

HOUSE FINANCE COMMITTEE  
March 17, 2021  
1:32 p.m.

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CALL TO ORDER

Co-Chair Foster called the House Finance Committee meeting to order at 1:32 p.m.

MEMBERS PRESENT

Representative Neal Foster, Co-Chair  
Representative Kelly Merrick, Co-Chair  
Representative Dan Ortiz, Vice-Chair  
Representative Ben Carpenter  
Representative Bryce Edgmon  
Representative Andy Josephson  
Representative Bart LeBon  
Representative Sara Rasmussen  
Representative Steve Thompson  
Representative Adam Wool

MEMBERS ABSENT

Representative DeLena Johnson

PRESENT VIA TELECONFERENCE

Sylvan Robb, Assistant Commissioner, Department of Health and Social Services; Clinton Lasley, Deputy Commissioner, Department of Health and Social Services; Albert Wall, Deputy Commissioner, Department of Health and Social Services.

SUMMARY

FY 22 BUDGET OVERVIEW: DEPARTMENT OF HEALTH AND SOCIAL SERVICES

Co-Chair Foster reviewed the meeting agenda.

^FY 22 BUDGET OVERVIEW: DEPARTMENT OF HEALTH AND SOCIAL SERVICES

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SYLVAN ROBB, ASSISTANT COMMISSIONER, DEPARTMENT OF HEALTH AND SOCIAL SERVICES (via teleconference), provided a PowerPoint presentation titled "Department of Health and Social Services: House Finance Committee Budget Overview," dated March 17, 2021 (copy on file). She informed the committee that all of the budget slides reflected the FY 21 management plan and the governor's FY 22 budget. She noted that divisions with supplemental requests and items in the governor's amended budget that were not part of the reorganization had been noted on the relevant slides.

Ms. Robb began with a bar chart reflecting the Department of Health and Social Services (DHSS) operating budget from FY 19 to FY 22. She noted that [federal] COVID-19 related funding was shown as a separate section of the bars [reflected in yellow] to make it easier to see what was happening with the department's regular budget from year-to-year. She directed attention to a table in the lower portion of the slide and highlighted the row titled "Subtotal regular." The middle column showed the department's proposed FY 22 budget at just over \$3.4 billion, including \$1.1 billion undesignated general funds (UGF).

Ms. Robb reported there was a reduction of \$40.5 million from FY 21. She pointed out that \$35 million of the reduction was related to Medicaid. She explained that DHSS had proposed carryforward language in the amount of \$35 million for Medicaid, which would be addressed in detail on subsequent slides. She stated that the department's true reduction was about \$5.5 million from FY 21. She pointed to the top row of the table reflecting UGF and noted a reduction of about \$44 million, of which \$35 million was related to Medicaid. She planned to speak to the rest of the reductions on individual slides. She noted there was also a slide designated to COVID-19 funding received by the department.

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Ms. Robb turned to slide 3 beginning with the Division of Public Health. She communicated that federal COVID-19 money had come into DHSS through the division. She remarked that the division had very busy year and had been front and center in the state's response to the pandemic. She

highlighted several areas in the division including epidemiology, public health nursing, and the public health labs. The slide showed a bar chart where COVID-19 funding had been broken out. She added that the slide did not reflect the full amount of federal COVID funding received because the number was constantly changing as new bills were passed and additional resources came into the department.

Ms. Robb relayed that to date, DHSS had received \$586 million in COVID mitigation funding through emergency programs within the Division of Public Health. She addressed the division's non-COVID related portion of the FY 22 budget, which accounted for \$122 million including \$43.3 million UGF. She noted the amount constituted an increase of \$3.7 million relative to FY 21. The UGF increase of \$1.1 million was primarily the result of a nurse classification study and the majority of the federal increase of \$740,000 was also related to the study. She reported that the other large change was a \$1.6 million increase in "other" funds. She elaborated that \$900,000 was related to the Ryan White AIDS Drug Assistance Program, - federal funding that came into the department as statutory designated program receipts because it was an insurance reimbursement type of funding. The remainder of the increase in other funds was the third year of funding on the fiscal note for the SHARP-3 program focused on increasing healthcare providers.

Ms. Robb pointed to the dark blue box on the right of slide 3 and explained that the budget transferred the chief medical officer position, currently held by Dr. Anne Zink, from the Division of Public Health to the DHSS commissioner's office for better alignment.

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Ms. Robb moved to slide 4 and reported that DHSS had received a total \$585,732,657 in COVID funding. The slide listed major funding sources in addition to the Coronavirus Relief Fund (CRF) previously discussed by the Office of Management and budget a couple of weeks earlier. The department had received money from the Federal Emergency Management Agency for testing, setting up temporary overflow sites like the Carlson Center and Centennial Hall, purchasing personal protective equipment (PPE), and hiring nonpermanent staff to help with the increased workload

caused by the pandemic. The department had received funding from the Centers for Disease Control and Prevention for contact tracing, vaccines, and building up the state's epidemiology and laboratory capacity in response to the Coronavirus.

Ms. Robb continued reviewing major federal COVID funding sources on slide 4. She reported that the Administration for Children and Families had provided \$6.5 million through the Childcare Development Fund as capacity building to reduce closures of childcare facilities. The Administration for Community Living provided an additional \$4 million in funding for seniors for support services, meal programs, caregiver support, and ombudsman programs. The department had also received emergency grants funding from the Substance Abuse and Mental Health Services Administration to address the mental health and substance use disorders that had occurred due to COVID-19.

Ms. Robb relayed that the total DHSS COVID funding on slide 4 did not include \$94 million UGF the previous legislature appropriated at the end of session in 2020. She reported that to date, none of the \$94 million had been spent. She elaborated that DHSS had not used the funding to replace any General Fund (GF) expenses within the department with the exception of Medicaid. She explained that the CRF guidelines did not allow funding to be used for items already included in the budget with a few exceptions. The funding had only been used for COVID mitigation efforts by the department and by other entities including other state agencies and community partners such as nonprofits and hospitals.

Ms. Robb stated that the most significant impact on the department's FY 22 budget from all of the incoming COVID funding was through the enhanced Federal Medical Assistance Percentage (FMAP) for Medicaid. She expounded that it had enabled the department to have the funds available to ask for the carryforward. Other impacts in the FY 22 budget related to the COVID relief funds was the department's request for carryforward of the UGF funding in order to have funding available for emergencies. She remarked that it had become evident over the past year that things could change rapidly in unexpected ways. She reiterated that DHSS had not spent any of the UGF [allocated by the legislature in 2020] and it did not anticipate needing to; however, the

department wanted the ability to act quickly if something changed quickly.

Ms. Robb understood there were many questions about the American Rescue Plan Act (ARPA) that had passed at the federal level the previous week. She shared that DHSS was still in the information gathering stage on all elements of the legislation. She explained that the Centers for Medicare and Medicaid Services (CMS) had not yet published any guidance on the bill, including what requirements may be attached to each of the flexibilities included in the bill.

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Ms. Robb explained that the state was in the process of doing a full review of ARPA as it received [federal] guidance, which would enable DHSS to determine which options may be in the state's best interest to pursue. She reminded committee members that after the Coronavirus Aid, Relief, and Economic Security (CARES) Act had passed it had taken over a month to receive guidance from the Treasury Department on the appropriate uses. She added that the Treasury had continued to send updated guidance up to six months after the bill had passed. She remarked that DHSS shared legislators' excitement about learning how the additional resources may help the state and how they could be used. The department looked forward to being able to share the information when it became available.

Representative Josephson referenced the American Rescue Plan. He saw that the plan would give a five-year state plan option of health coverage for women and children for five years instead of the customary 60 days. He referenced provision for an 85 percent FMAP for mental health and substance use disorders. He highlighted another provision with a 5 percent temporary FMAP where a state had expanded into Medicaid to help cover mandatory individuals. He considered that there were numerous options the state could select. He asked if the legislature should broadly assume the administration wanted every resource the state was entitled to. He asked if the administration intended to accept the generosity afforded to it by Congress or whether it was being more selective.

Ms. Robb asked Representative Josephson to repeat the question.

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Representative Josephson stated that the legislature was hearing there were numerous options for enhanced FMAP under ARPA. He highlighted examples of FMAP for mental health or substance use disorders and young mothers with newborn children. Additionally, there was an FMAP of 5 percent for states that had expanded Medicaid. Under the scenario he presumed the percentage may increase from 56.2 to 61.2. He stated there were many enhancements of FMAP rates. He asked if the legislature should expect that the administration would accept the funds or use a "wait and see" approach.

Ms. Robb replied that the department was interested in obtaining the support it could use and it was in the process of reviewing the enhancements. The department wanted to ensure it did not obligate itself to something it may not be interested in continuing in the future. She highlighted that many of the programs came with maintenance of effort and other similar requirements. She communicated that DHSS wanted to ensure it had done its due diligence as it took advantage of the available options. She reported that the department was interested in getting as many resources as possible to help vulnerable Alaskans and people struggling with the pandemic.

Ms. Robb advanced to slide 5 titled "Medicaid Services Operating Budget Comparison FY2019-FY2022." She relayed that Medicaid accounted for the largest portion of the department's budget. She noted that depending on the year and the size of the Permanent Fund Dividend (PFD), Medicaid could be the largest item in the entire state budget. She discussed that Medicaid was an open entitlement program, meaning anyone who met the eligibility criteria was entitled to services. The proposed FY 22 Medicaid budget was \$2.4 billion, including \$610 UGF. The slide showed the governor's proposed reduction of \$35 million UGF. She explained that the budget bill included carryforward language that would allow DHSS to carryforward up to \$35 million, which would result in a flat budget for FY 22. She detailed that having the grace year of time before needing to implement the reduction would give DHSS time to work with CMS and partners to find sustainable changes to implement for FY 23.

Ms. Robb discussed that Medicaid was paid for jointly by the state and federal government; the amount paid by the federal government was determined by the FMAP rate. She explained that the state had a number of FMAP rates depending on the population being served and the type of services. She elaborated that the blended rate across all program recipients tended to hover between 72 and 73 percent federal. The reason DHSS had money to carry forward into FY 22 was due to the enhanced FMAP rate it had been receiving during the pandemic of an additional 6.2 percent. She relayed that the rate would continue through FY 21 and the department projected that after the carryforward of \$35 million, the department would be able to lapse \$65 million in FY 22. She informed the committee that Medicaid currently had about 262,000 enrollees. Part of the lapse the department was projecting was due to decrease in utilization, which was currently running at about 77 percent.

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Ms. Robb advanced to slide 6 pertaining to the Alaska Psychiatric Institute (API). She noted that in FY 19 API had been part of the Division of Behavioral Health and in FY 20 it became its own appropriation. The governor's proposed API budget was \$55.6 million including \$15 million UGF. She reported that the division's budget was flat from FY 21 to FY 22. She detailed that the largest fund source change was a fund source shift from other funds, primarily comprised of statutory designated program receipts (SDPR) and interagency receipts, which had turned out to be uncollectible for API. She expounded that the uncollectible fund sources were shifted to mental health trust reserve funding. She noted that the hollow receipt authority was also an issue for API in FY 21; therefore, DHSS had requested a \$6 million supplemental for FY 21 (shown in the navy box on the right of the slide).

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Representative Wool asked how many patients were currently being served at API for \$55 million per year.

Ms. Robb asked Representative Wool to repeat the question.

Representative Wool queried the current number of patients at API.

Ms. Robb deferred the question to a colleague.

CLINTON LASLEY, DEPUTY COMMISSIONER, DEPARTMENT OF HEALTH AND SOCIAL SERVICES (via teleconference), responded that API had a current bed capacity of 60. The facility currently had 56 patients.

Representative Wool asked if \$1 million per bed per year was a standard or high cost for a publicly run psychiatric facility.

Mr. Lasley responded that he did not have the numbers on hand and would follow up in writing. He shared that typically the facility had an 80 bed capacity and API had been working toward returning to full capacity. He explained that COVID had forced API to slow things down a bit. His expectation was to reach full capacity by the end of the calendar year.

Representative Wool recalled there had not been many more than 50 patients for years. He understood that in the past the facility had been limited in the number of patients it could bring in due to staffing limitations. He wondered if \$1 million per bed per year was standard. He believed the cost seemed high. He asked about the \$6 million taken out of the mental health trust reserve because the money had been uncollectible from the SDPR fund source. He asked for more detail on why the funds had been uncollectible.

Ms. Robb explained that SDPR funds came into the state from nongovernment sources. She detailed that several years back there had been an effort to try to use SDPR funding as there had been anticipation that API patients would have private insurance or other sources the state could bill for treatment. She elaborated that it had not turned out to be the case over the years. She relayed that the Office of Management and Budget (OMB) had directed DHSS toward the mental health trust reserve fund.

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Representative Rasmussen stated it would be interesting to receive a comparison between API and some of the private hospitals. She shared that when her daughter had been in the NICU [Newborn Intensive Care Unit] at Providence Hospital for ten days the bill had been over \$150,000.

Ms. Robb addressed the Division of Behavioral Health budget on slide 7. She reminded the committee that in FY 19 API had been part of the Division of Behavioral Health appropriation. She explained that API had become its own appropriation in FY 20, but the figures shown on the chart for FY 19 did not include the cost for API. The division's proposed FY 22 budget was \$89.2 million including \$28.3 million UGF. She listed the biggest change as a reduction of nearly \$750,000 in other funding. She elaborated that the increment had been one-time funding for a housing assertive treatment institutional diversion program. Additionally, there was a \$208,000 reduction in authority for sobering centers as they transitioned to support through the 1115 Medicaid waiver.

Ms. Robb pointed to the dark blue box on the right of slide 7 indicating a supplemental request resulting from a court settlement with the Disability Law Center. She reported that the amount had not been included in the FY 21 budget passed the previous spring because the settlement had not been finalized when the budget was signed into law. She briefly explained that the settlement related to how mental health patients were being held prior to receiving treatment from healthcare professionals.

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Representative Josephson referenced the behavioral health grants that had been reduced. He relayed that he had learned in the DHSS subcommittee that Medicaid was covering most of the grants through the 1115 waiver and that individuals who were not familiar with the specific billing system had been assisted. He shared that earlier in the week he had a Zoom meeting with the umbrella organization for facilities housing troubled youth in Alaska. He had learned on the call there were problems with rule making and that an extension or help was needed with rule making and coding. He understood that the state had assisted with obtaining an extension, but another was needed. The organization had told him there were behavioral health recipients who performed valuable services that could not be fit into the Medicaid square. He asked the department to comment on the topic.

Ms. Robb deferred the question to a colleague.

ALBERT WALL, DEPUTY COMMISSIONER, DEPARTMENT OF HEALTH AND SOCIAL SERVICES (via teleconference), replied that he was having difficulty hearing due to poor weather. He understood the question pertained to behavioral health recipients who could not bill for services. He asked for clarification on the question.

Representative Josephson complied. He relayed that he had learned in the DHSS subcommittee that Medicaid was covering most of the grants through the 1115 waiver; however, he was hearing it was not always the case. He shared that earlier in the week he had a remote meeting with the umbrella organization for facilities housing troubled youth in Alaska (e.g., the Johnson Youth Services facility in Juneau). He stated that the organization was having real concerns about meeting its budgets. He asked the department to comment on the topic.

Mr. Wall replied that there had been some conversation with the Alaska Association of Homes for Children. He relayed the organization had expressed some concerns about the rates under the 1115 waiver meeting its costs and allowing the organization the flexibility to be creative with how it was providing services. He reported that DHSS had just finished meeting with the Alaska Association of Homes for Children regarding the issue and DHSS was setting up a series of meetings with the organization to walk through the process. He believed the 1115 rates were sustainable. He added that if an issue was discovered, DHSS would have to consider what it would do with the rates.

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Ms. Robb reviewed the Division of Health Care Services budget on slide 8. She explained that the division managed healthcare coverage for Alaskans in need. The proposed FY 22 budget was \$20.2 million including \$7 million UGF. The largest difference between FY 21 and FY 22 was a fund source change from UGF to DGF related to licensing activities. She detailed that the division was responsible for licensing hospitals, clinics, and residential facilities for healthcare. She reported that for the past couple of years the division had been collecting more licensing fees than it had the authority to use. She elaborated that by increasing the authority, the division would be able to use all of the fees and let the UGF go. Additionally, the other UGF savings would result from the

reduction of some of the division's leased space in Anchorage. She pointed to the dark blue box on the right showing funding for the nurse salary study in the governor's amended budget.

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Ms. Robb moved to slide 9 and addressed the budget for the Division of Senior and Disabilities Services. The division was responsible for ensuring seniors and other vulnerable Alaskans had the long-term supports needed to live independently with as much choice as possible. The division's proposed FY 22 budget was \$63.1 million including \$37 million UGF. She noted there was not significant change in the division's budget from FY 21 to FY 22. She highlighted a \$334,000 increase. She explained that the majority of the UGF decrease was due to a reduction in general relief assisted living home support to match the program usage. She expounded that the number of applicants using the program had decreased.

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Ms. Robb looked at slide 10 pertaining to the Division of Public Assistance. She noted that senior benefits were administered by the division and was included in the budget as its own appropriation. She elaborated that the division administered about one dozen other assistance programs that provided support to Alaskans. Additionally, the division determined Medicaid eligibility. The division's proposed FY 22 budget was \$287 million including \$125.2 million UGF. She added that \$21 million of the total and the UGF was for the senior benefits program, which was 100 percent UGF funded. She highlighted that the FY 22 budget was about \$10 million less than the FY 21 budget, which was evenly split between UGF and federal; about \$7 million of the reduction was related to the reduction of 121 positions. She expounded that 20 of the positions had been added in 2018 to allow the division to catch up on a processing backlog, which had been accomplished. The remainder of the positions would possibly be reduced through efficiencies implemented by the division. She explained that the positions would be reduced through attrition over time.

Ms. Robb continued to review the Division of Public Assistance budget on slide 10. She shared that with the pandemic, the division had instituted an electronic

document management system that had been very successful. She detailed that the system moved toward having online certification for people receiving benefits and to allow beneficiaries to provide updated information as needed. In FY 20, the division had served more than 3,000 individual Alaskans and approximately 4 million pieces of mail. She explained that transitioning the workload to a more efficient electronic processing method had offered big gains for the division in terms of personnel and savings in office supplies such as postage and paper. She pointed to the dark blue box on the right showing FY 21 supplementals including \$1.2 million UGF to support adult public assistance benefit payments and \$13.5 million to support the governor's proposal to pay the remainder of the statutory PFD in FY 21. The box also included an FY 22 amended item of \$2 million to support adult public assistance.

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Ms. Robb advanced to the Alaska Pioneer Homes budget on slide 11. The proposed FY 22 budget was \$104.8 million including \$40.9 million UGF. She highlighted that the budget was relatively flat from FY 21 to FY 22 with an increase of \$305,000. She reminded the committee that in FY 20, the levels of care had increased from three to five.

Ms. Robb turned to the Office of Children's Services (OCS) budget on slide 12. The proposed FY 22 budget was \$177 million including \$93 million UGF. She highlighted a budget increase of \$1.8 million from FY 21. She pointed to a reduction of \$963,000 UGF, of which, \$528,000 was from a reduction in the Circles of Support grant. She explained that grantees had not been utilizing the grant as much as the division had hoped. She reported that nearly one-third of the funding had not been utilized; therefore, OCS was seeking to provide the services through other avenues. The division had also switched to a laptop focus when computers were refreshed, which had resulted in savings in computer purchases of \$186,000 UGF.

Ms. Robb continued to review the OCS budget on slide 12. She highlighted a federal increase of \$2.8 million, primarily comprised of \$2.4 million increase in subsidized adoptions and guardianships. She reported that cases had increased by 20 percent since FY 15 to FY 20. Additionally, the cases were more complex. She pointed to the dark blue

box to the right showing a \$3 million supplemental request of federal and GF match related to adoption and guardianship. The blue box also showed a \$415,000 UGF to ensure the department met a maintenance of effort requirement related to the adoption and guardianship money.

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Representative Wool asked if the number of foster kids in OCS had continued to increase or leveled off. He understood there had been a sharp increase for a while.

Ms. Robb deferred the question to Mr. Lasley.

Mr. Lasley answered there had been a slight increase year-over-year with children in out-of-home placement and foster care. He stated the pandemic had been some of the cause during the past year, partially because the court system had not always been open. He explained that youth had come in and were not exiting on the other end to permanency. He would follow up with the precise numbers in writing.

Ms. Robb turned to slide 13 and reviewed the budget for the Division of Juvenile Justice. The proposed FY 22 budget was \$58.5 million including \$55.7 million UGF. She reported that overall, the division's budget was down \$717,000 from FY 21 to FY 22, nearly all of which was UGF. She detailed that the reduction was achieved through the reduction of eight positions (five probation services positions and three positions related to the Step Up program in Anchorage).

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Ms. Robb reviewed the Departmental Support Services budget on slide 14. She noted that the slide included three separate appropriations, one for Departmental Support Services, one for Human Services Community matching grants, and one for Human Services Community initiative matching grants (both of the Human Services programs were administered by Departmental Support Services). She detailed that the two grant programs accounted for \$2.5 million. The three appropriations had a proposed FY 22 budget of \$48.5 million including \$16.5 million UGF. She elaborated that the budget was essentially flat with an \$83,000 increase from FY 21 to FY 22. She highlighted a fund source shift from UGF to interagency receipts related

to the internal information technology chargebacks within the department. The blue box on the right reflected the incoming transfer of the chief medical officer position to the commissioner's office from the Division of Public Health.

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Vice-Chair Ortiz looked at slide 11 and asked for an explanation of the significant increase from FY 19 to FY 20 and beyond in the "other" funding category.

Ms. Robb replied that the other category included interagency receipts. She explained that the funding category included incoming money to Pioneer Homes from Medicare and Medicaid. She detailed that a Pioneer Home payment assistance component had been created in FY 20 to make it easier to see all of the support going to Pioneer Home residents. All of the incoming Medicaid and Medicare funds had been put into the component. She expounded that some of the increase on slide 11 reflected the duplication of funds. She explained that because the funds needed to move from one component to another, the budget showed where they originated in addition to where they were received. She used the transfer of the chief medical officer position from one division to another as an example.

Vice-Chair Ortiz asked where the budget reflected the fees paid by residents.

Ms. Robb replied that the fees showed up as other funds.

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Representative LeBon looked at the \$6 million DGF request in mental health trust authority funds to achieve full capacity at API (on slide 6). He asked how confident the department was that the increment would achieve full capacity. He asked if the administration would still fund an additional \$6 million from some source if the increment did not materialize in the budget.

Ms. Robb deferred the question about when API expected to achieve full capacity to Mr. Lasley. She would answer the question on funding after Mr. Lasley's reply.

Mr. Lasley responded that API had to request a supplemental in the past two years to cover the budget deficit. He explained the \$6 million request was to right-size the facility. He discussed that there had been hope of realizing additional revenue through other sources [SDPR and interagency receipts], but it had not materialized. He noted that the department was continuing to look at the options. He reported that the previous spring API had been at a 50-bed capacity with full intention of increasing near full capacity. He detailed that about 14 rooms were double occupancy (28 beds), but patients had been separated during COVID. Additionally, it had been necessary to isolate newly admitted patients for a given time period to ensure they were COVID-negative. All of the things attributed to not reaching full capacity [in the past year].

Mr. Lasley reported that API was currently working toward opening its youth unit open in the second quarter of the year (before July 1). He elaborated that full staffing was in place and training was underway. He cautioned that once the 10-bed unit was open, youths would be moved in slowly over several months in order to ensure everything was done right. He relayed that with the opening of the youth unit capacity would increase to 70. He shared that the hospital was confident API would be able to reach the full 80-bed capacity (back to the 2018 level) by the end of the calendar year.

Representative LeBon referenced the governor's \$6 million request from the Alaska Mental Health Trust Authority (AMHTA) for API. He asked whether the administration believed there was shared clientele between API and AMHTA and whether the \$6 million was anticipated to be part of API's budget moving forward.

Ms. Robb replied that the funds were required by API to operate on an ongoing basis. She stated that DHSS did not have a position on whether the AMHTA funds were the appropriate source. She explained that DHSS had requested additional support from OMB, and it had directed the department to the AMHTA fund source.

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Representative Josephson remarked that on April 7, 2020, the governor had vetoed \$31 million in Medicaid funds and a good portion had been federal. He stated that in 2019 the

governor had wanted to spend hundreds of millions of dollars less on Medicaid and had eventually vetoed about \$150 million in FY 20. He highlighted that the administration had not been able to implement the state plan amendment in the timeframe it wanted. He had concerns with Medicaid funding and wanted to take advantage of federal match. He asked if he should be comforted that enough Coronavirus Aid, Relief, and Economic Security (CARES) Act funding had come to the state to assuage any anxiety he had about the cuts.

Ms. Robb answered that in FY 20 the department had lapsed \$59 million from Medicaid and was projecting to lapse \$100 million in the current year. She reminded the committee that DHSS hoped to carryforward \$35 million of the \$100 million.

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Representative Josephson modified the prior figures he had provided with more precise information. He detailed that the FY 21 veto had been \$31 million including \$17 million in federal funds. He noted that the fact the administration had elected to not fund \$14 million to achieve the matching federal funds gave him pause. He stated it sounded like so much additional funding had come into the state system that places like Alaska State Hospital and Nursing Home Association (ASHNHA) should be comforted there was sufficient revenue to pay claims and take care of patients.

Ms. Robb responded that she could not speak to who would be comforted by what. She reiterated her previous statement that DHSS had more support for Medicaid than it could use as a result of the enhanced FMAP.

Representative Josephson stated that while ASHNHA was pleased there was \$35 million in federal backfill to give a status quo budget, the association had grave concerns there would be a \$35 million cliff in FY 24. He explained that there was an expectation the enhanced FMAP would continue through the end of the current year. He remarked that ASHNHA remained confused about long-term planning when fiscal cliffs existed on the horizon. He noted there were unconventional funding sources used in other parts of the budget as well that were not sustainable. He asked if the department had a comment about the concern.

Ms. Robb deferred the question to Mr. Wall.

Mr. Wall responded that the department had been consistently working on the question with ASHNHA. He reported that DHSS had faced larger Medicaid cuts and cliffs in the past. He explained that the department was attempting to contain costs while continuing to provide a superior bandwidth of service. He elaborated that projects the department had discussed were centered around changing the way it provided reimbursement. For example, changing bundled payments through DRGs [diagnosis-related groups]. He confirmed there was a cut coming in the future and the current budget would give DHSS a year to work with its partners on how to address the coming cut and how to continue to provide services at less acuity.

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Representative Wool asked about the \$6 million request to bring API up to full capacity. He asked if it had been the limiting factor over the past several years when the facility had been at 50 beds. He wondered whether the \$6 million was for extra staffing to bring in up to 80 patients.

Ms. Robb deferred the question to Mr. Lasley.

Mr. Lasley replied that due to high turnover, API had been spending the money on overtime or locum tenens in order to have qualified staff. He reported that over the past year, the team at API had done amazing work and many of the critical positions had been filled. He elaborated that staff had been brought in early for training in order to be prepared to take on patients. He believed the facility had the needed staffing currently and turnover had gone down substantially. He explained that instead of having to ask for a supplemental year after year, the \$6 million increment would mean API would not have to request a \$6 million supplemental. He stated that staffing was sufficient to allow the opening of the 10-bed youth unit and the additional 10 beds [in the broader facility] during the current year.

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Representative Wool asked for verification that the \$6 million was to prevent the department from having to ask

for another \$6 million in the future. He noted the committee had heard earlier in the day about \$94 million leftover from the previous year that had not yet been tapped. He relayed that AMHTA had informed the committee that a \$6 million draw from its reserves exceeded the sustainable draw of 4.25 or 4.75 percent. He stated that AMHTA did not really want the draw - which was in violation of its fund rules - to take place. He asked if API could take the funds from the \$94 million if it did not receive the \$6 million from AMHTA.

Ms. Robb answered that DHSS tried very hard to respect the legislature's appropriation authority. She explained that the \$94 million the department had not tapped was directed for COVID response whereas the \$6 million for API was for ongoing operations. She elaborated that getting the \$6 million in the budget was part of truth in budgeting. She detailed that the department had scrambled to cover API's budget for the past couple of years and had transferred money to help keep the institute afloat. She stated that the increment would help be more upfront about the true cost of running API.

Representative Wool noted there was \$35 million due to the Medicaid [FMAP] increase from 50 to 56.2 percent. He imagined that many patients at API were Medicaid patients. He referenced the department's testimony that the capacity at API had been reduced due to COVID. He pointed out that AMHTA had expressed concern about taking \$6 million from its reserves. He wondered whether there was a workaround toward the goal, especially if the \$6 million was to preempt a supplemental request that may not happen.

Representative Carpenter looked at \$415,000 GF match on slide 12 [for post adoption and guardianship savings maintenance of effort]. He asked what the federal match was.

Ms. Robb responded that the federal government had started to cover more children through the subsidized adoption and guardianship program. She explained that as more of the children had been funded through federal dollars, the federal government still required DHSS to use the dollars it would have spent on subsidized adoptions, in support of the children. The \$415,000 would allow DHSS to meet the maintenance of effort.

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Representative Carpenter surmised it sounded like the department did not know the federal dollar amount.

Ms. Robb answered that the federal funding was not a match in the same way that Medicaid was matched at 50 percent. She explained there was a requirement for the state to spend a certain percentage of the money on the children receiving subsidized adoptions and guardianships who were covered through the expanded federal program. She offered to follow up with the precise number.

Representative Carpenter requested the number. He remarked that if the state funds were matching funds there needed to be a corresponding federal match. He stated that otherwise, the funding was UGF.

Representative LeBon referenced the \$13.5 million request to fully fund the PFD from FY 21 (on slide 10). He stated that Alaska was set to receive over \$1 billion in the near-term and many Alaskans were receiving a federal stimulus of \$1,400. He asked if the department would look at the \$13.5 million as available funds to offset the AMHTA draw to support API if an additional PFD was not approved by the legislature in FY 21.

Ms. Robb responded that if the legislature opted not to approve the second dividend payment in FY 21, the department would not require the \$13.5 million for the hold harmless program. She stated that it would not be appropriate for the department to use the funds for API.

Representative LeBon asked if it would help if the legislature included intent language allowing DHSS to use the funds for API.

Ms. Robb responded it would be subject to legislative appropriation.

Representative LeBon asked for verification that the action would turn the funding source to UGF [as opposed to AMHTA funds].

Ms. Robb replied affirmatively.

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

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ADJOURNMENT

2:39:49 PM

The meeting was adjourned at 2:39 p.m.