

HOUSE FINANCE COMMITTEE  
February 25, 2022  
1:35 p.m.

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CALL TO ORDER

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

MEMBERS PRESENT

Representative Neal Foster, Co-Chair  
Representative Kelly Merrick, Co-Chair  
Representative Dan Ortiz, Vice-Chair  
Representative Bryce Edgmon  
Representative DeLena Johnson  
Representative Andy Josephson  
Representative Bart LeBon  
Representative Steve Thompson

MEMBERS ABSENT

Representative Ben Carpenter  
Representative Sara Rasmussen  
Representative Adam Wool

ALSO PRESENT

Adam Crum, Commissioner, Department of Health and Social Services; Sylvan Robb, Assistant Commissioner, Department of Health and Social Services.

PRESENT VIA TELECONFERENCE

Stacie Kraly, Director, Civil Division, Department of Law.

SUMMARY

PRESENTATION: EXECUTIVE ORDER 121: DEPARTMENT OF HEALTH AND SOCIAL SERVICES REORGANIZATION

Co-Chair Merrick reviewed the agenda for the meeting and invited testifiers to the table.

^PRESENTATION: EXECUTIVE ORDER 121: DEPARTMENT OF HEALTH AND SOCIAL SERVICES REORGANIZATION

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ADAM CRUM, COMMISSIONER, DEPARTMENT OF HEALTH AND SOCIAL SERVICES (DHSS), thanked the committee for the hearing. He indicated that in addition to the presentation, there were other handouts in members' handouts.

Commissioner Crum introduced the PowerPoint Presentation: "Executive Order 121: DHSS Reorganization" (copy on file). He discussed slide 3: "DHSS Today":

- FY2022 Management Plan Budget: \$3,441,891.3\*
  - Positions (PFT): 3,259
  - Programs/Services
    - Over 100 programs that serve Alaskans directly
  - Major Categories of Services
    - Regulatory/Claims Processing/Eligibility for Services
    - Public Health Services
    - Protecting Vulnerable Alaskans, Children, Families (Service/Provider/Provider Based)
- \* Does not include COVID funds

Commissioner Crum slide 4: "DHSS is much larger than most State Departments." He stressed that there were multiple divisions in DHSS that had more employees than some other departments.

Commissioner Crum slide 5: "DHSS budget is more than 12 state agencies combined." He stated that the DHSS budget was nearly 33 percent of the state's entire budget.

Commissioner Crum moved to the department's organizational chart on slide 6. He posed the question of what could be done to deliver better services to the state, and reduce the span of control.

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Commissioner Crum reviewed the EO vision on slide 7:

Executive Order Vision

The Reorganization of DHSS

Goal: Provide proactive, efficient leadership and management of programs to achieve better outcomes for Alaskans

Align Current Functions and Programs

1. Direct Care and Services to Alaskans in State Administered Programs
2. Eligibility for Alaskans and Payment to Providers

Focus Management to Improve Outcomes

1. Innovation
2. Work Processes

Commissioner Crum discussed the reorganization for DHSS on slide 8. He shared that the public facing positions would be placed into new department.

Commissioner Crum continued to slide 9 to review the Department of Family and Community Services.

Representative Thompson asked if there were organizational charts to show what the number of personnel would be impacted by this adjustment.

Commissioner Crum pointed to the number of position control numbers.

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SYLVAN ROBB, ASSISTANT COMMISSIONER, DEPARTMENT OF HEALTH AND SOCIAL SERVICES, stated that the number should be 1847 positions.

Commissioner Crum could provide further information of the current sizes of each division.

Co-Chair Merrick asked how the transition were to be affected if there was a new administration in place in the following year.

Commissioner Crum replied that the idea to split the department was suggested by senior employees. He noted that very early on in his term, a retired commissioner from another state who advised him to never criticize a predecessor.

Co-Chair Merrick asked if the commissioner thought the transition could be completed before the election in November.

Commissioner Crum responded in the affirmative. He indicated a significant amount of work had already been completed.

Co-Chair Merrick asked if he had anyone in mind for the new commissioner's position.

Commissioner Crum would put his name forward for the Department of Health.

Co-Chair Merrick appreciated it was on the commissioner's radar.

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Vice-Chair Ortiz queried the impact on the public.

Commissioner Crum replied that there would be an ongoing affect, but would be better than the institutional inertia.

Vice-Chair Ortiz understood that it would not happen instantaneously, but the intention was to better provide services to the stakeholders.

Commissioner Crum responded, "Yes, Sir."

Representative Thompson asked if additional offices would be needed.

Commissioner Crum responded in the negative because existing offices would remain for the individual departments.

Representative Edgmon thought that in theory it was a good idea. He noted there was no way he could decide on the issue because of the size of the policy call being complicated, and price tag on the change was about \$2 million. He thought the price tag was large. Intuitively it made sense to take a large department and split it in two, but wondered if the department had thought about having two commissioners rather than splitting the department.

Commissioner Crum responded that the number was closer to \$2.4 million, and felt that the investment was worth the cost. He noted that the focus was resolving the high vacancy and turnover rate in the Office of Children's Services (OCS).

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Representative Edgmon was a half hour into the meeting and tribal compacting had not been mentioned in the discussion. Alaska Native communities had higher rate of cases within OCS. He thought of the importance of fundamental changes - paradigm shifts were needed beyond merely restructuring the department.

Commissioner Crum agreed that compacting was a way to address child welfare issues in rural Alaska. He remarked that there was a slide that would address tribal engagement, and remarked that there would be an administrative order to certify that there is a tribal liaison in every division.

Representative Edgmon asked if the administration and the department were prepared to have government-to-government relationships with the tribes in the state.

Commissioner Crum relayed that he already had the relationship.

Representative Edgmon stressed that government-to-government relationships were essential in resolving the child welfare issues.

Co-Chair Merrick asked if returning to a defined benefit program would help with retention in the Office of Children's Services.

Commissioner Crum indicated that the people who have left the office were put through an exit interview process, and stated that returning to a defined benefit program would help with retention, but it was not one of the primary identified concerns. He agreed to provide more information about retention, specifically related to bonuses, supervisory support, and other aspects.

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Representative Johnson asked how the idea of splitting the department came about.

Commissioner Crum replied that after his first session he had asked the directors to write down their ideas of how to improve the department including recommended structural changes. The largest and most consistent feedback he received was to split the rest of the department from Medicare.

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Vice-Chair Ortiz returned to the issues of government-to-government relations. He asked about the tribal liaison position, and wondered whether the position was in the current governor's budget.

Commissioner Crum replied that the non-inclusion of the position was to have present the EO in the most fiscally responsible way possible. He stated that there was a continued conversation about who would be the tribal liaison, about whether it would be a new position or a responsibility for an existing employee.

Vice-Chair Ortiz wondered whether Commissioner Crum had previously indicated that there was a tribal liaison position, but there was not in fact a tribal liaison position.

Commissioner Crum responded that it would be considered a "role" rather than a position.

Commissioner Crum advanced to slide 10 to review the new Department of Health.

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Representative LeBon asked if the PCN changed with the slide.

Commissioner Crum turned to slide 11, "Improved Services for Alaskans":

- Service navigation will be easier for the public with two smaller departments

- Innovation will become more seamless as two departments will be better able to pursue initiatives and efficiencies to serve Alaskans
- Smaller bureaucracy for the public to navigate
- Easier for the legislature to oversee
- Successful department reorganizations have happened in the past
- DHSS is always changing to better serve the public

Co-Chair Merrick complemented the commissioner and the department for the work that they had done.

Representative Johnson concurred with the co-chair's comments.

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Commissioner Crum advanced to slide 12, "Improved Stakeholder Results":

- More regular checks in with stakeholder groups
- More interaction with federal partners to better manage programs and seek flexibilities that benefit Alaska
- Better ability to manage crises and focus effort on long-range, strategic planning

Co-Chair Merrick asked if he had a list of stakeholders the department had talked with.

Commissioner Crum indicated there was a list of stakeholders in members' packets.

Commissioner Crum continued to the topic of an improved employee experience on slide 13:

The problem: DHSS areas of concern are often large, complex and difficult to solve

- Inability to see change as a result of your work can result in staff burnout
- Not being able to interact with department leadership can lead to programs not getting the attention they deserve
- Without the ability to focus on long-range planning, issues with the most immediate deadlines get priority, but are not necessarily the most important

Commissioner Crum turned to slide 14 to continue the discussion of the improved employee experience:

The solution: Two smaller departments will allow for an improved work environment

- A greater ability to focus more comprehensively on issues to affect change
- Improved communication between staff and department leadership
- Each division's priorities and concerns can be addressed more proactively
- Divisions within DOH and DFCS will continue to work closely together

Commissioner Crum moved to slide 15: "Why an Executive Order":

Why an Executive Order?

Use of an EO is the proper Governor's authority for administrative changes under Article III, Section 23 of the Alaska Constitution. The governor may make changes in the organization of the executive branch or in the assignment of functions among its units which he considers necessary for efficient administration.

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Commissioner Crum advanced to slide 16 to address the question of why not legislation:

Why Not Legislation?

- This is not substantive law change
- More certainty on programs remaining unchanged
- Definitive timeline
- Executive Order is a more concise document
- Less disruptive

Commissioner Crum turned to slide 17: "Executive Orders":

Used over the years to realign state agencies to better serve the public.

- EO 108 moved the Alaska Pioneer Homes and regulation of childcare facilities to DHSS (2003).
- EO 55 created the Department of Corrections, moving the duties from DHSS (1984).

□ EO has been used by many Governors Egan, Sheffield, Murkowski, Walker, (etc.)

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Representative Edgmon brought up scale, scope, and size. The EO being discussed was 100 pages compared to other executive orders. He was concerned that the EO was a separation of powers. He thought a bill should have been introduced rather than an EO.

Commissioner Crum responded that the current EO had statutes that pointed in the correct division. He deferred to Ms. Kraly.

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STACIE KRALY, DIRECTOR, CIVIL DIVISION, DEPARTMENT OF LAW (via teleconference), EO 108 was over 90 sections long and over 40 pages in length. She indicated that much of the EO was related to movement of boards and authority.

Representative Edgmon stated that there was one attorney on the committee and it was not him. He noted listening to the DHSS hearing on the previous Saturday. He argued that he would not know the constitutionality but felt that there needed to be a further examination of the EO.

Representative Johnson commented that the EO was so large, because the department was large, which was the main reason for the change.

Commissioner Crum discussed the timeline for the EO on slide 18:

Timeline for the Executive Order

- Executive Order 121 was introduced the first day of session January 18, 2022.
- The legislature has 60 days to come together in a joint session to disapprove the reorganization.
- Upon approval, DHSS will continue to implementation plans.
- Effective Date: July 1, 2022

Commissioner Crum reviewed the lessons learned from stakeholder engagement on slide 19:

### Stakeholder Engagement: Lessons Learned

- Meaningful engagement takes time: Leadership needs to spend more time with both internal and external stakeholders
- Tribal partners recommended Tribal liaison roles in each Commissioner's office
- Stakeholders recommended transition liaison positions in each commissioner's offices
- Q and A from stakeholders provided valuable input which will be utilized in the implementation process
- Repeated engagement ensures better communication and dispels misinformation

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Ms. Robb moved to slide 20 to discuss the small investment to divide the department. The number of positions for the Department of Family and Community Services. The budget for the department was \$3.1 million, and the total cost of the EO was \$2 million.

Representative Edgmon asked if there was a tribal liaison in the Governor's office as well as two other tribal liaisons - one in each of the health departments.

Commissioner Crum responded in the affirmative.

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Representative Edgmon felt that the effort to separate the department into two separate pieces. However, he was skeptical about the change. He was not convinced that two tribal liaisons would be enough for the two new departments.

Ms. Robb reviewed slide 21: "DFCS, Departmental Support Services 7.5 New Positions -\$1,195.0 total." She stated that the positions would be in the Department of Health.

Representative Johnson talked to an OCS worker who indicated the concern was being nimble with some of the issues with receiving money and delivering money for the children quickly.

Ms. Robb replied that OCS would remain unchanged, so there should be no impact with the EO.

Ms. Robb continued to slide 22: "DFCS, Departmental Support Services 9 Reclassified Positions --\$397.9 total." The total for the reclassified positions was just under \$400,000.

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Ms. Robb advanced to slide 23: "Department of Health, Departmental Support Services 5.5 New Positions --\$692.6 total." There were 5.5 position were being proposed to the new department.

Ms. Robb turned to slide 24: "Department of Health, Departmental Support Services 1 Reclassified Position --\$42.3 total." There was only one position that would be reclassified in the new department.

Commissioner Crum continued to measures and metrics - benchmarks for the Department of Health on slide 25:

- Make progress in meeting the goals for Healthy Alaskans 2030
- Hire and retain a Finance Officer and full grants and contracts team
- Issue RFP(s) and awards for new coordinated care demonstration projects
- Successfully implement an online application for Medicaid and other public assistance programs
- Improve processing rate for procurement and contracts to under 90 days Department of Health

Commissioner Crum discussed the measures and metrics - benchmarks for the Department of Family and Community Services on slide 26:

- Consolidate licensing regulations for long-term care facilities, group homes, and foster homes
- Reduce turnover of front-line OCS by 20 percent within 12 months
- Achieve full census capability at API within 12 months
- Increase recruitment and retention of Juvenile Justice Officers by 25 percent
- Improve processing rate for procurement and contracts to under 90 days Department of Family and Community Services

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Ms. Robb continued to slide 28 and the implementation segment of the presentation. She reviewed the ongoing stakeholder and staff engagement timeline. The department had a very detailed plan including how to split the department in IRIS.

Representative Edgmon returned to the previous review hearing over the prior weekend, and the continued work on the EO was only shared with a few legislators. He wanted to know more about that issue.

Commissioner Crum recalled the Senate Finance Committee, in 2021, had requested that there be work with the department in the interim, so therefore that work was done directly with the Senate.

Representative Edgmon thought he heard that the Senate Co-Chair was given a copy. However, the House Chair was not provided a copy. He continued to argue that it was a large proposition. He felt "powerless." He was on a train going 100 miles per hour and he had no way of stopping it. He did not know if the metrics would improve.

Commissioner Crum indicated the issue was addressed in the meeting on the prior Saturday. He stated that the department was committed to addressing implementation and policy concerns, and statutory issues.

Co-Chair Merrick indicated the commissioner had contacted her prior to the start of session.

Representative Edgmon noted he had not been contacted about the EO.

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Ms. Robb addressed slide 29, a continuation of the timeline of implementation.

Commissioner Crum turned to slide 30 which listed the department's reorganization website. He concluded the presentation.

Representative Edgmon commented that he sincerely hoped that the metrics fared well into the future. He wished the

department the best. He wanted the change to work to better serve families in need. He would be discussing it in the future.

Co-Chair Merrick thanked the presenters and reviewed the agenda for the following meeting at which time the committee would hear HB 64 and HB 30. The amendment deadline for both bills was Saturday, February 26, 2022 at 6:00 P.M.

#

ADJOURNMENT

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The meeting was adjourned at 2:52 p.m.