DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET, reported that the document had been provided to the committee co-chair's offices and could be distributed as needed.

Representative Knopp asked which committee co-chair had received the document.

Ms. Sanders replied that the document had been provided to Co-Chair Foster's office.

Ms. Efird continued on slide 4 that showed the department's funding comparison (on the left) and budgeted position comparison (on the right) between the FY 19 management plan and the FY 20 governor's amended budget. The department's FY 19 management plan funding totaled \$3,249,951,500 compared to the governor's proposed budget of \$2,468,798,400, a difference of \$781,153,100 or a 25 percent reduction. The governor's proposed FY 20 budget was comprised of approximately 58 percent federal funding at \$1,439,683,000; 5 percent in other funds (the largest portion was interagency receipts); and 36 percent in general funds, comprised of 90 percent undesignated general funds (UGF) and 10 percent designated general funds (DGF). She detailed that a large percentage of DGF was made up of Pioneer Home receipts from residents for room and board, child support collections and foster care base rate, background check and application fees for the residential licensing programs, and birth and death certificate fees collected in Vital Statistics.

Ms. Efird addressed the budgeted position comparison on the right side of slide 4. There was a decrease in 291 positions from the FY 19 management plan to the governor's amended FY 20 budget. The bulk of the difference was reflected in the Alaska Psychiatric Institute (API)

reorganizational structure change. She added that the funds in the contractual line and the positions with the reorganization were reflected under a contract. The other positions proposed for deletion were associated with the Nome Youth Facility; 11 of 16 positions were filled and would result in layoffs or transfers.

[1:44:59 PM](#)

Representative Knopp pointed to the funding comparison on slide 4 and asked if the \$400 million loss in federal dollars [between the FY 19 management plan and governor's FY 20 budget] was directly related to the reduction in General Fund dollars.

Ms. Efird replied in the affirmative; the majority of the funds were with the Medicaid program.

Representative Knopp observed that the proposed budget appeared to be reduced by approximately \$300 million in General Fund dollars and \$400 million in federal funds.

Ms. Efird agreed and noted that the next slide would show the changes in the funding sources.

Representative Knopp noted that the reduction was almost dollar for dollar. He thought that the rates were a bit better than that ratio (e.g. 75/25 or 90/10).

[1:46:24 PM](#)

Ms. Sanders responded there were additional decreases to DHSS specific to general funds that did not have the required match. The information on slide 4 was an overall budget picture. She remarked that the Medicaid reduction was not a dollar for dollar reduction. The presentation would provide further details later on.

Vice-Chair Johnston asked if the department's efforts to renegotiate the state's position with the federal government would potentially mean a smaller decrease in federal funding.

Ms. Sanders answered that DHSS was still working with the Centers for Medicare and Medicaid Services (CMS) to determine the changes it was able to make and what the

impacts would be to federal funds. Her understanding was that the report would be out at the end of March.

Vice-Chair Ortiz asked how the reduction of nearly \$800 million would result in opportunity costs in relationship to the department's ability to meet its mission to protect the health and wellbeing of Alaskans.

[1:48:55 PM](#)

Ms. Efird replied that she would highlight which programs the department had submitted in its proposal for reductions. There were some reductions in the budget that hit various populations. She turned to slide 5 and reported that the budget was proposed on the governor's core tenets:

- Focus on core services
- Expenditures cannot exceed existing revenue
- Maintain and protect our reserves
- Does not take additional funds from Alaskans through taxes or the PFD
- Must be sustainable, predictable, and affordable

Ms. Efird reported that the department had taken the tenets into consideration when it had proposed reductions and had tried to balance the programs it was reducing with other areas where those constituencies received other funding. She noted that the budget was not flat; there were reductions and there would be effects.

Co-Chair Wilson directed a question to the commissioner. She referenced the core tenet specifying that expenditures could not exceed existing revenue. She stated that one of the biggest issues was a supplemental budget of \$200 million and growing in recent years. She asked how the commissioner would do things differently in order to meet the moving target.

ADAM CRUM, COMMISSIONER, DEPARTMENT OF HEALTH AND SOCIAL SERVICES, replied that more detail would be available in coming weeks. He agreed that asking for large supplementals in the past couple of years was a shock to the legislature.

He relayed the department would have more details as it worked on its plan to avoid the issue; part of the department's primary goal was to ensure [budget] projections were as accurate as possible.

Co-Chair Wilson spoke to the necessity of working with federal partners. She asked about the timetables related to the changes to maintenance of effort and changes made via legislation that required federal approval.

Commissioner Crum answered that the department's deputy commissioner was currently meeting with CMS in Washington D.C. to get timelines on implementation. One of the department's goals was an amortized schedule showing when items could be in place and the effects.

Co-Chair Wilson asked if quite a few of the ideas included in the presentation would be implemented by July 1.

Commissioner Crum replied in the affirmative; a substantial number of the ideas could be implemented for FY 20.

Co-Chair Foster referenced the position count on slide 4. He thanked the department for meeting with his office regarding the Nome Youth Facility. He asked if Ms. Efird had reported that 11 positions would be deleted from the youth facility. He thought the number was 13 and asked if that meant 2 positions would have to be picked up elsewhere.

Ms. Efird replied that two of the positions were currently vacant - the positions would be eliminated but were not currently filled.

[1:53:47 PM](#)

Co-Chair Foster believed it was the committee's feeling that the governor's proposed budget may not result in the savings the governor was hoping for. He noted the legislature would be working through that issue in the subcommittee process, which would include dialogue with the administration. He wanted the public to understand the legislature was paying attention and working on the issue.

Representative Josephson spoke to Medicaid reduction. He believed the 1115 waiver system required the department to show an alternative means of achieving a federal or

statutory goal. He wondered how it was possible to cut \$225 million and be within that requirement. He highlighted that the presentation gave no indication of who would get hurt in the process. He needed to know more than the cut would be made and somehow it would all work out. He had not received the information and would not vote on the governor's proposal without the information. He referenced the presenters' indication a letter in late March was forthcoming, but he needed to know how the proposal was going to evolve into a budgetary component before mid-June "when we get close to the edge" [when the new fiscal year of July 1 was looming].

[1:56:03 PM](#)

Ms. Sanders answered that the information the committee would receive regarding the Medicaid changes would be substantial and would not be limited to a memorandum or letter. She elaborated that details on the impacts of the proposed changes would be provided. She communicated OMB's understanding that the committee needed details in order to make decisions. She anticipated that OMB would put forward any technical budget related amendments to address the changes that would be necessary in providing a plan to accompany a proposal.

Co-Chair Foster recognized Representative Merrick online.

Ms. Efird continued with slide 5 showing changes in the budget by funding source from FY 19 to FY 20. She moved to slide 6 and highlighted major changes in the General Fund budget. She began with the Alaska Pioneer Homes Division. She reported there had been a budget structure change within the division, reflected by a new payment assistance budget component. She explained that payment assistance was wrapped up within the Pioneer Home component currently, which made it difficult to see how the payment assistance supplemented the payments. She elaborated that general funds in the Pioneer Home budget had been reduced and partially replaced in a separate payment assistance component of \$15 million general funds. She furthered that DGF had been increased to receive fees from increasing Pioneer Home rates. She clarified that the governor's proposed budget did not evict residents from the Pioneer Homes. The governor's budget reflected the administration's proposal to put forth regulations to increase the rates to

show the true cost of care for each of the levels of care in the Pioneer Homes.

[1:59:42 PM](#)

Co-Chair Wilson pointed to the \$16.792 million General Fund and \$16.386 million General Fund/Mental Health related to the Alaska Pioneer Homes on slide 6. She noted that both funding sources were general funds and asked if the two amounts were to be added together.

Ms. Efird replied that the amounts highlighted by Co-Chair Wilson were reductions because both were general funds. The Pioneer Home budget was originally around \$33 million in general funds. The amount had been reduced and \$15 million had been shifted to a payment assistance general funds budget component. There was a reduction in the UGF component, which was replaced with additional DGF for the increase in the rates to collect fees.

Co-Chair Wilson stated that typically the numbers had negative signs to indicate reductions.

Ms. Efird apologized and clarified that parenthesis were used in the presentation to indicate negative numbers; numbers with no parenthesis were positive. She highlighted that \$15 million in general funds for the payment assistance component had been added as a structure change and two reductions were listed in a separate bullet point.

Co-Chair Wilson referenced slide 5 and noted the DGF showed an increase of \$11.358 million, yet she thought it sounded like the DGF had the potential to be over \$16 million in relation to the Pioneer Homes. She asked why there was a \$5 million difference between the two figures.

Ms. Efird replied that slide 5 showed the overall total for the entire department. She explained there were numerous technical adjustments that added up to the total in the budget. For example, there were some SB 74 reductions that included DGF. Slide 5 included the biggest portion of DGF, but there were some offsetting decreases in other DGF components.

Co-Chair Wilson stated that if a person was paying their own way [to live in the Pioneer Homes], no financials were required, which she agreed with. She asked how the

reduction had been determined. She asked how the reduction would not be a decrement to the Pioneer Home.

Ms. Efird replied that DHSS was still analyzing the numbers for the Pioneer Homes. Currently, there were 451 filled beds in the Pioneer Homes. She detailed that 51 percent of residents were on private pay, but that was under the current structure where all residents were being subsidized because residents did not pay based on their level of care. She expounded that 29 percent were on payment assistance and 20 percent were under Medicaid waiver. She reiterated that DHSS was still looking at the numbers and had started with \$15 million. The Pioneer Home financial unit was trying to make an estimate and projection of calculations to determine whether the number was correct or whether a change was needed.

[2:03:51 PM](#)

Co-Chair Foster noted that Representative LeBon had joined the meeting.

Representative Josephson asked how the \$15 million payment assistance was sustainable.

Ms. Efird answered that the amount was the cost of taking care of the state's seniors in the Pioneer Homes. She reported it was a policy decision to continue funding the cost.

Representative Josephson remarked that the \$30 million subsidy was two-tenths of 1 percent of the deficit. He thought that amount seemed like money well spent to help 500 seniors. He estimated that the proposal to pay \$15 million was around one-tenth of 1 percent. He asked why not continue the current payment method for the benefit of 500 Alaskan families. He stated it was a policy call and wanted to know why the legislature should agree to the proposal.

Ms. Sanders replied that the point the administration was trying to make was that the state was currently subsidizing a large cost that private pay insurance or Medicaid may be able to cover, and the state should be accessing those payment methods if possible. She stated there was value in supporting and subsidizing to ensure no seniors were removed from the Pioneer Homes, but it was necessary to address the state's costs under the current fiscal

situation. She elaborated that the budgetary change outlined the true cost to the state and provided clarity. The \$15 million was an estimate based on existing information. She explained the state did not have all of the financial information on all residents. The administration was continuing to analyze the numbers to ensure it was putting forward a number that sufficiently covered the costs.

[2:06:38 PM](#)

Vice-Chair Ortiz asked if it was safe to say the \$15 million would decrease from year to year.

Ms. Efird answered that the figure would be based on the makeup of the seniors in the home each year. She noted the figure would be based on prior year information. She detailed that seniors left the homes and new residents moved in. She did not foresee the number going down, but she was not yet certain. The department was still in the process of determining the precise number necessary to manage the population and need in the Pioneer Homes.

Vice-Chair Ortiz was glad to hear that no current residents would be removed from the Pioneer Homes if they were unable to afford the increased rates. However, he thought the increased rates may make the Pioneer Homes inaccessible to many low income seniors.

Ms. Efird replied there was an active waitlist and an inactive waitlist for the Pioneer Homes. The active waitlist included approximately 250-plus individuals. She elaborated that when someone put their name on the active waitlist, she believed it was with the anticipation they would be ready to move into the Pioneer Home in the next 30 days. She remarked she could have the number incorrect and the period may be a bit longer. The department did not look at income or information before a person was taken into the home; a person's entrance into a Pioneer Home was not based on their ability to pay.

Vice-Chair Ortiz asked if that would continue to be the case in the future.

Ms. Efird replied in the affirmative.

[2:09:40 PM](#)

Representative Tilton asked for detail about proposed changes to the Pioneer Home rate structure and levels of care.

Ms. Efird answered that the department could provide a table showing the changes. She relayed there were currently three levels of care in the Pioneer Homes. The proposed change would mean increasing the levels of care to five. She reported that the homes were not currently able to provide care at level five. The department was working on developing a nine-bed unit in the Anchorage Pioneer Home that would take care of patients with higher need. She reported that the current level two would be broken into a level two and level three to ensure the department was distinguishing the types of services the residents were paying for.

Representative Tilton asked for verification that payment assistance would be available to all residents no matter what type of pay they were on.

Ms. Efird replied in the affirmative. She elaborated that if a resident needed to go on payment assistance, they were currently required by regulation to provide their income information in order for the department to calculate the amount of assistance the individual would need.

Vice-Chair Johnston appreciated what the administration was doing and noted she had become aware of the ongoing effort during the previous administration. She believed it had been mentioned in subcommittee that the average age of new resident was 87. She asked if her recollection was correct.

Ms. Efird believed the average age of an incoming resident may be 81 and the average age of residents entering the homes under level three care was 87.

Vice-Chair Johnston stated that the amount of care could be more acute for residents, particularly at level five. She asked for verification that some residents would be assisted with Medicaid.

Ms. Efird replied in the affirmative.

Vice-Chair Johnston asked if the proposed General Fund decrement accounted for the increased cost for the higher

level of care or the amount of Medicaid that may be required in the Pioneer Home.

[2:13:52 PM](#)

Ms. Efird answered that the department was looking at all groups that would be affected by various proposals and what that would look like.

Vice-Chair Johnston appreciated the payment assistance and understood that the associated \$15 million increment may not be accurate. She asked if there could be a supplemental if the number was not accurate.

Ms. Sanders answered that the administration's hope was to avoid coming to the committee with supplementals in the future. She noted the number may need to be adjusted before the process concluded if the department was able to calculate and provide information documenting a greater need. The intention was to provide the legislature with an accurate funding number to get through the fiscal year.

[2:15:15 PM](#)

Representative Sullivan-Leonard commended Commissioner Crum and the department for working to reduce the DHSS budget by 25 percent, especially because there had been steep increases to programs in recent years that she did not believe were sustainable. She referenced the Palmer Pioneer Veterans Home and wondered if there had been discussion about transitioning the facility from a Pioneer Home to a Veterans Home that would allow [federal] Veterans Administration (VA) funds to help cover costs. She noted that the VA covered significantly more than Medicaid.

Ms. Efird responded that the department did receive VA funding because the facility was a certified Veterans Pioneer Home.

Representative Sullivan-Leonard asked if the department was looking at making the home available to veterans only.

Commissioner Crum answered that veterans accounted for the primary population in the Palmer facility. The department had not explored transitioning to a veterans-only facility; DHSS liked making the home available to Alaskan residents as well. The department was exploring the creation of a

designated unit for an advanced level of care at the Pioneer Home, which would bring in a greater portion of federal funding through the VA.

[2:17:15 PM](#)

Vice-Chair Ortiz referenced Ms. Efird's testimony there were 451 filled beds in the Pioneer Homes. He asked about the total system capacity.

Ms. Efird replied that there was a total of 496 licensed beds in the homes. The department had been working on increasing and meeting a 96 percent occupancy rate, which was the industry standard. She reported the Pioneer Homes were approaching that rate. She detailed that the Fairbanks Pioneer Home had recently hit the 95 percent occupancy rate and DHSS was working to meet the target in each of the homes.

Vice-Chair Ortiz asked if the homes were falling short of the target rate due to the time it took to transition between outgoing and incoming residents. Alternatively, he asked if it was due to a lack of adequate funding to staff the facilities.

Ms. Efird responded that the 95 percent target tried to account for outgoing and incoming residents. She elaborated that budget reductions in the past five years had resulted in the loss of 23 (or more) full-time positions. The administration at the time had chosen to meet the cut by closing beds. Consequently, the current administration had determined closing beds meant a reduction in income and a double hit to resources. The administration was working to fill the beds, which would bring in income and mean staff would be needed to staff those beds.

Ms. Sanders added that many of the waitlists were location specific, which hindered the department's ability to fill beds in specific areas.

[2:20:17 PM](#)

Representative Tilton asked if some of the challenge of filling beds was having beds available for the needed level of care.

Ms. Efird responded affirmatively. She explained that an increased number of incoming residents needed higher levels of care. She detailed that staffing the homes for those different needs also affected the ability to fill beds.

Ms. Efird moved to the next item on slide 6 showing the change in budgeting for API. The governor's budget proposal included an organizational restructuring; therefore, all of the money from all of the line items for API had been moved to the contractual line to adjust to the organizational restructuring. The budget showed positions being zeroed out; the change would be a different way of managing API.

[2:21:46 PM](#)

Vice-Chair Johnston asked what effect the removal of 248 positions from the state's employment pool would have on the Public Employees' Retirement System (PERS) unfunded liability. She considered the change from the perspective of an employer where termination studies had been required. She realized the state did not need to have a termination study, but she wondered if the decrement of employees was accounted for somewhere in the budget.

Ms. Sanders replied that she was not an expert in the field, but she explained that the state benefits of current employees would end because they would no longer be state employees under the proposal. She detailed that out-year benefits for the former state employees would no longer be accounted for, but they would be eligible for benefits they had earned.

Co-Chair Foster asked whether Donna Arduin, Director, Office of Management and Budget wanted to respond to the question.

Vice-Chair Johnston explained that her question was about the fact that the state would not be paying for the positions going forward and how that would affect the overall pension fund.

Ms. Sanders offered to follow up with additional information.

[2:24:04 PM](#)

Representative Josephson referenced the proposed \$28 million transfer to contractual services for API. He asked about the anticipated expense of privatizing API including per diem.

Ms. Efird answered that there was a current contract for FY 19 with some deliverables that needed to be met to continue with the contract in FY 20. The contract was posted online; the department may come back to the legislature with a different number than currently shown associated with the change for API.

Representative Josephson asked there was a rough number at present. He asked if the current figure was \$38 million.

Ms. Efird believed the contract was about \$43 million, which was not all general funds; the figure was part of what the department was making sure to calculate correctly. She detailed that currently the capacity was around 35 beds and the department was working to increase the number to 80 beds. She explained that the change could produce an increase in Medicaid funds or other coverage of funds. The department was currently looking at the breakout of the funding sources needed for FY 20 coverage.

Vice-Chair Ortiz asked if the budgeted figure for the privatization of API reflected the cost of the associated contract.

Ms. Efird replied that the correct amount was not yet in the governor's FY 20 proposal. The department working on determining a [more precise] figure that would likely be presented in an amended budget request.

Vice-Chair Ortiz asked if it was safe to assume the number would increase rather than decrease.

Ms. Efird replied in the affirmative.

[2:27:09 PM](#)

Representative Sullivan-Leonard asked if Wellpath was the organization that would take on the contract for API. She asked about the anticipated savings.

Commissioner Crum affirmed that Wellpath was the name of the contractor. The change to privatization was also about

long-term cost avoidance. He explained that bringing the hospital up to full capacity would enable API to serve a larger population, which would result in cost avoidance throughout the rest of the system. He elaborated that currently many patients were in emergency rooms, which had a higher Medicaid cost. He furthered that API would treat patients much faster. Additionally, the department hoped to increase the size of API's forensic unit, which would enable individuals to be moved from the Department of Corrections more rapidly for evaluation to stand trial.

Representative Sullivan-Leonard asked for verification they did not yet have a dollar amount.

Commissioner Crum replied the department was working on projections. He reported the savings would be tremendous.

Representative Josephson respected the goal of avoiding emergency room expenses and getting people where they should be. He was reminded of the Medicaid cut [proposed by the administration] and the cost that could be associated with shifting care to the emergency room. He hoped to hear from CMS that the issue was covered.

Representative Knopp referenced the potential \$43 million appropriation to contract out services [for API]. He asked if Wellpath would do all of the private [insurance] and Medicaid billings. He asked if revenues would be funded back to the state or spent. He asked how the process worked.

Ms. Efird answered that the department would bill for all other funding sources. She detailed that the contractor (Wellpath) would be paid its amount and all other funding sources that could be recouped would be recouped. She did not know the details, but she assumed DHSS would bill for Medicaid payments.

[2:30:17 PM](#)

Representative Knopp asked if there were other administrative services functions the department would still do under the privatization.

Ms. Efird replied that Wellpath was managing the clinical aspects for API. The department would continue to be

responsible for building maintenance, utilities, and other related things.

Representative Knopp asked if the legislature would expect to see indirect expenditure line items [associated with API].

Ms. Efird replied in the affirmative.

[2:31:15 PM](#)

Ms. Efird addressed the third bullet point on slide 6. She reported that the department was receiving increased federal awards to meet the opioid crisis currently facing all states. There were some federal grants coming into the Divisions of Behavioral Health and Public Health for the opioid and epidemiology funding. She relayed there was a workgroup collaborating on a state grant that also included the Department of Public Safety and Department of Corrections because there was opioid funding coming into those departments as well. The state wanted to make sure to use the funding in a cohesive and collaborative way.

Vice-Chair Ortiz asked if the money was one-time funding or ongoing.

Ms. Efird answered that she did not know the specifics. She reported that federal grants were generally multi-year. She would follow up with the details.

Ms. Efird moved to the last bullet point on slide 6 related to the Nome Youth Facility. The governor's proposal was to retain the youth probation services in Nome and transfer youth needing detention and treatment services to other state facilities (i.e. McLaughlin Youth Center or other).

Vice-Chair Johnston asked if DHSS had looked into partnering with the Indian Health Service (IHS) for detention and treatment services.

Commissioner Crum answered the department was exploring the interest of regional partners to potentially use the Nome facility for something like substance abuse treatment. The department believed there may be funding mechanisms through its 1115 substance use disorder (SUD) waiver. He believed there was a bit of interest, but it was an ongoing

negotiation. He noted the [Nome] facility would be a valuable item in that region of Alaska.

[2:34:17 PM](#)

Co-Chair Wilson stated that a youth facility could mean kids that needed more parenting or were in severely troubled situations. She asked about the makeup of the youth facility and the average number of youths in the facility.

Commissioner Crum replied that the facility was at 50 to 60 percent capacity. He mentioned juvenile justice [indecipherable].

Co-Chair Wilson stated that 50 percent capacity did not mean much without knowing the total capacity. She was talking specifically about the youth portion of the facility. She referenced discussion that had occurred several times over the years about whether the facility was overkill in terms of the number of staff required for a handful of juveniles. She posed the idea of a foster care type situation for youths who were not violent offenders; it would enable youth to remain in the community instead of sending them to urban areas without any family nearby. However, she questioned how it was possible to look for other ideas without understanding the level of offences. She asked the department to get back to the committee.

Co-Chair Wilson recalled there had been only four or five youth [in the facility] at a time. She continued that it did not matter if there were 50 youths in the facility or 5 or 6, the facility still required staff around the clock for health needs and the rest. She reasoned that all the money could have been used directly on helping the youth instead. She estimated they had been talking about the issue for at least four years. She hoped the department would come up with a solution. She guessed Nome was probably not the only community with so few youths in a facility that it was not cost effective.

[2:36:48 PM](#)

Commissioner Crum replied that the Nome Youth Facility averaged approximately eight kids per day.

Co-Chair Wilson commented on money that could be used on treatment if it was not spent on staffing a facility housing eight youths per day.

Co-Chair Foster discussed that capacity was down in the facility and the state was looking for ways to save money. He contended there were other costs and he did not know the real savings. He elaborated that if kids were sent off to other locations (e.g. McLaughlin Youth Center) throughout the state, the youths still had to be sent back to Nome for court hearings and so forth. He highlighted costs for travel, a chaperone accompanying the youth during travel, securely holding youths overnight when they traveled for their court hearing, heating a facility (probation officers would still work in the facility in Nome), housing the youths at other facilities, and more. He added that with two flights per day it was not always easy to fly in the morning and leave at night. He highlighted weather delays that could cause an additional expense.

Co-Chair Foster continued that even if it was assumed there were some savings [in transferring detention and treatment to other facilities], the policy issue remained. He detailed that the governor had made public safety a priority and he believed the youth facility could help in the endeavor. He reported that the committee could work with its subcommittee members and the administration on the issue. He appreciated that the administration had reached out to him. He noted the issues involved tough decisions all around.

[2:39:29 PM](#)

Ms. Efird moved to slide 7. The first bullet point highlighted a proposed reduction of \$14.7 million GF for Adult Public Assistance. The program provided assistance payments to blind and disabled residents age 65 and older. The program also provided the maintenance of effort required for the department's Medicaid program. She detailed that here were two methodologies to calculate a state's maintenance of effort for adult public assistance. Alaska was currently under a total expenditure method, which meant it was required to meet the same level of expenditures from the prior year. The governor's proposal was to move to the 1983 payment levels, which would change the payments and result in a savings of \$14.7 million.

Ms. Efird moved to the second bullet point on slide 7 and reviewed the governor's proposal to reduce the Temporary Assistance for Needy Families (TANF) maintenance of effort by \$16.9 million. The department currently provided the funding to its seven tribal partners who administered their own TANF programs. The payment was a supplement to tribes providing the TANF program to their recipients. The proposal would require the federal government to agree to the reduction. The department was still working on obtaining agreement from the federal government.

Vice-Chair Ortiz asked for the current funding total for the TANF maintenance of effort.

Ms. Efird believed the current maintenance of effort required from the state was \$36 million. The total for maintenance of effort was 80 percent of the total federal grant coming into the state. She would follow up with the data.

[2:42:36 PM](#)

Ms. Efird addressed the third bullet point on slide 7 - to repeal the Hold Harmless Program. She explained that under the program, an amount was deducted from each individual's Permanent Fund Dividend (PFD) and put into a hold harmless fund to hold public assistance recipients harmless from losing their benefits when they receive the PFD. The governor's proposal was to repeal the statute. She reported legislation was forthcoming. The proposal looked at other ways to mitigate the loss of those benefits through possibly providing the PFD on a monthly basis or other.

Co-Chair Wilson understood it may be a good way of paying but she wondered if it was still possible to end up kicking individuals off the program who were on the border. She recognized the dividend amount would make a difference. She asked what would happen if a person was \$100 away from being eligible. She wondered if a person would have to wait to see what the dividend amount would be every year and divide it by 12 to determine whether they would be removed from numerous services that the \$100 could not fix.

Ms. Efird replied it could be possible, which was the reason DHSS was looking at ways to mitigate the possibility. Each of the programs had different levels of eligibility; therefore, it was necessary to look at the

programs separately to project individuals who may or may not be over the limit.

Co-Chair Wilson used a family of four receiving a \$2,000 PFD per person as an example. She considered that because the amount was counted as income, if the family made \$8,000 [from the PFD] they would not get services. Yet, someone in the Hold Harmless Program would get the services. She thought the Hold Harmless Program had been likely implemented because when individuals received the PFD, they were bumped from receiving their assistance payments, which resulted in substantial paperwork the following month to get people back on public assistance. She wondered whether it was fair for working individuals to not receive services, yet another group was treated differently.

[2:45:36 PM](#)

Ms. Efird replied that the department could provide the committee with the number of recipients under each program that were held harmless under the program. She believed the largest number were the Adult Public Assistance payments for individuals age 65 and older and blind and disabled.

Co-Chair Wilson stated the information would be helpful. She did not want to take services from individuals working two jobs and put them at a disadvantage to others.

Ms. Efird moved to the fourth bullet point on slide 7 and reviewed the governor's proposal to repeal the Senior Benefits Payment Program. In FY 18 there had been 11,283 program recipients.

Co-Chair Foster asked for a review of the program's three tiers.

Ms. Efird replied that there were three tiers and noted reductions had been made to the program in the past. Under the current program there were cash payments of \$76, \$175, and \$250 depending on applicant's income levels.

Co-Chair Foster asked for the highest income level.

Ms. Efird listed the program requirement that an Alaska resident have income below \$26,565 for a single person and \$36,015 for a couple. She would provide a table to the committee showing all of the income levels.

Co-Chair Foster reviewed that under the Senior Benefits Program couples with income below approximately \$36,500 and individuals with income below approximately \$26,500 were eligible for one of the three tiers.

[2:48:13 PM](#)

Vice-Chair Ortiz asked if the most a single senior could earn to qualify for the \$75 per month was \$26,500.

Ms. Efird agreed.

Vice-Chair Ortiz asked what the income requirement was for a senior to receive the maximum amount. He asked if the amount was monthly.

Ms. Efird replied that the income requirement was an annual amount and the payment was monthly. She reported that the income level for the highest payment was \$11,385 for an individual and \$15,435 for a married couple.

Vice-Chair Ortiz asked if there were 19,000 recipients.

Ms. Efird clarified there were 11,283 program recipients in FY 18. The department did not yet have the complete information for FY 19.

Vice-Chair Ortiz asked how many individuals received the maximum benefit.

Ms. Efird answered that 1,742 had received the \$250 payment, 5,124 had received the \$175 payment, and 4,713 had received the \$76 payment.

[2:50:26 PM](#)

Vice-Chair Ortiz asked if the administration had done any research on how the reduction would impact recipients prior to making the decision [to repeal the program].

Ms. Efird replied in the affirmative. She reported the decision and proposal had been difficult to make. She detailed that the department tried to look at the array of services going to each population group. She recognized that low income seniors need help and she reiterated her earlier testimony that the budget had on individual groups.

The administration wanted to keep and hold harmless other programs providing funding for waiver services and for seniors to remain in their homes. She offered to provide the committee with the array of services seniors were receiving across DHSS. The goal had been to balance the services [provided to population groups]. The funds came from a total UGF pot of money.

Vice-Chair Ortiz responded that he would appreciate more information.

[2:52:18 PM](#)

Representative Josephson requested information showing which programs benefitting seniors had been held harmless. He referenced Ms. Efird's testimony that the funds were all GF. He asked if there was no TANF matching fund.

Ms. Efird clarified she had been speaking to the Senior Benefits Program that was all general funds.

Representative Josephson noted that slide 7 reduced or repealed a number of programs that benefit seniors. He asked if a senior would be eligible for multiple programs shown on the slide.

Ms. Efird replied in the affirmative. She provided a list of other programs providing funding to seniors. Adult Public Assistance provided benefits to seniors, age 65 and above. She would follow up with the number of seniors receiving benefits under the program. Other public assistance programs included temporary assistance payments, general relief assistance payments, heating assistance payments, supplemental nutrition food stamp payments. Other assistance was provided through Medicaid programs and waivers, and behavioral health funds. She would be happy to provide the detail to the committee.

[2:54:15 PM](#)

Representative Josephson asked what the 1983 standard was [shown on slide 7 related to Adult Public Assistance].

Ms. Efird answered that the reference [on slide 7] was the total amount of the Adult Public Assistance payments that went out in 1983. She would provide the committee with an informational sheet showing the calculations. The federal

government gave DHSS two options to meet the maintenance of effort requirement: 1) the state could go back to the amounts it had funded in 1983, or 2) each year DHSS had to meet the current payment level for the following year.

Representative Josephson assumed the 1983 payments were inflation adjusted.

Ms. Efird believed cost of living adjustments were included, but she would double check.

Representative Josephson asked how the proposed reduction to TANF would impact federal matching funds.

Ms. Efird answered that if the state did not meet its maintenance of effort it would be fined by that amount. The state would still have to meet the level of payment from state funds to receive federal funds.

Representative Josephson believed Ms. Efird was saying that the state would know if the maintenance of effort requirement was not met. He stated his understanding that the state would be fined and would not receive the federal payments.

Ms. Efird answered that the state would be fined but would still receive its federal award. At some point the award would be reduced in that one year and the state would have to make it up with a General Fund fine. She believed the state would still receive the same federal award the following year.

[2:57:00 PM](#)

Co-Chair Foster asked the department to provide the summary chart of senior programs to his office for distribution to committee members. He referenced Ms. Efird's testimony that the state provided heating assistance payments. He asked if he was correct that the state program had ended, but the state still accepted federal money.

Ms. Efird confirmed there were federal funds, but no state funds [for heating assistance].

Representative Knopp referenced the proposal to repeal the Senior Benefits Payment Program. He asked if Ms. Efird had

testified that some of the seniors receiving the benefit were receiving benefits from other programs as well.

Ms. Efird affirmed there would be some overlapping benefits. She could follow up with a chart showing the number of seniors receiving senior benefits who were also in other programs.

Representative Knopp surmised that individuals currently receiving senior benefits only, would potentially qualify for other benefits. He imagined the criteria for Adult Public Assistance was different than the for the Senior Benefit Program. He stated his understanding that individuals over the age of 62 or 65 received the senior benefits based on income. He asked for verification the Senior Benefits Program was the remainder of the Longevity Bonus Program.

Ms. Efird answered that the former [Longevity Bonus] program had been changed to a needs-based, low income program.

Representative Knopp pointed out that the amount of money received by seniors under the Senior Benefits Program was not high. He asked if seniors severely impacted by the elimination of the program would be eligible for assistance through another program. He did not know the details about eligibility for other programs and planned to follow up with the department.

[2:59:40 PM](#)

Ms. Efird addressed the last bullet point on slide 7, the governor's proposal to reduce public health nursing by \$2 million. The reduction would be realized though exploring other efficiencies by leveraging federal funding and piloting innovative delivery models with partners to provide the services.

Vice-Chair Ortiz asked how the \$2 million reduction would be carried out. He wondered if it would mean a reduction in nurses in particular communities.

Ms. Efird answered that the department was looking at partners in different communities that could provide the services if there was a reduction in any public health nursing services in a community. The department was not

proposing the closure of any public health nursing centers. She explained that DHSS was exploring how the services could be provided in a more innovative way.

Co-Chair Foster noted that DHSS Deputy Commissioner Albert Wall was available online for any questions related to API.

Ms. Efird turned to slide 8 and addressed proposed reductions to Medicaid. She detailed that Medicaid was the largest percentage of the department's UGF budget at over 60 percent. She elaborated that Medicaid accounted for \$662,118,000 GF in FY 19 compared to FY 19 [20] at \$412,901,000; the reduction was close to \$250 million. The department was looking to implement current initiatives within the DHSS budget that the department had control over and felt it could achieve in FY 20. The department's Deputy Commissioner Donna Steward was currently in Washington D.C. working with CMS to look at other waiver possibilities or other innovative options to cover Alaska's vulnerable populations.

Co-Chair Wilson stated she had received some information on Medicaid about the reason "we're at a 50/50." She explained that some of the issue was about the state's ability to pay. She asked if the Permanent Fund corpus and Earnings Reserve Account (ERA) worked against the state when they [the federal government] tried to discern how much the state could pay. She elaborated that some [other states] received a 75/25 federal to state ratio, while Alaska was at the lowest level at 50/50.

Ms. Efird replied that the calculation was on a per capita basis. She did not know whether the Permanent Fund was included, but she would follow up.

Co-Chair Wilson had considered a resolution "asking for that." She believed that including the Permanent Fund would make the state look very wealthy in terms of per capita. She remarked that increasing the [federal] rate would keep services in place and aid in holding the state harmless.

[3:04:16 PM](#)

Representative Josephson spoke to the \$225 million Medicaid cut that the department was hoping to receive a waiver related to. He referenced the administration's proposal to spend the remaining balance of the Statutory Budget Reserve

(SBR), which he was not objecting to on principle. He stated that \$172 million in the SBR was \$53 million less than the governor's proposed cut to Medicaid. He wondered what the impact was.

Ms. Efird answered that the safety net language was based on a timeline to work with CMS to get the second phase (discussed previously by Commissioner Crum) approved. The department would be forthcoming with the information about what it felt was under its control to achieve in FY 20. The department was working to achieve the governor's proposed reduction to Medicaid in FY 20, some of that was out of the department's control and in CMS's control. She reiterated that Deputy Commissioner Steward was currently working on the issue [in D.C.]. The safety net language was there in the event the state could not work through the deadlines and requirements with CMS to achieve the second phase of savings.

[3:06:07 PM](#)

Vice-Chair Ortiz addressed a bullet point that showed the elimination of adult dental Medicaid benefit in the amount of \$26 million to \$27 million. He asked how many people across the state would not receive any dental care if the cut occurred. He asked if the cut would mean no dental care coverage including basic cleaning.

Ms. Efird answered that the department had provided a chart with the number of recipients based on age group for adult preventative dental. She elaborated that preventative services would be cut for adults, but children would be covered under Medicaid. Any emergency dental would be covered in the traditional Medicaid program. She explained that the preventative dental was an optional Medicaid service. She relayed that DHSS touched people and impacted people. The decisions had been very difficult to make. She reiterated that service was optional, and adults would still have coverage for emergency dental care under Medicaid.

Vice-Chair Ortiz asked how many adults would not be able to access basic cleaning services if the cut came to fruition.

Ms. Efird replied that she had the information and would provide it to Co-Chair Foster's office.

3:08:38 PM

Co-Chair Foster noted that some of the \$250 million reduction would be subject to CMS approval. He asked if the department could quantify what portion of the reduction could be made that was considered easier [to make]. He had heard the number \$100 million.

Ms. Efird responded that the department would have the number as quickly as possible. The department wanted to ensure the number provided was as accurate as possible.

Commissioner Crum added that part of the goal of Deputy Commissioner Steward's current trip to D.C. was to gain insight into the timeline. He anticipated being able to provide a clean projection to the committee in the coming week.

Representative Sullivan-Leonard asked if the governor was proposing any other cuts to optional Medicaid programs.

Ms. Efird answered that DHSS was looking at innovative ways to cover the healthcare coverage needs of Alaskans. She would provide a list of the optional Medicaid services and associated costs that were currently provided. She explained that under the Affordable Care Act some previously optional services had become mandatory, such as pharmacy services. She reported that a number of optional services for Alaska were ways the state had chosen to cover what would have been a mandatory service under the federal Medicaid program. She explained the state had been considering the best way to cover services for the Alaska population. She detailed that some of the services were considered optional, but if the state did away with some of them, the service would end up being mandatory. The department was working with CMS to avoid disrupting healthcare coverage for low income Alaskans and was looking at innovative ways to provide the coverage.

3:12:16 PM

Ms. Efird reviewed the governor's proposed statewide support executive branch 50 percent travel reduction of approximately \$350,000 GF (slide 8).

Co-Chair Wilson noted that the legislature had put a substantial amount of money into the Office of Children's

Services (OCS) the previous year for increasing caseworkers and studying caseloads. She highlighted issues including the number of children removed from their home, reunification level, and the termination process. She asked how many of the positions were still being held and whether the [caseworker] turnover rate still existed. She asked for an update on how the money (provided via HB 151) had been used.

Ms. Eford answered that the department would provide additional information. She detailed that two years back OCS had received a number of positions, which were all filled. The majority of the positions had gone to the Wasilla office and had resulted in a reduction in the number of caseloads per worker. She would provide the committee with information on the "out of home" children connected with the Wasilla office. Additionally, in the previous year there had been 16 more OCS staff added. She reported that some staff had left since that time and the department was looking to fill the positions. She communicated that there continued to be some retention concerns within OCS.

Co-Chair Wilson agreed that caseloads would be less if there were more caseworkers and the same number of children. She asked if the state was going to continue to do the same thing it had been doing where reunification numbers had been very low. She did not think there was any bigger crises than taking a child from a home if there had been an option to work things out [and keep the child in their home]. She wondered if there were any changes on the horizon.

Commissioner Crum answered that dealing with children was one of the department's most important responsibilities. As more data came in about adverse childhood experiences (ACES) the department was working more and more towards determining how to implement family reunification aspects and/or working with community partners. There were many different scenarios where the department was looking to gain efficiencies to ensure things were being done in the best way possible for children and their long-term outcomes.

[3:15:32 PM](#)

Co-Chair Wilson stressed that the topic was a cross-departmental issue. She expressed frustration over not knowing whether growth [in the number of children removed from their homes] was still occurring. She referenced the substantial funding that went to the system and surmised at the current cost the state could pay to have someone live in [troubled] homes with the parent [and child]. She highlighted the number of professionals involved in each case including an attorney for each parent, the OCS attorney, OCS caseworker, and guardian ad litem. She thought the system should stop doing things in silos to use the money in a better way. She hoped that with the administrative directors going to OMB it would mean the discussions would take place.

Co-Chair Wilson found it heartbreaking to hear from individuals who had been removed from their family settings [as children] and somehow, they had gotten caught up in a similar scenario [as adults with their own children]. She thought the state had been "doing it for too long." She understood that responsibility for the problem did not only reside with DHSS. She continued that the state had broken apart families for many years. She reasoned that unless all agencies worked together to figure out how to do things differently there would be more crime and juvenile detention. She encouraged the department to work with others because the issue was hitting numerous budgets. She believed the issue had been the fastest growing program two years back and no one was getting the help they really needed.

Vice-Chair Johnston suggested visiting a "wonderful" nonprofit (as an example of best practices) in Anchorage that had expanded to Fairbanks. She highlighted that legislation passed in the previous year included a Legislative Budget and Audit Committee audit. She thought 2018 would be the baseline for any improvement brought by the legislation.

[3:18:31 PM](#)

Vice-Chair Ortiz thanked the department for its presentation. He stressed that everyone agreed that expenditures needed to match revenues. However, the department's budget was not saying that. He stressed that the budget reduced care for seniors, basic dental care, and

more in favor of a full PFD. He did not support the approach.

Co-Chair Wilson did not believe that was the only thing that was being said. She believed it was possible to do business differently. She thought the state was bad at getting people off of programs and believed there were options to help wean people off. She shared that she had been contacted by people trying to get off of programs. She acknowledged there were difficult decisions to make. She heard what Vice-Chair Ortiz was saying but believed there were inefficiencies and money left on the table that held back Alaskans from owning their own home, having the job they wanted, and trying to keep some of the programs they needed in order to get there.

Co-Chair Foster he thanked the presenters and reviewed the schedule for the following day.

#

ADJOURNMENT

[3:21:28 PM](#)

The meeting was adjourned at 3:21 p.m.