

SENATE FINANCE COMMITTEE  
February 22, 2019  
9:02 a.m.

9:02:25 AM

CALL TO ORDER

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

MEMBERS PRESENT

Senator Natasha von Imhof, Co-Chair  
Senator Bert Stedman, Co-Chair  
Senator Click Bishop  
Senator Lyman Hoffman  
Senator Peter Micciche  
Senator Donny Olson  
Senator Mike Shower  
Senator Bill Wielechowski  
Senator David Wilson

MEMBERS ABSENT

None

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; Senator Cathy Giessel; Senator Mia Costello; Senator Elvi Gray-Jackson; Senator Gary Stevens.

SUMMARY

SB 20        APPROP: OPERATING BUDGET/LOANS/FUNDS

SB 20 was HEARD and HELD in committee for further consideration.

Co-Chair Stedman remarked that the committee endeavored to provide the senators and the public with a broader feel for the budget due to the severe changes in policy. He informed that the Department of Health and Social Services (DHSS) Senate Finance Subcommittee would be chaired by Co-Chair

von Imhof. He thought there would be many subcommittee meetings as DHSS was one of the state's biggest cost drivers and the state was trying to better align its expenditures with its revenues.

#sb20

SENATE BILL NO. 20

"An Act making appropriations for the operating and loan program expenses of state government and for certain programs; capitalizing funds; amending appropriations; 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."

[9:05:08 AM](#)

^DEPARTMENTAL REVIEW: HEALTH and SOCIAL SERVICES

[9:05:08 AM](#)

LACEY SANDERS, BUDGET DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET, introduced herself.

SANA EFIRD, ADMINISTRATIVE SERVICES DIRECTOR, DEPARTMENT OF HEALTH AND SOCIAL SERVICES, OFFICE OF MANAGEMENT and BUDGET, relayed that she would discuss a high-level overview of the major budget changes in the presentation "State of Alaska; Office of Management and Budget; FY 2020 Governor's Amended Budget; Presentation to the Senate Finance Committee; February 22, 2019; Budget Director Lacey Sanders" (copy on file)."

Ms. Efird looked at slide 2, "Department of Health and Social Services."

Ms. Efird turned to slide 3, "FY2020 Budget: Department of Health & Social Services," which showed two bar graphs entitled 'Funding Comparison,' and 'Budgeted Position Comparison.' She specified that the slide depicted the funding totals and a comparison of the FY 19 management plan to the governor's FY 20 proposed amended budget. On the left side, the graphs showed the FY 19 total budget was \$3,249,951,500; compared to the proposed FY 20 governor's amended budget of \$2,468,798,400, which was an approximately 25 percent reduction.

Ms. Efird continued to address slide 3. She listed the fund types and amounts and noted that the largest portion of "other" funds were interagency receipts. The General Fund (GF) \$908,655,100 was composed of Unrestricted General Funds (UGF) and Designated General Funds (DGF). The UGF made up 90 percent of the GF total, and the other 10 percent was DGF. The largest portion of DGF was from Pioneer Home resident receipts, Social Security child support collections, background check fees, and other fees.

[9:08:24 AM](#)

Co-Chair Stedman asked if Ms. Efird could break down the GF component of the FY 19 Management Plan.

Ms. Efird stated that in the FY 19 Management Plan, the UGF funding was \$1,146,733,100; and DGF was \$87,213,100.

Co-Chair Stedman asked for Ms. Efird to review the position count.

Ms. Efird elucidated that the right-hand graph on slide 3 showed the changes in budgeted positions. There was a loss of 291 positions from FY 19 to the FY 20 amended budget. The majority of the positions (about 268) were in the Alaska Psychiatric Institute (API). She reminded that the department was exploring different private management of API in FY 20. The positions were shown as moving into a contractual line and were not being deleted. The other largest portion of positions being deleted was in the Nome Youth Facility. There were 16 positions in the treatment and detention services, 13 of which were proposed to be lost. Eleven of the positions were currently filled.

Co-Chair Stedman asked Ms. Efird to help the committee understand the reduction in federal funds.

Ms. Efird stated that generally the largest reduction in federal funds from FY 19 to FY 20 was in the Medicaid program.

Co-Chair Stedman asked if the reduction was allocated or unallocated.

Ms. Efird stated that the reduction was allocated in the Medicaid Services component, and OMB was currently working

on a plan to show specifics of what the reduction would be allocated for.

Senator Wielechowski referenced Ms. Efird's remarks about privatization of API. He noted that the change record detail showed a shift of \$28 million from personal services to services and wondered if the amount signified the cost for exploring privatization, or the cost of privatizing API.

Co-Chair Stedman stated that the next slide would address the subject of API.

[9:12:34 AM](#)

Ms. Efird advanced to slide 4, "FY2020 Budget: Department of Health and Social Services Snapshot (\$ Thousands)":

- Increase Behavioral Health Opioid Grants in the offices of Epidemiology and Substance Misuse and Addiction Prevention (+6,120.0 Fed)
- Alaska Psychiatric Institute:
  - Explore Privatization of the Alaska Psychiatric Institute (-\$0.0, PFT -248)
- Alaska Pioneer Homes:
  - Fund Alaska Pioneer Homes Payment Assistance (+\$15,000.0 GF)
  - Implement Rate Increase to Cover Full Cost of Care
  - Realign Pioneer Home Funding (-\$16,792.4 GF, -\$16,386.2 GF/MH)
- Medicaid:
  - Implement Medicaid Services Cost Containment Measures and Reforms (-\$225,000.0 GF, -\$450,000.0 Fed)
  - Eliminate Adult Dental Medicaid Benefit (-\$8,273.6 GF, -\$18,730.9 Fed)
  - \$271 million reduction from status quo projections (inclusive of bullets above)

Ms. Efird addressed Senator Wielechowski's question. She explained that the state was in a contract for management services through the end of June, with the option of continuing the contract. The fund shift reflected the policy decision to continue the contract.

Senator Wielechowski asked if the \$28 million shift to services was for privatizing API, or if the funds were for exploring privatizing API.

Ms. Efird stated that when the budget was put together, the administration was exploring the option of privatization. Since that time, the commissioner had declared an emergency declaration for API and there was a contract for a private entity to manage the facility.

Senator Hoffman asked about the \$450 million reduction in federal funds and asked if any federal approval was needed.

Ms. Efird explained that the department was working with the Centers for Medicare and Medicaid Services (CMS) to explore the possibility for another 1115 Demonstration Project, which would require federal approval. There were also other internal initiatives to examine ways to contain and sustain the Medicaid budget.

Co-Chair Stedman asked about the significance of the 1115 waiver.

Ms. Efird explained that the 1115 waiver was an option for states to compile a budget request to CMS to look at an innovative way to look at covering eligibility groups or additional services that needed to be approved.

[9:15:46 AM](#)

Senator Hoffman thought the administration was putting the cart before the horse. He suggested that the waivers would be obtained before the reduction. He asked what would happen if the waiver was not granted, and the authorization to receive the funds was not in the budget. He thought it seemed like there was a major gamble being taken. He commented on the seriousness of the situation.

Co-Chair Stedman asked for an explanation and for Ms. Efird to comment on the flexibility the state had or did not have pertaining to federal funds. He mentioned getting billed in a supplemental.

Ms. Efird stated that the bill also contained additional language requesting approval for allowing the department to be able to use the current funds in the Statutory Budget Reserve (SBR) (which she believed to be around \$172

million) as a backstop if approval from CMS was not received.

Senator Hoffman commented that in other pieces of legislation there were fiscal notes that followed public policy. He thought the public policy question of making the changes described by Ms. Efirm should be included in SB 20. He thought that the budget presented should not be contingent upon legislation. He asked why there was a deviation from the norm when it was critical in health care delivery to the citizens of the state.

Ms. Efirm stated that there were many initiatives that the department was exploring that would not require CMS approval. The intention was not to harm Alaskans in any way. The department wanted to provide the most sustainable Medicaid program to cover low income Alaskans; but with the policy direction for the current administration, the department needed to match revenues to expenditures. She reminded that Medicaid was one of the largest GF spends for the state.

[9:19:31 AM](#)

Co-Chair Stedman asked if Ms. Efirm could address the reason why the SBR was used. He reminded that the state had two major savings accounts - the Constitutional Budget Reserve (CBR) and the SBR. He thought it seemed out of the ordinary of historical practices to access the savings account as proposed. He asked why it should be used and why the committee should consider changing the proposal.

Ms. Sanders stated that the SBR fund was chosen as an account within the state that had a sufficient balance to meet the needs. She asserted that DHSS was undertaking a significant list. The funds were proposed as a multi-year appropriation that would cover FY 19 through FY 21 while the department worked to get approval from CMS and implement the changes.

Co-Chair Stedman expected the committee would take a "jaundiced" look at accessing the SBR.

Senator Hoffman commented that the topic was federal funds. He emphasized that the budget could not be balanced with federal funds. He did not think the testifier's comments were apropos to the question at hand of balancing the

budget. He thought the proposed budget was playing with people's lives.

Co-Chair von Imhof considered the upcoming slides and commented that it would be helpful if the timing of the various proposals was explained. She did not think many of the items could be rolled out July 1, 2019; and there were critical components to accomplish first. She thought it was important to include rationale behind each forthcoming bullet point. She thought the proposed cuts were lacking rationale.

Senator Shower referenced slide 3 and asked how many of the proposed eliminated positions had been vacant.

Ms. Efird did not have the number at hand but restated that the majority of the positions were from API. She reiterated that the bulk of the positions were for the Nome Youth Facility; and of the 13 positions, 11 were filled.

[9:24:10 AM](#)

Ms. Efird stated that the next two slides were high-level overviews of major reduction proposed in the governor's amended budget.

Ms. Efird spoke to slide 5, "FY2020 Budget: Department of Health and Social Services Snapshot (\$ Thousands)":

- Repeal Senior Benefits Payment Program (-\$19,986.1 GF)
- Reduce Adult Public Assistance (-\$14,700.0 GF)
  - Move to 1983 standard for maintenance of effort calculation
- Reduce Temporary Assistance for Needy Families (TANF) Maintenance of Effort (MOE) (-\$16,912.0 GF)
  - Work with federal partners to reduce MOE requirements
- Repeal Hold Harmless Program (-\$17,724.7 Other)
  - Provide option to receive dividends through monthly payments to minimize disruption to assistance recipients
- Close Youth Detention and Treatment at Nome Youth Facility (-\$2,000.0 GF)
- Reduce Public Health Nursing (-\$2,000.0 GF)

- Statewide Support - Executive Branch 50% Travel Reduction (-\$448.6 GF)

Ms. Efird reminded of the opioid crisis in the state and noted that the increased federal funds were to support the opioid emergency. She restated that when the proposed budget was being composed, there had been many conversations about the right path to ensure safety for patients and staff at API. There had been a number of emergency situations at the institute, and API had been under a corrective action plan and the commissioner had declared an emergency. There was a contract in place for management of API, through June 30. If deliverables were met, there was a second phase to engage with a contractor to take over management.

Ms. Efird continued to address slide 5. She discussed Alaska Pioneer Homes, and noted that there would be a proposed increase to residents that would reflect the actual cost of providing the service. Along with the rate increases, there would also be a budgeted \$15 million as a payment assistance grant program to ensure that no residents were evicted, and low-income seniors would continue to be admitted per regulation.

Ms. Efird discussed reductions to Medicaid as listed on slide 4. She stated that the administration was working to explore various options and ways that the department would meet the reduction.

[9:27:52 AM](#)

Senator Wielechowski asked about the Medicaid reduction of \$225 million. He asked for further explanation about items listed in the change record detail. He asked if there was concern about how a rate change would impact physician availability for Medicaid patients.

Ms. Efird did not feel qualified to discuss diagnosis-related groups and other options being considered. She stated that the department was working on a full plan that would be provided to the committee that would outline the exact steps and options that the department felt would be achievable in FY 20. Additionally, the plan would outline stages of implementation.

Co-Chair Stedman asked Ms. Efird to bring more detailed information back to committee regarding Senator Wielechowski's question.

Senator Bishop asked if there was going to be an increase in fees for current residents of pioneer homes.

Ms. Efird answered in the affirmative and stated that the proposed rates would be implemented July 1, 2019 for FY 20. She noted that there would be a required regulation process with public comment. She continued that the budget was built on the rate increases going to into effect.

[9:30:23 AM](#)

Senator Micciche asked about the length of the previous 1115 waiver process.

Ms. Efird reminded that she had started in her current role only a month previously. She recalled that the current process had been ongoing for over two years. The 1115 waiver demonstration project had been approved for the portion for substance use disorder treatment services, but coverage of increased behavioral health services was still awaiting approval from CMS.

Co-Chair Stedman thought more information was needed regarding the pioneer home rates. He shared that he had two family members that had passed away at the Pioneer Home and had two members that were current residents. He assumed that the state was not going to evict current residents.

Ms. Efird answered in the affirmative.

Co-Chair Stedman asked if the intention was to make the homes self-supporting. He asked if there were plans to liquidate, sell, or privatize pioneer homes.

Ms. Efird was not aware of plans to do what Co-Chair Stedman asked.

Co-Chair Stedman understood that rates would be adjusted. He recalled that Level 2 for mid-rate care cost approximately \$5,000 per month, which would be doubled.

Ms. Efird did not have the proposed rates available for consideration. She believed that what Co-Chair Stedman

stated was correct. She shared that the department was considering going back to five levels of care to more accurately "levelize" the cost of care with the actual needs of each resident. She did not know the amount of the proposed rate increases but stated that the figures would soon be released and open for the public comment process.

[9:34:10 AM](#)

Co-Chair Stedman recalled that residents produced a financial disclosure and list of assets upon entry to the Alaska Pioneer Home. He thought if a person had over \$10,000 in liquid assets a person would have to pay. He thought most people's major asset was a home. He thanked the department for working with individuals to sell homes and pay the bill. He understood that under the new proposed program, he a person had to be financially qualified to move into the home. He asked about residents that did not have resources to cover the fees.

Ms. Efird stated that under the proposal, with the Needs-Based Assistance Grant Program, individuals would continue to be supported in the Pioneer homes. The administration was not proposing to evict Pioneer Home residents based on income. The budget proposed to show the cost of the state providing the service. She referenced a waitlist process.

Co-Chair Stedman asked if an individual could enter the Alaska Pioneer Home if they had no resources.

Ms. Efird answered in the affirmative. She stated that individuals would still be able to enter the homes based on current regulations. The budget was trying to show the true cost of providing the service and was requiring income information so that those that could afford to pay the cost would be billed.

[9:37:41 AM](#)

Co-Chair Stedman thought the practice Ms. Efird described was already in place. He had run an account up to \$50,000 before he sold his father's house. He asked Ms. Efird to get back to the committee with a comparison of current policy and what was proposed. He thought it seemed as though what was being presented was a monthly increase. He was personally concerned about Alaska Pioneer Home policy. He recalled that the first home was constructed during

territorial days. He was concerned about a colossal policy error with regard to caring for the state's elders.

Ms. Efird stated the department would provide more detail during the subcommittee process. She addressed the topic of privatization and affirmed that the department was exploring contracting out hospitality services if cost effective. The Juneau Pioneer Home did contract out laundry services and other hospitality services.

Co-Chair Stedman asked Ms. Efird to provide the enrollment of current Alaska Pioneer Homes by home with information as to which residents were paying or were on payment assistance. He commented that he had not seen extremely wealthy people as residents of Pioneer Homes.

[9:41:59 AM](#)

Senator Micciche considered the \$271 million in reductions to Medicaid as proposed on slide 4. He did not see any policy changes that would take a couple of years to be approved. He asked if Medicaid eligibility would be changed in Alaska to result in real reductions. He asked if the administration was going to stop the mismanagement, such as Indian Health Service (IHS) "leakage" that should not have occurred. He thought what was proposed on the slide would result in a supplemental budget rather than a real reduction.

Senator Micciche continued his remarks and reiterated the concept of a tax shift to local communities. He used the example of emergency care in community hospitals.

Co-Chair Stedman asked for Ms. Efird to address the \$200 million IHS issue when answering Senator Micciche's question.

Ms. Efird stated that the intention of the department was to provide the committee with very specific information on what the department felt were achievable reductions in the Medicaid program that could be implemented in FY 20 and for the next few years. She noted that the department had been looking at Medicaid reform for the past several years, and continued reform initiatives would be "a heavy lift." She stated that it was the department's intention to forward a formal more solid plan, with consideration of the "backstop

language" included in the budget bill in the case that the department was unable to meet the CMS approval timeframes.

[9:45:31 AM](#)

Senator Micciche thought that the department had fought real reductions for years. He reiterated that real changes took time. He did not know how the state could expect to see the reductions in FY 20. He thought wholesale changes in eligibility and the waiver process was extremely unlikely to occur in FY 20.

Co-Chair von Imhof considered the proposed elimination of the Adult Dental Medicaid Benefit as listed on slide 4. She asked why the item was chosen for elimination in lieu of other optional services items.

Ms. Efird affirmed that Adult Dental had been chosen as a policy decision. There would still be emergency dental services available under the Medicaid Healthcare Services budget.

Co-Chair von Imhof was interested in policy. She noted that there were 24 optional services, and not all states offered all 24. She thought it might be useful to compare with other states. When she talked to health care providers that offered adult dental, they had found adult dental was often something that would bring individuals into a clinic because of the pain involved and could result in provision of additional medical services. She thought that if adult dental services were lost, important access to patients was lost. She questioned the comparative importance of other items on the optional services list.

[9:48:46 AM](#)

Senator Wielechowski asked about API. He had seen studies that showed that privatization of API was the highest-cost option. He thought that the change record detail in the proposed budget showed a net savings through privatization. He wondered how the savings was possible when research had shown the opposite.

Ms. Efird stated that the budget did not show a savings as a result of privatization of API. She thought Senator Wielechowski observed the movement of dollar amount of all items into the contractual line items. The department did

not contend that privatization of API would be a cost savings. She contended that the basis for the policy decision was for the safety of the patients and the staff.

Senator Wielechowski asked if there were provisions in the collective bargaining agreements with API employees that dealt with the issue of privatization.

Ms. Efird stated that there was a requirement for a feasibility study within the bargaining agreement. There had been a feasibility study prepared two years previously. She was not included in the union discussion. She was sure the unions were in conversation regarding the requirements.

Co-Chair Stedman stated that at a local level, when there was a hospital closure or sale a termination study was required. He mentioned the hospital in Sitka. He asked if there would be a termination study so the committee would thoroughly understand any termination costs with API. He was interested in the same question applied to the topic of the Alaska Marine Highway System (AMHS).

Ms. Efird was not aware of a termination study. She stated that the department would be happy to provide more detail on API during the subcommittee process.

[9:51:55 AM](#)

Senator Wielechowski was interested in considering the withdrawal liability for API and AMHS, and he thought there would be millions of dollars withdrawn from the Public Employee Retirement System (PERS). He was also interested in analysis of the cost of potential lawsuits due to lost wages of employees. He addressed procurement issues and thought there was a clear violation of procurement laws. He asked if there had been an analysis of whether the department had followed procurement laws.

Ms. Efird stated that the contract was procured under a sole source procurement that was based on a declaration of an emergency.

Co-Chair Stedman encouraged members to keep questions related to financial matters. He thought the overall point was the committee wanted to know about any financial implications of closing the API facility, as well as other liquidations.

Senator Bishop wondered about Alaska Retirement Management Board projections into the future.

Co-Chair Stedman thought the subcommittee could address the question.

Senator Olson agreed with Co-Chair von Imhof's comments about adult dental care creating increased access to patients. He asked if there were hospitals that were in danger of closing due to the proposed Medicaid reductions. He asked which hospitals had been identified.

Ms. Efird did not have the specifics of the proposed Medicaid reduction, but would provide the information to the committee. She stated there was no intention under the reduction to close any of the state's critical care access hospitals.

Senator Olson understood that closures were not planned but thought it could be a result of the proposed budget. He asked if it was true that there were six hospitals that were in danger of closure.

Ms. Efird could not comment on Senator Olson's question.

[9:56:06 AM](#)

Ms. Efird went back to slide 5. She spoke to other reductions, including repeal of the Senior Benefits Payment Program and reduction of the Adult Public Assistance. She noted that the reductions were based on the maintenance of effort current calculation. The state was currently under a total expenditures calculation. The department would need to ask the Social Security Administration for a change in the way the state currently calculated the funds to another option. If approval was received, there would be a savings of \$14.7 million.

Ms. Efird continued to address slide 5. There was a proposed reduction to TANF, and a proposed repeal to the Hold Harmless Program. There had been a policy decision to minimize disruption to assistance recipients.

Ms. Efird addressed the proposed closure of youth detention and treatment at the Nome Youth Facility. Probation services would be continued. She addressed a proposed

reduction to public health nursing by \$2 million. She spoke to the 50 percent travel reduction to statewide agencies, which constituted a \$448.6 million reduction for DHSS.

[9:59:44 AM](#)

Co-Chair von Imhof considered the bullets on the slide addressing maintenance of effort. She asked if the federal government had ever approved a change to the maintenance of effort due to economic hardship. She thought the change was very difficult to achieve. She asked if the federal government had indicated how long the change might take.

Ms. Efird stated that the program director for public assistance had been in conversation with the federal government. She did not have information about the latest conversation. She was not aware of another state that had made the change.

Co-Chair Stedman thought it was hard to claim a state of poverty with \$60 billion in the bank.

Senator Micciche reminded that he had wanted to reduce the maintenance of effort for the previous three years. He asked if the Hold Harmless Program was not possible, since the state had been told the program could not be used for credit.

Ms. Efird stated that the department was looking at the option and working with the congressional delegation.

Senator Bishop mentioned TANF. He stated that there were a number of schools in the Fairbanks Northstar School District in which over 50 percent of children were at or below poverty level; and qualified for federal lunch and breakfast programs. He thought if the state were to cut TANF, it would exacerbate the problem of child hunger.

Ms. Efird stated that she would communicate with the director to see if there would be an effect as Senator Bishop described.

Senator Bishop thought the state was trying to improve educational outcomes and thought improved nutrition would work towards the goal.

[10:03:15 AM](#)

Senator Wielechowski asked how many seniors would be impacted by the loss of the Senior Benefits Payment Program and asked about the average benefit. He wondered about other social programs that might increase as a result of the loss of the benefits.

Co-Chair Stedman asked for more information on the Senior Benefits Program.

Ms. Efird informed that the Alaska Senior Benefits Payment Program paid monthly cash benefits to Alaskans who were age 65 or over and had low to moderate income. The payment levels were dependent upon available funding and on the number of applicants. A little over 11,000 seniors received payment through the program in 2018.

Co-Chair Stedman recalled that several years ago the program was changed to be needs-based.

Senator Micciche stated that the program had been evaluated and removed the top tier so that the neediest seniors would receive the benefits.

Co-Chair Stedman stated that the program had been evaluated to curtail costs and those still receiving the benefits were the neediest. He asked for more detailed information about recipients of the program, including location in the state.

Ms. Efird agreed to provide the information.

Senator Wielechowski asked how much seniors were getting on average and wondered where else the need would be met if the funds were lost. He asked for similar additional details on TANF recipients.

[10:06:51 AM](#)

Senator Hoffman discussed about the proposed \$17 million reduction for TANF and the maintenance of effort that required working with federal partners. He asked about the justification for the proposed reduction. He wondered if the program was not working, or if the reduction was to balance the state's budget.

Ms. Efird re-stated that there was a policy decision to match expenditures with revenues, and the program was one pot of GF money that the state spent to receive federal TANF funding. The department was exploring changing the state's share for the maintenance of effort for the program.

Senator Hoffman asked if there were tribes that were supporting implementation of the reduction.

Ms. Efird stated that seven tribes administered TANF programs and received federal dollars directly. If a tribe no longer wanted to administer the program, the recipients that were still eligible would be administered through the state.

Senator Hoffman asked if there were any tribes that supported the reduction.

Ms. Efird had not heard from any tribal organizations in support of the proposed cut.

Senator Hoffman was certain that tribes would be discussing the proposed cut with the congressional delegation. He thought there would be no support for the proposal.

[10:09:43 AM](#)

Senator Olson considered the impact of the maintenance of effort change and wondered what would happen if the change was not approved. He asked what services would be reduced.

Ms. Efird stated that the funds went directly to the tribes to support TANF. She did not have specific information as to how the funds were used but believed that some of funds were used for benefits for recipients. She stated that if the change was not approved, the state would have to meet the maintenance of effort requirement.

Senator Olson asked when the proposed Medicaid reductions were planned to be implemented.

Ms. Efird stated that the department would provide the proposal to outline which year the reductions could be achieved. The reduction listed on the slide was proposed for FY 20, including backstop language that would help

support the program if the required initiative approvals were not granted.

Co-Chair von Imhof asked about the department's plan in the event that the large reductions for FY 20 did not go through. She wondered where else the administration would cut to balance the budget.

Ms. Sanders stated that it was the administration's intent that the \$172 million would support the programs through the time that the agency could get the waivers or come up with a plan to implement future changes. She continued that if the state did not receive approval for the maintenance of effort change, she believed the agency would be back before the committee to discuss a supplemental request.

10:12:44 AM

Senator Micciche asked if Medicaid professionals were involved in preparation of the budget, or if the budget proposal was similar to other OMB efforts in other departments.

Ms. Efird stated the Medicaid directors were involved in the conversation about how the agency would meet the proposed reduction.

Senator Micciche stated that the committee had prioritized the DHSS budget in recognition of protecting Alaska's most needy senior citizens and the seriously disabled. He thought the committee had identified ideas for significant reductions that could occur between \$300 and \$400 million with current statutes. He saw that there were suggestions that required significant multi-year effort in order to be delivered, and that no longer prioritized the individuals he mentioned. He asked if the administration was open to looking at real cuts without an unallocated reduction.

Ms. Efird stated that the department welcomed the committee's involvement and engagement in supporting any innovative ideas to make the Medicaid budget sustainable and affordable to cover low income needy Alaskans.

Co-Chair Stedman asked Ms. Efird about an unallocated reduction.

Ms. Efird stated that the department's intention was to put forward a plan that would allocate proposed reductions and have the information to support what the department believed what was achievable for FY 20.

Co-Chair Stedman did not want to see unallocated reductions. He stressed that the committee wanted to see what was going to impact the people of Alaska; and wanted to look at the short term, long term, and historic policy changes to make the best-informed decision.

Senator Hoffman asked about the proposed reduction to adult public assistance and thought the record detail showed that the implementation would go back to the move to the 1983 standard for maintenance of effort calculation. He asked Ms. Efird to provide the committee with information about the March 1983 standard as compared to the current amount.

Ms. Efird agreed to provide the information.

[10:16:41 AM](#)

Senator Wielechowski referenced the proposed elimination of Community Initiative Matching Grants. He thought the grants had provided a huge amount of funding for abused women's aid in crisis, victims of domestic violence, homeless at-risk youth, Catholic Community Services, homeless pregnant women, and women with children. He asked if there was an impact analysis of how the grant cuts would impact the homeless in the state.

Co-Chair Stedman asked if Ms. Efird could expand on the proposed elimination of the program.

Ms. Efird stated that the Community Initiatives Grant Program was for small human social services non-profit agencies. The program was proposed to be eliminated and was currently \$861,000. The funds went to many small non-profits in the state to cover services mentioned by Senator Wielechowski.

Co-Chair Stedman asserted that the sub-committee would look at the proposed reduction. He suggested that the department get back to the committee with more information.

Senator Hoffman wanted the department to address the elimination of the hold-harmless provision. He asked if legislation had been filed to change statute.

Ms. Efird thought a bill had not been formally filed.

Co-Chair Stedman thought the bill was coming.

Ms. Efird affirmed that the bill was coming.

Senator Hoffman thought the accelerated process of the proposed budget was not expeditious. He requested that the department provide a list of who would be affected by the elimination of the provision by district so members could understand the effect on constituents.

Ms. Efird believed the data was available and agreed to provide it to the committee.

[10:20:32 AM](#)

Senator Olson referenced closing the Nome Youth Facility. He asked about the decision process and asked where the youth would go.

Ms. Efird stated that the facility had been under-utilized for a number of years. The department had considered other options to serve the community and the youth. The youth would be transported to another youth facility in Bethel or Anchorage.

SB 20 was HEARD and HELD in committee for further consideration.

Co-Chair Stedman discussed the agenda for the following week. He discussed the subcommittee process. He stated that there would be forthcoming presentations from the Legislative Finance Division as well as from the OMB economist.

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ADJOURNMENT

[10:23:49 AM](#)

The meeting was adjourned at 10:23 a.m.

