

HOUSE FINANCE COMMITTEE
January 29, 2020
1:33 p.m.

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CALL TO ORDER

Co-Chair Foster called the House Finance Committee meeting to order at 1:33 p.m.

MEMBERS PRESENT

Representative Neal Foster, Co-Chair
Representative Jennifer Johnston, Co-Chair
Representative Dan Ortiz, Vice-Chair
Representative Ben Carpenter
Representative Andy Josephson
Representative Gary Knopp
Representative Bart LeBon
Representative Kelly Merrick
Representative Colleen Sullivan-Leonard
Representative Cathy Tilton
Representative Adam Wool

MEMBERS ABSENT

None

ALSO PRESENT

Mike Abbott, Chief Executive Officer, Alaska Mental Health Trust Authority; Mary Jane Michael, Chair, Board of Trustees, Alaska Mental Health Trust Authority; Steve Williams, Chief Operating Officer, Alaska Mental Health Trust Authority.

PRESENT VIA TELECONFERENCE

None

SUMMARY

HB 205 APPROP: OPERATING BUDGET/LOANS/FUNDS

HB 205 was HEARD and HELD in committee for further consideration.

HB 206 APPROP: MENTAL HEALTH BUDGET

HB 206 was HEARD and HELD in committee for further consideration.

FY 21 DEPARTMENT BUDGET OVERVIEW; MENTAL HEALTH & TRUST AUTHORITY

Co-Chair Foster reviewed the agenda for the day.

#hb205

#hb206

HOUSE BILL NO. 205

"An Act making appropriations for the operating and loan program expenses of state government and for certain programs; capitalizing funds; making appropriations under art. IX, sec. 17(c), Constitution of the State of Alaska, from the constitutional budget reserve fund; and providing for an effective date."

HOUSE BILL NO. 206

"An Act making appropriations for the operating and capital expenses of the state's integrated comprehensive mental health program; and providing for an effective date."

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^FY 21 DEPARTMENT BUDGET OVERVIEW; MENTAL HEALTH AND TRUST AUTHORITY

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Co-Chair Foster invited the testifiers to the table to begin the presentation.

MIKE ABBOTT, CHIEF EXECUTIVE OFFICER, ALASKA MENTAL HEALTH TRUST AUTHORITY, introduced himself.

MARY JANE MICHAEL, CHAIR, BOARD OF TRUSTEES, ALASKA MENTAL HEALTH TRUST AUTHORITY, introduced herself. She began the PowerPoint Presentation: "Alaska Mental Health Trust

Authority Legislative Presentation" by reviewing the other trustees as listed on slide 2. They included Chris Cooke, Vice-Chair; Ken McCarty, Secretary; Verne' Boerner, Program and Planning Committee Chair; Laraine Derr, Finance Committee Chair; Anita Halterman, Audit and Risk Committee Chair; and John Sturgeon, Resource Management Committee Chair. She also noted the most recent appointment of the governor, Rhonda Boyles from Fairbanks.

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Ms. Michael continued to slide 3: "Trust Beneficiaries." She reported that in the previous fall the Alaska Mental Health Trust Authority (AMHTA) celebrated the 25th anniversary of the landmark settlement that created the trust. The settlement was a significant moment in Alaska's history, and over the last 25 years the Trust had increased its assets and served thousands of beneficiaries who experienced mental illness, developmental disabilities, substance abuse disorders, Alzheimer's disease and related dementia, and traumatic brain injuries. The Trust was the only organization of its kind in the United States. It was a state corporation that maintained a unique position in Alaska government. The Trust's funds, similar to a private foundation, were self-generated and granted to projects, partnerships, and programs that promoted long-term systematic change and improved the lives and circumstances of the Trust's beneficiaries.

Ms. Michael continued that looking back in history, prior to statehood, there were little, if any, services in Alaska. Children and adults with disabilities were sent out of state to Morningside Hospital in Portland, Oregon, an institution that provided custodial care at the time. Often the individuals were never reunited with their families or communities again. Significant progress had been made in Alaska since then. The Trust had invested heavily and successfully in community-based services such as residential supports, case management, family caregivers, supported employment, and day programs. All of the services she mentioned were far less expensive than institutional care and insured a better quality of life with families and community.

Ms. Michael maintained that over the years the Trust had partnered with the state on many transformational projects by investing staff time and resources. One such partnership

was the closure of Harborview Developmental Center in Valdez in 1997. It was the state's institution that once served people with intellectual and developmental disabilities. Another was, "Bring the Kids Home," an Alaskan initiative which brought kids with severe emotional disabilities who had been placed out of state for treatment back to Alaska. More recently in 2016, the Trust approved a multi-year \$10 million commitment to support the necessary administrative and consultant services needed to implement Medicaid reform. The results were impressive. According to the Department of Health and Social Services (DHSS), the state saved more than \$210 million in less than 4 years by implementing the reforms.

Ms. Michael reported that currently, the Trust was committed to improving the psychiatric crisis continuum of care. The recent challenges at Alaska Psychiatric Institute (API) highlighted the gaps in community-based crisis intervention which, if in place, could reduce the need for in-patient treatment for many beneficiaries. The Trust was working with DHSS and other community partners to look at national models that could be replicated in Alaska to reduce the need for long-term psychiatric care. The topic would be discussed in greater detail further into the presentation.

Ms. Michael relayed that the Trust's land office continued to make significant progress. The results of 10 or more years of work could be seen on the United States Forest Service Federal Land Exchange. The Icy Cape and Heavy Mineral Project continued exploration activities finishing a sixth field session in the coming summer. The recent closed-bid sale of the Juneau sub-port property would generate \$20 million for the Trust and its beneficiaries. Not only did the Trust Land Office generate new revenue to add to the Trust investment earnings, it had been a stimulus for local economies and created jobs.

Ms. Michael spoke of the Trust's involvement in its internal organization. The Trust responded to the audit findings presented to the legislature in the prior year. The Trust also increased staff and trustee trainings, established committee charters and protocols, and streamlined operations to get more grant funds to organizations serving beneficiaries sooner. The Trust had a remarkable group of dedicated a resourceful staff. It also had a strong leader and a board of trustees she had been

proud to serve. The board and stakeholders realized that the work of the Trust would continue, as there were new challenges and future generations of beneficiaries that it would need to care for. The Trust was dedicated and prepared to meet the challenges it encountered.

Co-Chair Foster indicated Representative Tilton had joined the meeting.

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Representative LeBon thought he heard Ms. Michael mention a land sale of \$20 million. Ms. Michael responded that she was referring to the sub-port property that had been discussed over the years.

Representative LeBon asked if the term of the sale was cash or whether the Trust provided any financing. He wondered about the Trust's policies on conducting a sale. Mr. Abbott replied that the Trust could dispose of property in several different ways. In the case of the sub-port, the buyer would acquire the sale by depositing approximately \$5 million per quarter for 4 quarters. The Trust expected to receive the final installment in the third calendar year quarter of 2020. The acquisition would occur at the beginning of FY 21. In the meantime, the funds would remain in an escrow until the transaction closed.

Representative LeBon inquired about the rate of interest. Mr. Abbott indicated the Trust would receive a small amount of interest during a 12-month period. Once the funds were accumulated, they would be deposited along with other similar receipts into the Mental Health Trust Fund corpus and managed by the Alaska Permanent Fund Corporation (APFC) for long-term income generation.

Representative LeBon asked if the Trust financed sales. Mr. Abbott replied that the Trust sometimes financed sales. He explained that when the Trust sold a piece of land, it was not uncommon for the buyer to contract with AMHTA to pay it off over time essentially financing the sale.

Representative LeBon asked for the Trust's typical rates and conditions. Mr. Abbott responded that the rate was 3 percent over prime.

Mr. Abbott turned to slide 4 showing the overall financial position of the Trust. He brought approximately 23 years' worth of the Trust's invested assets to show the committee. He pointed out that the trend line on the slide was positive with the exception of a couple of bad years from FY 08 to FY 10. The Trust had been very successful in stewarding its assets. The invested assets were the primary source of income for the Trust's work. The assets have accumulated by reinvesting earnings in some instances and through income generated from the Trust's lands. He explained that whenever the Trust disposed of an asset, the assets were required to be invested rather than spent.

Co-Chair Johnston asked if the Trust's real estate equity was land. Mr. Abbott responded that the equity described on the slide was the equity in the commercial real estate investments acquired by the Trust over a 5-year or 6-year period. The equity amounted to approximately \$50 million which had grown over time as described on the slide. It was managed differently than either the reserves or the corpus and was the reason for highlighting it as a separate investment type on the slide.

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Co-Chair Johnston asked who was currently managing the fund. Mr. Abbott replied that it was being managed by the Trust Land Office with support from a reputable external real estate advisor, Harvest International, who the Trust secured late in the prior year. The company assisted the Trust in making choices around selling assets, leasing strategies, and management strategies.

Co-Chair Johnston queried where the other assets were and how they were being invested.

Ms. Michael responded that there was a portion of invested assets that were managed by APFC. The Trust's funds were a co-mingled asset with the Alaska Permanent Fund (PF). Approximately 1 percent of APFC's funds under management were actually mental health funds. The Trust's approximately \$500 million being managed by APFC represented about 1 percent of APFC's \$60 billion that they actively managed. The Trust received the benefit of being blended with APFC's assets. The investment types that APFC had access to were broader and potentially more beneficial than those the Trust would be able to obtain if it stood

alone as a self-managed entity. In addition to access to different investment types, the Trust received a great deal on investment expenses. He elaborated that by virtue of APFC managing \$60 billion, the Trust was able to strike attractive deals with APFC's managers on fees. The Trust paid a pro-rata share of their earnings. The arrangement was part of the original settlement struck in 1974 and definitely benefited the Trust.

Mr. Abbott turned to slide 5 which showed the FY 21 earnings and available funding. He reported that at the end of FY 19 the Trust had more than \$450 million in its corpus and \$125 million in reserves. He noted that a portion of the reserves were managed by APFC and another portion was managed by the Department of Revenue. There was also the real estate equity he described. The Trust had been operating with a percent of market value (POMV) style revenue generating mechanism for most of the 25 years of its existence. The Trust was using a 4.25 percent payout rate based on a 4-year average (4 prior years) of invested assets. He pointed to the lower left-hand portion of the slide reporting that it generated more than \$24 million of the total \$33 million of spendable income in FY 21. The other revenue stream totaled over \$3 million and was prior year funds carried forward. He reported nearly \$5 million of spendable revenue came from the Trust Land Office which differed from the investable revenue it generated. He also noted revenue in the form of interest earnings from the Trust's liquid assets (essentially cash) managed by DOR.

Mr. Abbott highlighted the lower right-hand portion of the slide. He reported that the Trust expected to spend \$33 million in FY 21 which was an appreciable increase over its spendable income in prior years and reflected a pleasant trend line. If the Trust made what it expected, its spendable income should increase by \$1 million to \$2 million per year for the following 5 years. It would be positively influenced when the Trust deposited the \$20 million from the sub-port sale. As it rolled through the 4-year averaging mechanism, the \$20 million at a 4.25 percent payout would generate \$850,000 of spendable income every year forever as currently managed. He emphasized the income of such an investment.

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Representative LeBon asked for the Trust's definition of real estate equity. He wondered if it was the value on a cost-basis at the time of purchase or the current market value. If it was current market value, he inquired how the Trust determined market value.

Mr. Abbott explained that it represented the Trust's equity which equaled market value minus debt. The properties had approximately \$40 million or \$45 million of debt against them. The Trust was in a positive position in terms of debt versus equity. The Trust determined market value by doing an appraisal every 3 years. In the second and third year of the cycle, the Trust obtained a broker's letter. Every year the Trust was capturing an estimate of value. He clarified that he was only talking about 7 discreet properties. Therefore, it was not a significant management challenge to conduct the evaluations.

Representative Carpenter asked if the earnings were in perpetuity. Mr. Abbott responded that it was absolutely in perpetuity. The Trust had set a relatively conservative payout rate designed to generate substantial spendable income while leaving funds available for inflation proofing or for other uses. The Trust was managing its assets as if it was going to be around forever.

Representative Josephson asked who held the mortgages on the properties. Mr. Abbott responded that 6 of the properties were mortgaged separately. He did not know who the mortgage holders were offhand. However, he could provide the information. The loans were market-based through institutional grade financiers.

Representative Josephson asked if the Trust was in a better position to borrow against its holdings when it was reconstituted in the 80s. Mr. Abbott explained that the 7 properties that had debt were acquired between 2010 and 2015 (or 2016). They were obtained separately and subsequently mortgaged. The mortgage was only applicable against the property in question. The 6 properties were held in limited liability corporations (LLC) wholly owned by the Trust. Therefore, the mortgages could not penetrate the LLC. The only property at risk in the debt arrangement was a single property.

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Representative Wool asked if the lands were purchased. He was unaware of the Trust purchasing its own real estate similar to APFC.

Mr. Abbott informed the committee that in 2010 trust funds of about \$40 million to \$50 million were used to acquire 7 properties over a period of about 5 years. The funds could have been diverted to APFC and invested. However, shortly after the market crash the trustees looked for alternatives to increase Trust income while still maintaining the value of its invested assets. The properties consisted of 2 in Alaska, 1 in Washington, 1 in Utah, and 3 in Texas. They were acquired, mortgaged, and were currently managed by the Trust. He reported that in the Trust Land Office's spendable income, approximately \$2 million of the \$4.7 million shown on the slide, was the net income of the 7 properties. The properties were generating income for the Trust to use for beneficiaries every year.

Representative Wool asked if the Trust had moved away from purchasing real estate and was simply managing its currently owned properties. Mr. Abbott responded that the Trust presently had no plans of making any further investments in real estate. As the Trust acquired assets, they were sent to APFC for management.

Vice-Chair Ortiz asked if there was an annual review of whether the Trust was keeping up with the needs of its beneficiaries.

Mr. Abbott responded that the State of Alaska and the Trust recently adopted a new iteration of the comprehensive, integrated mental health plan for the state. The plan was required by statute but had not been adopted since 2006. The new plan would guide Trust investment and hopefully guide state investment as well. One of the elements of the plan would be measuring the Trust's progress against 9 different goals. In future presentations, the legislature should expect the Trust to bring the data demonstrating its progress against the expectations outlined in the plan. He opined that the legislature should hold the Department of Health and Social Services to the same expectations.

Representative Carpenter returned to the subject of a 4.25 percent payout. He wondered if the Trust had modeled the payout at 4.5 percent or 5 percent. He asked if either were feasible for maintaining the principle into perpetuity. Mr.

Abbott responded that the Trust had not modeled the percentages in the prior 5 years. He thought the Trust would be doing an analysis of its reserves within the following year. The Trust set a target level for its reserves which had not been revisited in more than 5 years. A review of the payout rate had not been done in recent years and would likely be conducted in FY 22.

Representative Carpenter wondered if it was feasible the last time the payout rate was reviewed. Mr. Abbot responded that it was designed to grow the Trust's invested assets and provide funding for beneficiary-related work in the near-term. He did not believe that the goals would change during the next review. He noted that in the early years when the Trust's assets were significantly smaller, the payout was around 2 percent. The rate ramped up over the first 7 or 8 years then settled to 4.25 percent. As the Trust's assets became healthier and more diversified by the PF, the Trust became less subject to volatility, and the payout rate increased. He would not be surprised if advisors showed the Trust a way to increase the payout rate, at least marginally, while maintaining the Trust's objectives about long-term health.

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Mr. Abbott reviewed the pie chart reflecting the Trust's spending plan on slide 6. He reported that the FY 21 spending plan, as approved by the trustees, was made up of 3 components that were described in bright colors on the chart. He brought attention to the 2 administrative budgets, the Trust Authority Office (housed within the Department of Revenue) and the Trust Land Office (housed within the Department of Natural Resources) which could be found in the upper right-hand portion of the pie chart.

Mr. Abbott moved clockwise on the pie chart to the Mental Health Trust Authority Authorized Receipts (MHTAAR) section. He explained that MHTAAR funds were authorized by the trustees to be used by state agencies. The funds had to have receipt authority in the form of a legislative appropriation. Most of the funds were included in the mental health budget bill and some were in the operating budget bill. He noted that legislative appropriation for the administrative budgets was also required by terms of the Trust's settlement.

Mr. Abbott reported that the authority grants, represented by the largest pie on the chart, were the grants made to non-state agencies for programmatic work. The funds were given to non-profits, tribes, and local governments and included the Trust's mini grant funds. The funds were authorized by the trustees and were not appropriated by the legislature. The spending did not show up on any legislative budgeting materials. However, he had plenty of information on the subject and offered to provide it.

Co-Chair Johnston commented that the state was transitioning in terms of a behavioral health waiver and a fee for service. She noted the state grants for the mental health community were reduced in the prior year. She wondered if Mr. Abbott thought the state could return to its previous level of services.

Mr. Abbott responded that the Trust was a part of the arrangement through SB 74 [Legislation passed in 2016 regarding Medicaid reform]. From the Trust's view, new Medicaid money would go towards behavioral health. However, it meant state grants would decrease. Since Medicaid money came from the federal government, general fund (GF) funding in grants would be reduced. The Trust was aware of the circumstances. In the previous year, the Trust was concerned with cutting grants before the Medicaid funding came in. He was informed by the department that agencies that lost grant funds have made them up in Medicaid funds. He encouraged the legislature to speak to the department. The Trust, because the start of the funding was choppy, provided "bridge money" to agencies that would otherwise have been forced to close their doors. The state funding showed up by August. The Trust tried to help with the transition away from grants towards Medicaid. There were certain services Medicaid would not reimburse. He believed there would continue to be reductions as the waiver and other Medicaid-funded services came online.

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Co-Chair Johnston suggested that the \$13 million was in the budget because the mental health waiver was not completely implemented. She wondered if the information was taken into consideration. Mr. Abbott responded that the Trust took it into consideration. He emphasized that the Trust's \$13 million was not a substitute for the state's behavioral health grants. The funds went out to hundreds of different

providers and mini-grant awardees for a variety of purposes around the state. Only a small fraction of the \$13 million was used to bridge the gap of a timing issue rather than a delivery challenge. The Trust's message to providers was to get to Medicaid. The Trust provided significant help and resources to assist providers in training and building up their technologies to bill Medicaid. The Trust was not encouraging people to rely extensively on grants for things that could be funded through Medicaid.

Representative Josephson asked how providers knew to telephone the Trust. Mr. Abbott reported that the Trust reached out to providers who were awarded grants but had not yet received the funds. There were some providers that did not have the resources to float until the funding arrived. The Trust applied its funds to those providers.

Representative Josephson asked Mr. Abbott to describe the appropriate answer to a query about why there were community matching grants and behavioral grants.

Mr. Abbott indicated he would channel his inner Jeff Jessie, the long-time CEO of the Trust for 23 years. He relayed that when the Trust was re-established in 1994, it was made clear that the Trust neither had sufficient resources to back-fill the state's responsibility, nor should it have that responsibility. The constitutional obligation of the state to ensure the health and welfare of its citizens was not diminished by the existence of the Trust. The Trust's money was designed to layer on top of an appropriate layer of state and federal funding for Trust beneficiaries and to do more to help improve their lives. The Trust also employed money in partnership with state and federal agencies to help state and federal money go further, of which Medicaid reform was a good example. The Trust contributed \$10 million that would have otherwise been GF money to Medicaid expansion and reform knowing tens of thousands of Trust beneficiaries would gain access to care and improved care. From the Trust's point of view, Medicaid expansion and reform had been a huge success for Trust beneficiaries.

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Mr. Abbott turned to slide 7: "FY 21 GF/MH Recommendations." He spoke about the governor being required to submit an operating budget for the Trust. The

Trust was required to make recommendations to the administration and the legislature which would support Trust beneficiaries. He pointed to the GF/MH column which showed what the Trust recommended. He clarified that the column really represented GF even though it indicated GF/MH. The column was titled GF/MH because it was based on a recommendation of the Trust. He highlighted that the orange columns, which reflected the governor's proposed budget for FY 21, did not include all of the trustees' recommendations for GF contributions. He would not review all of the related pros and cons, but the Trust would be working with the finance committees and relative subcommittees through the budget process. He would encourage members to consider adding some of the funding back into the budget. Developing a budget was a multi-stage process. The trustees developed their recommendations in September of the prior year, the governor submitted it to the legislature along with the operating budget in mid-December, and the legislature took action.

Vice-Chair Ortiz asked how the Trust arrived at its' recommendations. Mr. Abbott responded that it was difficult to provide a definitive answer, as it was somewhat of an art. He opined that it did not represent every dollar the Trust thought could or should be spent to help beneficiaries. The Trust was spending some of its own money in certain areas while encouraging the state to contribute GF in a complimentary way. The process was more qualitative than quantitative, and, therefore difficult to describe. He was happy to discuss the merits of each of the individual budget items at another time.

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Co-Chair Foster mentioned GF money in terms of what the board was recommending versus what the governor was proposing. He asked if the governor was recommending \$5.5 million less than what the board was recommending. Mr. Abbott replied that the difference equaled approximately \$4.5 million. The Trust recommended \$5.9 million. Whereas, the governor's budget recommended \$1.5 million.

Co-Chair Johnston asked about the request for matching funds from the GF. She wondered if a program would end if matching funds were not provided. Mr. Abbott reported that the Trust might revisit its contribution to certain programs if the state did not provide the match that was

anticipated. In certain instances, it might not be worth doing the program if it was significantly less money. In some cases, programs started out as state priorities to which the Trust made smaller contributions. If the state was not interested in certain programs any longer, it might not be worth the investment of the Trust. Each of the items would require a different calculation.

Co-Chair Johnston highlighted the Homeless Assistance Program. She wondered if the program would be crippled. Mr. Abbott thought the question should be directed to the Alaska Housing Finance Corporation (AHFC). He suspected it would significantly reduce the impact or benefit of the program. He did not want to speak to its ultimate impact.

Co-Chair Johnston inquired about the Special Needs Housing Grant. She did not think the project could be cut altogether. She asked if she was accurate. Mr. Abbott believed she was correct. He thought that in the case of the Special Needs Housing Grant there was a reduction in funding of about \$1.75 million. The program could remain in operation at a reduced funding level.

Co-Chair Johnston asked about the Holistic Defense Project in Bethel. Mr. Abbott responded that the project could not operate at the level of \$193,000. The state had been a large contributor. He would not expect the program to continue the way in which it operated currently without all or most of the state GF contribution.

Co-Chair Johnston asked about the IT Telehealth Service System Improvement Project. She queried whether funding went towards licensing or for something else. Mr. Abbott would have to follow-up with the committee.

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Representative Carpenter what to clarify the vision that had been discussed on previous slides regarding Medicaid and authority grants. He thought he heard Mr. Abbott report that there were particular grants that came out of the \$13 million the Trust had encouraged entities to seek funding through Medicaid. He asked if he was correct.

Mr. Abbott responded, "Not exactly." He explained that the funding the Trust provided was not likely to be replaced by Medicaid funding. The grants that could be replaced by

Medicaid funding were the state GF (behavioral health) grants. In the previous year the grants totaled about \$50 million. The grants had been shrinking. As Medicaid was increasing, the grants were supposed to decline in equal fashion. State GF funds, rather than Trust funds, were being replaced by Medicaid funds.

Representative Merrick referred to page 7, line item 3. She noted the MHTAAR request for \$300,000 and \$1 million in GF. The governor's budget proposed \$1.3 million for MHTAAR. She asked why the numbers were combined in the governor's budget.

Mr. Abbott thought Representative Merrick asked a great question. It was new for the governor to recommend an increase in the Trust's contribution to a program. Legally, the administration or the legislature could increase the Trust's contribution. He explained that MHTAAR were authorized receipts. If the Trust's money did not show up, it would not get spent. He would not be surprised if it was a mistake on the part of the governor. He thought it would be adjusted in the governor's amended budget or the Trust would work with the finance committees to make a change. Presently, the Trust was not planning on contributing more than \$300,000 in the trustees' proposal.

Representative Josephson asked about the Holistic Defense Project. Mr. Abbott deferred to someone else from AMHTA.

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STEVE WILLIAMS, CHIEF OPERATING OFFICER, ALASKA MENTAL HEALTH TRUST AUTHORITY, explained that the Bethel Wholistic Defense Project was a joint project in which the Trust had been working with the Public Defender Agency and Alaska Legal Services. It was a pilot model from a program in Brooklyn, NY. Several people had conducted a site visit to observe the model. The model brought together an individual's criminal charges, looked into whether the person had any civil cases or legal issues going on, and brought them together working in concert to get them resolved simultaneously.

Co-Chair Foster wondered if the program would continue, as it had been referred to as a pilot program. Mr. Williams responded that the program was currently operating. The funds were in Bethel. The additional funds would help

maintain the Bethel project as well as look at expansion in either Nome or Kotzebue.

Mr. Abbott continued to slide 8 which discussed the Trust Land Office. He mentioned it was a separate division within DNR wholly dedicated to managing the Trust's land assets. The Trust owned approximately 1 million acres of land that was part of its original entitlement. The Trust had disposed of about 30,000 of the acres which led to some of the receipts seen earlier in the presentation. The slide showed 1 year (FY 19) of Trust Land revenue activity. The Trust received revenues from all sorts of resource types. The ratios between the different asset types changed radically from year-to-year depending on commodity prices and other variables. For instance, some years there might be less revenues from timber but more revenues from minerals. The slide provided a 1-year snap shot. In FY 19 roughly half of the money was generated in a such a way that it had to be invested. The other half was generated in such a way that it was available for spending immediately. In some years it was balanced differently. In the current year it was about a 50/50 split in spendable revenue versus investible revenue.

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Vice-Chair Ortiz asked Mr. Abbott to elaborate about a land exchange in Southeast Alaska between AMHTA and the U.S. Forest Service.

Mr. Abbott responded that several years prior the U.S. Congress and the Alaska Legislature specifically authorized an exchange of lands whereby the Trust would give up a significant quantity of acreage in Southeast Alaska generally located near or adjacent to communities including Ketchikan, Petersburg, Wrangel, Sitka, and Juneau. In Exchange, the Trust would acquire lands in the Tongas National Forest. The Trust's interest was in gaining access to lands less objectionably developed than lands it owned at the time. For a variety of reasons residents of Ketchikan did not want to see Dear Mountain harvested. The purpose of the Trust owning land was to generate revenue. It was not a multi-use land manager. The Trust was managing for money for its beneficiaries. The Trust was required to measure the use of properties for the benefit of its beneficiaries. As a result of community interests and other interests, it was determined that the Trust should acquire

lands primarily on Prince of Wales Island and Shelter Cove near Ketchikan.

Mr. Abbott continued to report that the Trust was towards the end of the exchange process which had taken significantly longer than anticipated. The exchange had been broken into phases. Phase 1 had been completed which meant that some of the parcels near Ketchikan had reverted to the U.S. Forest Service, and some of the parcels in the area of Prince Wales Island had been transferred to the trust and were actively being harvested. He relayed that the Trust had a harvesting operation under contract before the exchange was consummated. It was contingent on the exchange going through. There was a significant amount of interest in the timber. The largest timber manufacturer in Alaska was at risk of losing access to any wood. There were a number of entities invested in seeing the deal finalized. Phase 2 was currently under way, and he anticipated its completion in the middle of the following year. The Trust remained committed to completing the exchange. He believed it would net millions of dollars-worth of value which the Trust would deploy to its beneficiaries.

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Mr. Abbott continued to slide 9: "25 Years of Supporting Beneficiaries." Some of the Trust's signature accomplishments had been in the areas listed on the slide including Harborview, Bring the Kids Home, and Medicaid reform and expansion.

Mr. Abbott turned to slide 10 detailing Medicaid reform and expansion. The Trust made an initial investment or commitment of investment of \$10 million about 4 years prior. By the end of FY 20 the \$10 million would be fully expended. The money had given the department the ability to move forward with several key elements of the reform process. There were several pieces of Medicaid reform that impacted Alaskans generally. The ones that had impacted the Trust's beneficiaries included the development of the administrative services organization and the 1115 waiver. They were both underway and moving forward. He believed Medicaid expansion and reform had been a "big win" for Trust beneficiaries.

Mr. Abbott advanced to slide 11 and reviewed Medicaid reform success. One of the state's major objectives was to

expand care without increasing GF expense. He looked at a graph at the bottom right of the slide. The green line on the top described the increase in enrollment or Medicaid users. The growth was primarily associated with Medicaid expansion. The columns indicated the amount of money that had been spent. He drew attention to the blue portions. The GF portions, had not grown significantly. Essentially, state GF spending had been flat while service to Alaskans had gone up radically. Many of the Alaskans being served (either originally served through Medicaid or served through expansion) were Trust beneficiaries.

Representative Josephson stated that about 10 to 11 months earlier there had been a number of hearings where the administration proposed cutting the state contribution to Medicaid by excluding certain classes of beneficiaries (not Trust beneficiaries but Medicaid beneficiaries) and making efforts with the Centers for Medicare and Medicaid Services (CMS) to exclude them formally. He asked if AMHTA took a position on the issue.

Mr. Abbott replied in the affirmative. He elaborated that adult dental was the specific service type that the administration recommended be removed from base Medicaid. Over the years, adult dental moved in and out of being a core service in Medicaid. He reported that about 8 to 10 years earlier AMHTA had provided start-up funding to ensure adult preventative dental benefits for beneficiaries. The trust opposed the administration's efforts to exclude adult dental from Medicaid. He did not believe the department anticipated any service reductions as a result of their FY 21 Medicaid funding proposal. There were several cost savings measures that were intended to be enacted but not ones that would appreciatively change service levels. He was not authorized to speak on behalf of the department but had heard it many times.

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Mr. Abbott discussed the gap in services in the psychiatric crisis continuum of care presented on slide 12. He indicated the gap in crisis care was seen as a result of the pressure that had been placed on the Alaska Psychiatric Institute (API) and had not been addressed. He provided several examples of the crisis. He spoke of the impacts on emergency rooms that were becoming boarding facilities for Alaskans with psychiatric issues requiring care beyond what

they could provide for themselves. The problem existed in Alaska's jails which were also becoming boarding facilities for Alaskans with psychiatric requirements. The backs of police cars were becoming de facto holding areas for individuals in a wide range of crisis circumstances.

Mr. Abbott continued that the Trust along with department had been working together to address the needs in the area of psychiatric crisis to reduce the impact on hospitals, first responders, and correctional facilities. Maricopa County in the Phoenix Metro Area in Arizona had a different approach to crisis care which had been tested and vetted for more than 10 years. The Trust contracted with the same entity, RI, that helped Maricopa County deal with the issue. Representatives from RI met in Anchorage, Mat-Su, and Fairbanks with dozens of stakeholders across the continuum of care. Based on their visit, they made recommendations to the Trust that could be implemented in Alaska. The Trust had been working closely with the department who shared the Trust's eagerness. He gave kudos to Deputy Commissioner Al Wall for elevating the concern inside state government and by identifying solutions like the ones in Arizona. He would be proposing that the trustees add significant funding for crisis care work to the Trust's FY 21 budget at their next meeting scheduled for the following morning.

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Mr. Abbott reviewed the Crisis Now Model on slide 13. There were three areas of focus. The first was to implement regional statewide crisis call centers. The call centers would be staffed with clinically trained staff available 24/7 to support Alaskans dealing with a variety of crisis care requirements. The crisis care lines in Arizona were able to address the needs of the majority of people who called them without needing any further service. They helped people address the near-term needs and steered them to longer-term solutions.

Mr. Abbott continued that if the crisis care lines were not enough to address an issue for an individual, responders would have the ability to dispatch another new service type that did not currently exist in Alaska: mobile crisis teams. They were typically 2 person teams that were available 24/7 and worked hand in glove with first responders providing support and ultimately addressing

crisis care requirements. Crisis care responders would be deployed to sites such homes, work places, and schools. Many of the crisis events in Phoenix took place in schools. The teams went to assisted living facilities or wherever the need existed. Maricopa County, serving 4 million people, had 26 different teams which allowed for significant 24/7 coverage. He thought scaling would be a challenge for Alaska. In Maricopa County, if a first responder or a dispatcher identified a need, a crisis team responded immediately. Typically, the response time was less than 20 minutes. In almost every case, the first responder left upon the arrival of the crisis team unless there was a dire safety concern. In many instances, the first responder leaving the scene de-escalated the situation. He relayed that typically the team members consisted of a clinician and a peer, a person with some lived experience such as being in recovery from substance abuse. In most cases, the teams were able to address the need in place, help stabilize the individual and their environment, provide the individual with information, and follow up with outreach.

Mr. Abbott indicated that the third focus of the model was to provide residential stabilization programs. They were typically short-term drop-off or receiving facilities where people in crisis could go. If a mobile crisis team was unable to help a person, the individual could be taken to a drop-off facility. No one was turned away, the hallmark of the program in Arizona. It was a "no wrong door" approach. Many people that arrived at the facilities were transported in the backs of police cars. He reported that the typical hand-off time in Maricopa County was 1.5 minutes. The police officers pulled up, got the person out of the car, reported what they knew about them, and released them to the clinicians at the facility. The residential stabilization programs had 2 types of facilities including a 23-hour non-residential care facility and a 72-hour short-term care facility. The programs had been very successful. Most of the people at the facilities left on their own and returned to the continuum of care getting community-based mental health care. Medicaid would pay for many of the services. The Crisis Now Model was something the state needed and the Trust wanted to help support. He indicated that the program would be implemented in the urban areas to start. It was recommended that the Trust make a multimillion-dollar contribution in FY 21 to get the

program off the ground. Presently, the Trust was not asking the state for GF.

Co-Chair Foster wondered how the program would be implemented in rural Alaska. He understood that the program would likely start in the urban centers but hoped an effort would extend to rural Alaska. Mr. Abbott was optimistic that at least the call center could be a statewide operation in the beginning. The Trust was committed to working with tribal providers in rural Alaska to see how much of the model could be implemented. It would not likely have the same level of emergent service delivery that was more plausible in greater density areas. He reiterated that the Trust was 100 percent committed to extending the model to rural Alaska. Co-Chair Foster appreciated the efforts of the Trust to look outside the box and to try new things.

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Vice-Chair Ortiz asked if the Trust had determined any cost savings for the program. Mr. Abbott responded that Phoenix experienced a net cost savings. All of the different payers that paid into their healthcare system had seen neutrality or savings. He was certain that hospitals, the correctional system, and first responders in Alaska would see significant improvement. He could not speak to the potential savings the Fairbanks Police Department, for instance, might experience because of officers being able to focus their time doing more public safety-related duties. He did not know how entities would deploy their resources. The Trust was working under the assumption that it would not cost the state additional monies. The monies would come primarily through Medicaid. As the Trust did more planning and more implementation it would have more information. If the Trust wanted to build out the system beyond what typical health payers would pay, then discretionary contributions might have to be made. The contributions might be community-based.

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Co-Chair Johnston appreciated having been to Arizona to look at the crisis model. She noted that Phoenix had a managed Medicare system unlike Alaska. She did not want the problems to side-line the Trust's project. She also noted that Arizona's Medicaid paid for telehealth in the home. The Native health service also offered telehealth. She

indicated telehealth for mental health treatment seemed to be an effective model. Mr. Abbott relayed that the state was moving to managed care for behavioral health. He reported that Optimum Health was currently under contract to provide administrative services. It would feel like managed care for behavioral health through Medicaid. He speculated that it would facilitate the movement towards the new crisis model. Co-Chair Johnston added she did not want efforts to be premature and delay progress.

Mr. Abbott had a couple more slides on the Crisis Now Model but thought he had presented enough information. He was available for questions.

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Representative Wool applauded the Trust's behavioral health efforts towards intervention. He noted the population difference in Arizona versus Alaska. He had talked with the Department of Corrections (DOC) about the number of beds filled with people with mental health issues. There were far more beds filled in correctional facilities than at API. The model would lighten the load for DOC and for law enforcement. He thought if the crisis teams could get mobile it would be incredibly helpful in urban centers as well as in rural areas. He also thought telehealth for behavioral health was already available in Alaska. He noted that people in custody were not eligible for Medicaid. He reiterated that he thought Alaska already had telehealth for behavioral health through Medicaid.

Mr. Abbott confirmed that there was telehealth in Alaska. Typically, the format was clinic-to-clinic. Representative Johnston was referring to telehealth being provided in the home.

Representative Wool noted HIPPA being an issue with unsecured telephone lines. Mr. Abbott indicated there were challenges with HIPPA and telehealth. However, it was likely the challenges would be defeated.

Representative Josephson asked if the Crisis Now Model could be found in the budget bill. Mr. Abbott indicated there was nothing to see in the budget, as it was funded through other means including money from the Trust.

Representative Josephson recalled Mr. Abbott mentioning that several Trust budgetary items did not have to be appropriated through the legislative process. He noted that every penny spent by the university had to be approved by the legislature. Mr. Abbott commented, "This is better." He thanked the committee for questions from members.

Co-Chair Foster reviewed the agenda for the following day.

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ADJOURNMENT

3:02:02 PM

The meeting was adjourned at 3:02 p.m.