

**ALASKA STATE LEGISLATURE**  
**HOUSE HEALTH AND SOCIAL SERVICES STANDING COMMITTEE**

February 25, 2021

3:03 p.m.

**MEMBERS PRESENT**

Representative Liz Snyder, Co-Chair (via teleconference)  
Representative Tiffany Zulkosky, Co-Chair (via teleconference)  
Representative Ivy Spohnholz (via teleconference)  
Representative Zack Fields (via teleconference)  
Representative Christopher Kurka (via teleconference)  
Representative Mike Prax (via teleconference)

**MEMBERS ABSENT**

Representative Ken McCarty

**COMMITTEE CALENDAR**

EXECUTIVE ORDER 119 - DHSS REORGANIZATION

HEARD AND HELD

**PREVIOUS COMMITTEE ACTION**

No previous action to record

**WITNESS REGISTER**

STACIE KRALY, Chief Assistant Attorney General  
Statewide Section Supervisor  
Human Services Section  
Civil Division (Juneau)  
Department of Law  
Juneau, Alaska

**POSITION STATEMENT:** Presented a sectional analysis for Executive Order 119.

ADAM CRUM, Commissioner  
Office of the Commissioner  
Department of Health and Social Services (DHSS)  
Anchorage, Alaska

**POSITION STATEMENT:** Co-presented a presentation entitled "Alaska Department of Health and Social Services; Executive Order 119 DHSS Reorganization."

SYLVAN ROBB, Assistant Commissioner  
Office of the Commissioner  
Department of Health and Social Services (DHSS)  
Anchorage, Alaska

**POSITION STATEMENT:** Co-presented a presentation entitled "Alaska Department of Health and Social Services; Executive Order 119 DHSS Reorganization."

CLINTON LASLEY, Deputy Commissioner  
Office of the Commissioner  
Department of Health and Social Services  
Juneau, Alaska

**POSITION STATEMENT:** Answered questions about Executive Order 119 and the proposed reorganization of the Department of Health and Social Services.

#### **ACTION NARRATIVE**

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**CO-CHAIR TIFFANY ZULKOSKY** called the House Health and Social Services Standing Committee meeting to order at 3:03 p.m. Representatives Fields, Kurka, Snyder, and Zulkosky were present (via teleconference) at the call to order. Representative Spohnholz and Prax arrived (via teleconference) as the meeting was in progress.

#### **EXECUTIVE ORDER 119 - DHSS REORGANIZATION**

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**CO-CHAIR ZULKOSKY** announced that the only order of business would be discussion of Executive Order (EO) 119 - DHSS Reorganization.

**CO-CHAIR ZULKOSKY** gave a brief overview of the process of hearing an executive order, which differs from a standard piece of legislation. She shared that the legislature has 60 days to take action on an executive order when it is issued; if no action is taken, then the executive order becomes law after those 60 days have elapsed. Any action taken by the legislature to reject the EO 119 must occur by March 21, 2021.

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STACIE KRALY, Chief Assistant Attorney General, Statewide Section Supervisor, Human Services Section, Civil Division (Juneau), Department of Law, gave a presentation on the sectional analysis of Executive Order 119. She stated that a memorandum ("memo") was provided to committee members, which outlines the changes the department made in the proposed reorganization of DHSS and why it made those changes. Ms. Kraly turned to the memo and paraphrased the provision that allows the governor to take the action of the executive order, listed in the memorandum under "Authority for Executive Orders" and also found in Article III, Section 23, of the Alaska State Constitution. The provision read as follows [original punctuation provided]:

"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. Where these changes require the force of law, they shall be set forth in executive orders. The legislature shall have sixty days of a regular session, or a full session if of shorter duration, to disapprove these executive orders. Unless disapproved by resolution concurred in by a majority of the members in joint session, these orders become effective at a date thereafter to be designated by the governor."

MS. KRALY continued paraphrasing from the text of the memorandum, which read as follows [original punctuation provided]:

Under this constitutional authority, previous governors have proposed approximately 118 Executive Orders to reorganize units of state government or change the assignment of functions among its units. A number of Executive Orders have impacted the Department of Health and Social Services:

- Executive Order 54: Attempted to create the Dept. of Corrections from a division that was in DHSS, but it was disapproved by the legislature, which introduced HB 103 (1983) as a bill to create the new department. Before the House held its concurrent vote on SC CSHB103 (FIN) am S, the governor introduced EO 55, which was not disapproved and which incorporated many

of the sections from the bill that were missed in EO 54. (Sheffield, 1983 and 1984).

- Executive Order 108: Reorganized the Department of Health and Social Services, which entailed moving the Division of Senior Services and the Alaska Pioneer Homes from the Department of Administration to the Department of Health and Social Services. (Murkowski, 2003).
- Executive Order 116: Assigned the function of the DHSS departmental administrative hearing process to the Department of Administration, in the Office of Administrative Hearings. (Parnell, 2012).

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MS. KRALY read from the next section of the memo, entitled "Scope of Executive Orders," which read as follows [original punctuation provided]:

An Executive Order is a restructuring of statutes that have already been enacted into law, resulting in the reorganization or reassignment of functions of the executive branch. An Executive Order relocates current statutes or reframes references for administrative, organization, and efficiency purposes.

An Executive Order may not be used to enact new substantive law; as such, it is not treated like a bill and does not require three readings and passage by the legislature prior to going into effect.

MS. KRALY stated that once the decision was made to bifurcate the Department of Health and Social Services (DHSS) into two departments, the Department of Law (DOL) prepared to draft EO 119. She continued by paraphrasing the next section of the memo, entitled "Executive Order 119 Development Process," which read as follows [original punctuation provided]:

Currently, the Department of Health and Social Services is established primarily in three titles of the Alaska statutes: AS 18, AS 44, and AS 47. But references to the Department of Health and Social Services are found in many titles, chapters, and sections of state law.

The Department of Law identified all instances in statute where the Department of Health and Social

Services, the Commissioner of the Department of Health and Social Services, or relevant statutes are referenced and amended each reference to reflect the move to either the Department of Health or the Department of Family and Community Services. Each reference was assigned to the appropriate department based on the authorities or programs of each department. There were approximately 300 discrete references that required a conforming edit to change the name of the department to reflect the appropriate department with the assigned function.

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MS. KRALY continued by paraphrasing the next section, entitled "The Structure of the Order," which read as follows [original punctuation provided]:

All of the statutes affected by Executive Order 119 have been properly passed by the legislature and the duties, functions, and programs assigned under those statutes currently reside with the Department of Health and Social Services. Executive Order 119 reallocates these duties, functions, and programs to the Department of Health and the Department of Family and Community Services. In some instances, discussed below, there are functions that are allocated to both departments, in order to fulfil a requirement of a program.

**Basic structure.** Title 44 of the Alaska Statutes establishes the departments of the Executive Branch. In Section 27 of the Executive Order, AS 44.17.005 is amended to list the Department of Health and the Department of Family and Community Services as principal offices and departments of state government. **Department of Health.** Currently, the duties of the Department of Health and Social Services are established under AS 44.29. The Executive Order, beginning in section 29, amends this chapter to reflect that the Department of Health will be established under AS 44.29. The Department of Health will implement duties to oversee specific statutory programs and services outlined in AS 47.05.010. Section 39.

The Executive Order likewise amends AS 18, Public Health, and the authorities and programs of AS 18 Public Health, to reflect that these will be a function of the Department of Health.

**Department of Family and Community Services.** The Department of Family and Community Services is established under a new chapter, AS 44.30. Section 36. The Department of Family and Community Services will implement specific statutory programs and services outlined in AS 47.06.010. Section 62.

For each Department, the Executive Order then assigns each chapter of Title 47 to the correct Department. For example: AS 47.07 (Medical Assistance) and AS 47.24 (Adult Protective Services) are assigned to the Department of Health, whereas AS 47.10 (Child Welfare) and AS 47.14 (Juvenile Justice) are assigned to the Department of Family and Community Services.

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MS. KRALY talked about the shared responsibilities of the new departments, shown in the memo, as follows [original punctuation provided]:

**Shared responsibilities.** There are statutes that are allocated to both departments because the statute contains a function that each department will have responsibility to provide. For example:

1. AS 47.05 pertaining to background checks: Each respective department will have the responsibility for conducting background checks.
2. AS 47.32 pertaining to licensing of certain facilities: Each respective department will have the responsibility for licensing of certain facilities (health care facilities in Department of Health and foster care homes in the Department of Family and Community Services).
3. AS 47.30 pertaining to mental health: Each respective department will have a responsibility in the planning, support, and provision of a comprehensive mental health program.

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MS. KRALY then addressed the boards and commissions that would be changed under the executive order, paraphrasing from the next section of the memo, entitled "Specific changes to Boards and Commissions," which read as follows [original punctuation provided]:

1. *The Alaska Mental Health Trust Authority:*

The Alaska Mental Health Trust Authority is established in state law at AS 47.30.011 - AS 47.30.061. The Alaska Mental Health Trust does not operate as a board, commission, or entity of the Department of Health and Social Services. For organization and budgetary purposes, the Alaska Mental Health Trust is housed within the Department of Revenue.

The Executive Order moves the Alaska Mental Health Trust Authority to AS 44.25, which establishes the Department of Revenue as an executive branch department. This is accomplished in Section 28 of the Executive Order, pages 12 through 21. Hon. Representatives. Zulkosky and Snyder February 25, 2021 Re: Overview of Executive Order no. 119 Page 5 of 6

2. *The Office of the Long-Term Care Ombudsman:*

The Office of the Long-Term Care Ombudsman is established in AS 47.62.010 - through AS 47.62.090 as an entity under the Alaska Mental Health Trust Authority. The Executive Order moves the Office of the Long Term Care Ombudsman to AS 44.25 along with the Alaska Mental Health Trust Authority. This is accomplished in Section 28 of the Executive Order, pages 23 through 27. The Office of the Long Term Care Ombudsman is retained as an entity of the Alaska Mental Health Trust.

3. *Other boards and commissions.* There are a number of boards and commissions that are established in the Department of Health and Social Services that utilize resources of the department. The Executive Order aligns the boards and the commissions with the appropriate department.

The Executive Order moves the Governor's Council on Disabilities and Special Education currently set forth in 47.80.030-095 as a council under the Department of Health (Section 35, page 31).

The Executive Order moves in statute the Statewide Independent Living Council currently set forth in AS 47.80.300-330 as a council under the Department of Health (Section 35, page 35).

The Executive Order moves in statute the Alaska Mental Health Board as a board currently set forth in AS 47.30.661-669 under the Department of Health (Section 35, page 37).

The Executive Order moves in statute the Alaska Pioneer Home Advisory Board, currently under AS 44.29.500 - AS 44.29.530, as a board under the Department of Family and Community Services (Section 36, page 42).

The Executive Order moves in statute the Alaska Commission on Aging, currently under AS 47.45.200, to a commission under the Department of Health (Section 125 page 92).

The Advisory Board on Alcoholism and Drug Abuse, currently under AS 44.29.100, will be aligned with the Department of Health.

The Statewide Suicide Prevention Council, currently under AS 44.29.300, will be aligned with the Department of Health.

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MS. KRALY stated that the executive order outlines a number of transitional provisions to ensure that once it is approved, the business of the department can continue to operate. She said that these provisions include, for example, pending litigation, grants and contracts, payments, continued eligibility for programs, the child welfare compact, instructions related to boards and commissions, memberships on boards and commissions, and regulations. The complete list of provisions is on page 4 of the memo. She said these provisions ensure that if or when the executive order is enacted, applications submitted will get referred to the correct department.

MS. KRALY related that questions were asked of DOL in a previous committee hearing. One was concerning child welfare statute. She directed attention to the part of the memo that describes

the shift of the statute from one department to the other, as follows [original punctuation provided]:

Currently, AS 47.05.065 establishes legislative findings related to Alaska's Child Welfare Statutes. With the reorganization and the realignment of duties and responsibilities of the child welfare programs and family services established in AS 44.30 and AS 47.06, this statute was moved to AS 47.06.020 (Section 62, page 57). It is properly aligned with the Department of Family and Community Services. This statute was originally adopted in 1998 and amended in 2018. The Executive Order makes no change to this language or legislative findings, it merely aligns it with the proper statutory construct for the Department of Family and Community Services.

MS. KRALY referred to language of the memo addressing the removal of the Pioneers' Home, which read as follows [original punctuation provided]:

Next, as to the amendments related to the Pioneers' Home and Veterans Home in AS 08.68.700(g). Section 2 The change in subsection (f) was made to clarify that the regulatory authority under this section will be with the Department of Health.

The change under subsection (g) to the definition of "health care facility" was to ensure that the Department of Health and Social Services did not have regulatory authority over another department's division. However, nothing in this section precludes the Pioneer Homes and Veterans Homes from working with the primary care physicians of their residents relating to issuing death certificates for residents in the future.

In summary, this Executive Order does not remove Pioneer Homes or Veterans Homes from the "health care facility" definition in other definition sections of state law. The definition of health care facility in AS 18.35.399 (prohibiting smoking in certain locations and circumstances) and AS 13.52.390 (Health Care Decisions Act) will still include Pioneer Homes and Veterans Homes.

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ADAM CRUM, Commissioner, Office of the Commissioner, Department of Health and Social Services (DHSS), gave the "Alaska Department of Health and Social Services; Executive Order 119 DHSS Reorganization" presentation by way of PowerPoint. He said he would discuss the current DHSS setup, challenges and opportunities, and how EO 119 can benefit Alaskans now and into the future. He directed attention to slide 2, entitled "Alaska Department of Health and Social Services; Adam Crum, Commissioner," which depicted an organizational chart of the current DHSS organizational setup. He stated that it consists of nine service divisions and a Division of Finance and Management Services. On the right side of the chart, he pointed out the Alaska Pioneers' Home, the Alaska Psychiatric Institute, the Office of Children's Services, and the Office of Juvenile Justice, which he said are the four divisions that he is proposing to be broken out under a new commissioner's office and department.

COMMISSIONER CRUM directed attention to slide 3, entitled "How DHSS Exists Today," and explained that including supplementals, DHSS has the largest budget of any department at \$3,483,874.2 billion. He continued to paraphrase from the slide, which read as follows [original punctuation provided]:

FY2021 Budget (Including Supplementals): \$3,483,874.2  
PCN: 3401  
Programs/Services  
Over 100 programs that serve Alaskans directly

How Alaskan are served: birth certificates, death certificates, licensed medical facilities, licensed assisted living/skilled nursing facilities, eligibility for assistance programs, foster care services, family preservation services, preventative health, adult protective services, tobacco prevention programs, marijuana education and prevention programs, comprehensive community and mental health services, payments to support Alaskans, payments for providers, complex case management services, transportation services, home and community-based waivers, juvenile detention services, chronic disease and health promotion, preventative health, childcare facility licensing and safety, early intervention and learning programs, public health nurses, substance misuse and addiction prevention, newborn hearing and screening programs.

Major Categories of Services  
Regulatory/Claims Processing/Eligibility for Services  
Public Health Services  
Protecting Vulnerable Alaskans, Children, Families  
(Service/Provider/Provider Based)

COMMISSIONER CRUM moved to slide 4, entitled "Challenges; Opportunities," which read as follows [original punctuation provided]:

Challenges

- Division of Public Assistance Backlog
- Alaska Psychiatric Institute
- Office of Children's Services
- COVID-19 Public Health Emergency
- IT/Network Systems

Opportunities

- Tribal Child Welfare Compact
- 1115 Waiver
- Tribal Claiming
- Care Management Programs

COMMISSIONER CRUM explained the challenge of the Division of Public Assistance's significant backlog which had a processing time for applications of 100 days on average. He explained that DHSS inserted new leadership and supported changes, such as restructuring of management within the division, alignment of programs and support functions within the division, implementation of a new training structure and electronic document management, and more. He shared that now, the division has only a couple hundred applications that are over 45 days old, and the average processing time is 3-5 days.

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COMMISSIONER CRUM added that another item from slide 4 that required immediate attention was the Alaska Psychiatric Institute (API), which was in danger of losing its license to operate as a hospital. He shared that API is the primary psychiatric hospital for the state. The commissioner's office made the decision to provide management consulting and direct oversight and attention to API. Through these efforts, which also included a newly formed governance board, API has an available census of up to 60 patients up from a low of 20 patients, and the Center for Medicare and Medicaid Services

(CMS) has rescinded its termination of the facility as it is now considered compliant with state and federal rules.

COMMISSIONER CRUM addressed the next item from slide 4, "Challenges," and stated that COVID-19 has been a significant challenge as it has taken up time from the Office of the Commissioner in order to help lead the response and deal with the challenges. He stated that this shows the need for focus and oversight because a lot of key changes needed to occur, such as federal waivers and flexibility, and it requires a "tremendous lift" by everyone in the office in order to accomplish that.

COMMISSIONER CRUM shared the next challenge listed on the slide, the Office of Children's Services (OCS). He pointed to the high turnover of case workers as a significant stress for all parties involved. He said that national data shows that high turnover rates and staffing shortages leave remaining staff with insufficient time to conduct the kind of home visits that are necessary to assess children's safety to make well-supported decisions. He shared that consistency and continuity of case managers is a key factor in helping children succeed. He explained that this information had been shared and debated in prior legislatures, and pointed to House Bill 151 [passed during the Thirtieth Alaska State Legislature], in 2018, which provided funding and support to OCS, but he stated that the anticipated level of success has not been achieved. He added that OCS has a current turnover rate of 51.9 percent for case-carrying staff. If the national data is to be believed, he said that this turnover causes a financial burden of \$13 million. He concluded that the challenge of turnover needs direct attention, management, and support from the Office of the Commissioner.

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COMMISSIONER CRUM, highlighting "Challenges; Opportunities" on slide 4, stated that the conversation about challenges leads to a conversation about opportunities. He expanded upon the slide and stated his office has not been able to dedicate as much time as it would've liked to the Alaska Child Welfare Compact. He shared a statistic that 65 percent of children in OCS are Alaska Native, and for that reason he said that the compact must be as successful as possible. He explained that an expanded commissioner's office would be able to address these challenges more completely. He continued paraphrasing from the next items on the slide, and added that the 1115 waiver is also a critical component in building up behavioral health care as it can help

keep expensive emergency room appointments down. He also mentioned the Tribal Claiming Program, which brings general fund dollars back to Alaska.

COMMISSIONER CRUM proceeded to slide 5, entitled "For Comparison," and stated the content on the slide shows that DHSS is unlike any other department in the state. He said that the intent of sharing this slide is so show the breadth and depth of the department. The slide shows the difference between the DHSS budget and 15 other departments, and read as follows [original punctuation provided]:

Dept. of Health & Social Services  
\$3,407,847,800 FY2022 Governor  
3263 Total PCNs

Dept. of Transportation & Public Facilities  
Dept. of Corrections  
Dept. of Revenue  
Dept. of Administration  
Dept. of Public Safety  
Dept. of Fish & Game  
Dept. of Labor & Workforce Development  
Dept. of Natural Resources  
Dept. of Law  
Dept. of Commerce, Community & Economic Develop.  
Dept. of Environmental Conservation  
Dept. of Military and Veterans Affairs  
Office of the Governor  
Judiciary  
Legislature

COMMISSIONER CRUM paraphrased the information on slide 6, entitled "Executive Order 119 Vision; The Reorganization of DHSS," which read as follows [original punctuation provided]:

Goal: Provide proactive, efficient leadership and management of programs to achieve better outcomes for Alaskans  
Align Current Functions & Programs  
1. Direct Care and Services to Alaskans in State Administered Programs  
2. Eligibility for Alaskans & Payment to Providers  
Focus Management to Improve Outcomes  
1. Innovation  
2. Work Processes

COMMISSIONER CRUM concluded that with the current structuring of the department, there is only time to go from "fire to fire" and there is not enough time and attention to focus on broadly implementing strategic plans and improving aspects of the department.

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SYLVAN ROBB, Assistant Commissioner, Office of the Commissioner, Department of Health and Social Services (DHSS), introduced slide 7, which listed the current DHSS budget, the proposed budgets of the two new departments - Department of Community and Family Services and the Department of Health - and the differences between them. Slide 7 read as follows [original punctuation provided]:

Dept. of Health and Social Services  
FY2021 Management Plan + Supplementals  
UGF \$1,124,933.0  
Total \$3,483,874.2  
Full Time Positions 3401

Dept. of Family and Community Services  
FY2022 Governor's Amended  
UGF \$213,447.1  
Total \$413,419.6  
Full Time Positions 1823

Dept. of Health  
FY2022 Governor's Amended  
UGF \$898,914.3  
Total \$3,037,956.3  
Full Time Positions 1439

Difference  
FY2021 Management Plan +  
Supplementals to  
FY2022 Governor's  
Amended  
UGF (\$12,606.0)  
Total (\$32,504.8)  
Full Time Positions  
(139)

All dollars in thousands

MS. ROBB concluded that even with the budget for the proposed EO, the budgets for the two new proposed departments would be less than the budget for DHSS this year in fiscal year 2021 (FY 21). She acknowledged that there are costs associated with making these changes which are detailed on a subsequent slide.

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CO-CHAIR ZULKOSKY asked for confirmation that the top blue box on the slide ["Dept. of Health and Social Services"] is the existing department's budget, and the pink box on the slide ["Difference"] is what the budget would look like following EO 119 and the reorganization of the department.

MS. ROBB answered that is correct.

[3:42:10 PM](#)

COMMISSIONER CRUM continued with the presentation on slide 8, entitled "Department of Family & Community Services," and said that it showed the proposed organizational chart for the Department of Family and Community Services. He stated that by being removed from the Medicaid conversation, this department would be able to focus on key items of improvement, such as finding the cause of the high turnover at OCS. He said that this will help the department help families in need by connecting them with community resources before intervention is needed. He added that a discussion with the Tribal Compact cosigners is occurring to see if they would be willing to allow the Tribal Compact to move to the Office of the Commissioner under this new organization. He stated that this is to ensure that the compact is maximized for the benefit of Alaskans. He also touched on the Alaska Pioneers' Home and said that the intention is to continue to ensure that the best level of care is provided to Alaska's elders. He added that new facilities such as skilled nursing facilities and assisted living facilities are being built, and it is important to make sure that there is a proper place for the services needed for the Alaska Pioneers' Home.

COMMISSIONER CRUM turned to slide 9, entitled "The Department of Health," which showed the proposed organizational chart for the proposed Department of Health. He shared that the goal is to align health improvements, chronic health prevention, data, payment, and healthcare delivery groups. He said that increased stakeholder and constituent engagement, federal partner engagement, and implementing further flexibilities granted by

the legislature in 2016 with Senate Bill 74 [passed during the Twenty-Ninth Alaska State Legislature] can all help increase focus and improve management regarding the Medicaid program. He shared that the office does \$34-\$45 million a week for Medicaid checks.

COMMISSIONER CRUM stated that another benefit with this proposed reorganization is that it would allow the focus to shift more to value-based care; currently Alaska is one of the only states that does not have a fee-for-service option. He also mentioned that a focus shift to primary care is important to make sure that there is no delayed access to healthcare for Alaskans, because the cost of chronic care is what is driving the Medicaid budget.

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MS. ROBB began presenting again on slide 10, entitled "Increments for Commissioner's Office and Department Support Services," and stated that the spreadsheet on the slide shows the increments required to make the split of DHSS. She shared that, as the committee can see from the slide, the proposed Department of Family and Community Services has seven new positions, and the proposed Department of Health has six new positions. She said that the total cost of these new positions is \$1.8 million, and that the total cost of the reorganization is \$5.7 million, of which \$5.2 million are ongoing costs. She also pointed to the general fund impact of the reorganization, which is \$3.1 million, of which \$2.8 million are ongoing costs.

MS. ROBB stated that the Office of the Commissioner did a thorough job of examining every potential cost, for example, by asking staff do a census at every facility in order to ascertain how much signage would need to be replaced. She added that both departments are designed to be fully functional and that neither of the two new proposed departments was the "little sister" to the other.

MS. ROBB proceeded to slide 11, entitled "FY2021 Management Plan + FY2021 Supplemental Comparison to FY2022 Gov Amend - Two Department Structure," which compared the FY 21 budget and the proposed FY 22 budget with the reorganization, which is similar to the information on slide 7, but she added that slide 11 shows all fund sources. She stated that the conclusion of the comparison shows that operating DHSS in 2021 is more expensive than the proposed operation of the two new departments in 2022, even with the costs mentioned earlier in the presentation.

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COMMISSIONER CRUM took another turn with the presentation and shared that after EO 119 was announced, the Office of the Commissioner did extensive outreach with constituent groups and stakeholders to ensure that they understood that the goal is minimal impact of services. To do this, he shared, the office: met with leadership of the labor unions for the state and has continuing meetings set up; held 13 town hall meetings for DHSS employees to ask any questions they had to the commissioner and his team; and has made use of Internet sites and staff feedback emails. He said the groups include the Alaska Children's Trust, Rasmussen Foundation, the Alaska Mental Health Trust, the Alaska Behavioral Health Association, the Mental Health Board, the Alaska Native Tribal Health Consortium, the Alaska State Hospital and Nursing Home Association, the Alaska State Medical Association, the Alaska Primary Care Association, the governor's Council on Disabilities and Special Education, the Alaska Commission on Aging, the Key Coalition, developmental disability groups, and more. He stated that these groups have been educated on the goal of this reorganization, which is added interaction with the commissioner's staff and the commissioner to ensure that they are getting the time and attention they need on key items. He added that conversations with federal partners have also occurred, as well as the Tribal State Collaboration Groups and Tribal Compact partners to ensure that these groups understood the reorganization. Commissioner Crum concluded that the reorganization allows for intensive management of programs and reduced scope, alignment of function for each department, more focus on constituents and services, and more nimble responses to constituents.

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REPRESENTATIVE SPOHNHOLZ shared that she is glad that conversations with impacted stakeholders are taking place, but said that she thinks these conversations might be a bit late. The best-case scenario for a reorganization of a "mega department" takes a long time. She brought up the example of the State of Washington, which did the same thing a few years back. She shared that Washington accomplished its reorganization by creating a commission that spent nine months studying the logistics, and it ended up taking them two years to facilitate the reorganization. She added that she thinks the reason that stakeholder engagement is so important is because it is vital to understand the impact of the proposal on those who

are providing the services being affected and those that need these services. She asked about the projected cost savings, and asked where the savings are coming from and whether there are other positions that are being eliminated.

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COMMISSIONER CRUM replied that this reorganization is "dramatically different" from what the State of Washington did. He said that the conversations about the split started internally in about Summer 2019. He stated that unlike Washington, Alaska is keeping positions and leadership exactly the same, which he said will cause minimal impact to constituents and service provider groups.

[3:56:59 PM](#)

MS. ROBB walked the committee through some of the reductions, addressing Representative Spohnholz's question. The 139 positions that are being reduced are mostly due to the efficiencies that have been gained in the Division of Public Assistance. She stated that unrelated to the reorganization, there are a number of positions that are being reduced, such as the eight positions at the Division of Juvenile Justice. She concluded that for the most part, the rest of the position reductions are related to the administrative orders from the governor that consolidate Human Resources and Procurement into the Department of Administration and represent positions that were transferred over to the Department of Administration.

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REPRESENTATIVE SPOHNHOLZ shared her understanding that the majority of the savings do not have to do with the reorganization. She mentioned the commissioner's comment that what Alaska is proposing is different from what happened in the State of Washington because Washington's transition included title changes, and she said that what she knows about transitions is that they are incredibly difficult. She shared that she studied transitions in graduate school, and a great deal of research has been done on the topic. She spoke about transitions as being incredibly stressful for staff, and she pointed to the ongoing stress of the COVID-19 pandemic, during which DHSS has been on the frontline. Representative Spohnholz expressed that adding another layer of stress seems problematic, especially if the savings are not coming from the

reorganization, and she suggested that this may not be the right time for this reorganization.

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COMMISSIONER CRUM responded that this plan has not been put forward as a cost-saving measure; the juxtaposition between the FY 21 and proposed FY 22 budgets was included in the presentation to show that it's not necessarily a growth in government. He said that the goal is to make the system better for Alaskans, and this is a way to accomplish that and make it cheaper and more effective to provide services to Alaskans. He shared that the status quo at OCS is increasing turnover, and that when House Bill 151 was put into place, the turnover was in the fortieth percentile. He stated that turnover is now in the fifty-second percentile. He concluded that the system is getting worse and that the time is now for the reorganization.

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CO-CHAIR SNYDER echoed the concerns and questions put forward by Representative Spohnholz. She asked if there is a transition plan in place and whether it is under development, and, if so, she questioned where that can be found and who contributed to it.

COMMISSIONER CRUM said that the transition plan is primarily involved with Finance and Management Services, including information technology (IT), while the Office of Children's Services, the Division of Alaska Psychiatric Institute, the Division of Health Care Services, and the Division of Senior and Disability Services require no transition because there will be no change to staff.

CO-CHAIR SNYDER asked about the transition evaluation to determine whether the stated goals and objectives have been achieved, and she asked whether there are metrics for a successful bifurcation in the short and long-term.

[4:04:36 PM](#)

COMMISSIONER CRUM responded that one of the easy metrics to look to is the turnover for OCS staff. As to the rest of the transitions, he indicated that no firm numbers are in place, but they are being determined so that the staff understand what the goals and changes are. He shared that during a conversation with a constituent group, the group asked if someone could be

appointed to a role similar to a transitional liaison so that people would have a specific person to go to for their questions. He added that they are looking to implement this to ensure that the transition provides services better to Alaskans.

[4:05:44 PM](#)

CO-CHAIR ZULKOSKY asked where the legislature sees the transition planning information that the commissioner mentioned earlier in his response to Representative Snyder's question. She asked if the over 800 employees that would be impacted by this transition are aware of the plan and how will they go about finding out more information about it.

COMMISSIONER CRUM deferred the question to Ms. Robb.

[4:07:22 PM](#)

MS. ROBB responded that a transition plan is in development. She shared that the announcement regarding the reorganization was made on December 22, 2020, and staff got to work the next day to move forward in the process. The transition plan has been to work through all the necessary items to ensure that Alaskans receive a smooth continuity of services. She shared that the list of these almost 100 items has been divided by month to ensure that staff is not falling behind on the workload.

[4:08:51 PM](#)

CO-CHAIR ZULKOSKY commented that this proposal is being put forward for the legislature's consideration and it sounds like there's some substantive information that the department has prepared that the committee would be interested in seeing. She echoed Representative Spohnholz's earlier question and agreed that such a significant change amidst a pandemic with little information given to the public elicits some questions. She asked Commissioner Crum whether written analyses and research had been done to examine the impact of the proposal on the department's work, particularly the public-facing work that it does, which has a direct impact on Alaskans.

[4:10:49 PM](#)

COMMISSIONER CRUM reiterated that all of the existing divisions, contacts, phone numbers, et cetera will remain the same on June 30, 2021, as they will on July 1, 2021, which is when the

proposal would be in effect. Part of the plan is to look at the programs that Alaskans utilize and how they interact within the department.

[4:11:49 PM](#)

CO-CHAIR SNYDER asked about the positions that are being cut as a result of electronic renewals, and whether those renewals are happening yet.

MS. ROBB responded that yes, the Division of Public Assistance has had online applications for some time now. The division is moving toward online processing of changes that beneficiaries need to send in to receive public assistance and is moving to an online system. In the past when these changes have been made via hardcopy, it creates a large volume of mail and paperwork processing which comes at an expense. As they move towards an online system, it allows for increased efficiency.

CO-CHAIR SNYDER agreed that that sounded like an improvement.

[4:14:02 PM](#)

REPRESENTATIVE KURKA stated his understanding of the presentation, which is that this is merely a transition in the management and oversight of DHSS, and that everything else will remain the same. He shared that he is alarmed about the "extreme dysfunction" in OCS. From what he is hearing, case workers at OCS are being turned over before they get fully trained. He asked whether part of the plan is reforming OCS.

COMMISSIONER CRUM agreed that OCS has issues, particularly the turnover rate and the time required to get new hires fully trained, which includes understanding the unique requirements and circumstances of each region of Alaska. In the construction of the plan, the department pondered what it can do to remove administrative burdens on OCS employees to help make their jobs easier and what the items of pressing concern to families of Alaska are. He shared his belief that this will result in cost-savings as well as improve outcomes for children. One of the main goals of the department is to ensure that family resilience is prioritized. He stated that it requires a lot of effort for organizations to bring employees on who are responsible for learning best practices and taking advantage of opportunities, and shared that the department does not have enough time or resources to explore every opportunity that it should. He said

that an added benefit would be the extra attention the department could give to the Alaska Tribal Compact.

[4:18:28 PM](#)

REPRESENTATIVE SPOHNHOLZ stated that she is "thrilled" that there is an interest not just in saving money but also in trying to deliver a better service. She agreed that there needs to be more focus and investment in OCS to reduce turnover, and that other departments such as API need leadership attention. She commented that she is also thrilled that the commissioner and the administration has come around on things like Medicare reform. She stated that her question regarding the timing of this reorganization remains; she is concerned about the timing still, as well as the amount of stakeholder engagement. She has heard concerns from Direct Service Providers, tribal organizations, and other DHSS partners about this. She recalled that Casey Family Programs testified and also questioned the timing and the transition. She asked if the department has brought in and questioned any other experts to help assess the various options and considerations around timing.

[4:21:03 PM](#)

COMMISSIONER CRUM said that he had a meeting with the Rasmussen Foundation and the Casey Foundation last week and believes he will with them every two weeks to discuss concerns. He shared his understand that these organizations are getting more and more comfortable with the proposal. He reiterated that he believes that this is the best way to provide better services to Alaskans.

REPRESENTATIVE SPOHNHOLZ asked again if any additional consultants or experts were engaged.

COMMISSIONER CRUM responded no.

[4:23:35 PM](#)

CO-CHAIR SNYDER stated that she is hearing two "sides of a coin," one being that the reorganization is not a big change and the other being that the change is significant. She asked for details on the salary range for the 13 new positions and how that compares to the positions that will be removed.

MS. ROBB responded that she doesn't have the details in front of her, but that she would be happy to get that information to the committee.

[4:25:05 PM](#)

CO-CHAIR ZULKOSKY asked Ms. Robb if she could speak generally to the types of positions and the support that would be provided to either of the two new proposed departments.

MS. ROBB shared that six new positions were being added in the Department of Health and seven in the Department of Family and Community Services. Three of the new positions in the Department of Family and Community Services are within the Office of the Commissioner. She said that the other positions that are being added are meant to provide strong leadership and oversight within finance and management services for both departments after the split. She expanded that these positions will include some IT staff and administrative staff.

[4:26:40 PM](#)

CO-CHAIR ZULKOSKY highlighted a hearing on the proposed reorganization that was held on January 13, 2021, and that she was grateful to have Casey Family Programs and child welfare advocates speak to the proposal. The presentation given by Ms. Biggs that the committee heard, which she stated is on BASIS under House Health and Social Services Standing Committee meetings, indicated that research is lacking and that there's no ideal structure for the split, and every approach has pros and cons. In particular, she highlighted that positive family and child outcomes cannot be attributed to any particular model. She added that there is no research that indicates an improved accountability or service quality with any particular type of organization. She questioned the cutting of the positions within the Division of Public Assistance (DPA), and mentioned the cost savings the commissioner spoke about that he attributed to a decrease in backlog. She asked how the commissioner can assure that the backlog will not increase with so many positions in that department being cut, and asked about the strategy of leaving the DPA in the Department of Health and not putting it into the Department of Family and Community Services.

COMMISSIONER CRUM agreed that there is no preferred structure and that it varies state by state. He imparted that the broad consensus among staff is that OCS and API are not working, and that change is absolutely necessary. Regarding the decision to

organize DPA under the Department of Health, he stated that the intent was to ensure that Alaskans continue to receive high levels of service. He echoed Ms. Robb and shared that there are other items being worked on to continue the efficiency process to make it easier for staff to continue to respond. He concluded that the goal for the new departments is to continue to meet the needs of Alaskans while maintaining the position reductions.

[4:30:50 PM](#)

CO-CHAIR ZULKOSKY restated the last part of her question regarding the strategy behind maintaining DPA in the Department of Health and not putting it within the Department of Family and Community Services.

COMMISSIONER CRUM responded that DPA does a lot of work and interacts a lot with CMS and for that reason the strategy is to ensure that the CMS authorities are aligned under a single department. He said that the job of CMS includes working between agencies, and that the Department of Family and Community Services is intended to be a provider-based group that provides direct care services to Alaskans.

CO-CHAIR ZULKOSKY asked about similar issues relating to Medicaid and related oversight at API. She said that she is trying to understand the organization choices.

[4:32:53 PM](#)

CLINTON LASLEY, Deputy Commissioner, Office of the Commissioner, Department of Health and Social Services, answered Co-Chair Zulkosky's question and explained that API is a provider of service delivery, and that there are few individuals who enter API who are actually eligible for Medicaid. He said that the key takeaway is that the way that API works now is the way that it will continue to work within the new structure. He added that divisions work together within DHSS and also within other departments, such as the Department of Corrections, Department of Law, Department of Public Safety, and so on, and that this is a normal process within state government.

[4:34:24 PM](#)

CO-CHAIR SNYDER spoke about the benefit of townhalls that have been held and other focused conversations that have been held with stakeholders. She asked if the townhall meetings were

documented and, if so, she said she would like that information shared with the committee. She also asked whether department employees are working remotely in response to the pandemic.

COMMISSIONER CRUM responded that yes, there are employees working remotely.

CO-CHAIR SNYDER asked what portion of employees are working remotely and whether they have concerns about how this transition might be impacted if there are still a significant portion of employees working remotely.

COMMISSIONER CRUM shared that teleworking has become a norm in Health and Social Services for those not working in facilities or in direct public interaction. The department doesn't see telework as a barrier to the transition.

[4:36:33 PM](#)

CO-CHAIR ZULKOSKY echoed Representative Snyder's request that information about townhall meetings be shared with the committee.

COMMISSIONER CRUM responded that the employee townhall meetings are internal but there are other groups that meet in that fashion who may be okay with their conversations being shared. He added that not all conversations have been recorded, but he can provide dates and inquire if that would help.

CO-CHAIR ZULKOSKY shared that the Children's Trust submitted a letter to the committee prior to the January 13 meeting, which is located on the legislature's web page in addition to the presentation given by Casey Family Programs. She recalled hearing in the presentation from child welfare advocates that around 40 percent of licensed foster care homes opted out of continuing their status as foster care homes due to concerns brought on by the pandemic. She asked whether concerns such as this have been taken into account in terms of the amount of time and resources it will take within these respective departments to take the appropriate steps to prepare for the July 1 effective date of EO 119.

COMMISSIONER CRUM responded that yes, the service providers will continue to provide through the transition and that there should be no disruption.

[4:39:43 PM](#)

REPRESENTATIVE SPOHNHOLZ shared that she appreciates the interest in wanting to deliver the services that DHSS is dedicated to in a more effective way; however she thinks that there is a simpler way to accomplish this. She noted that what she sees in the reorganization is a "bunch of new administrative positions" just to add a couple of new leadership positions in the commissioner's office, adding more bureaucracy in the process. She added that the savings that were identified in the presentation were not really savings. She said that what she is hearing is that there is a lack of leadership capacity within the office to be able to oversee the important work done within DHSS, and that the simpler way to address this problem as she sees it would be to add a couple of new positions to the commissioner's office. She mentioned the \$2 billion dollar fiscal gap in the state, and she stated that although the transition is not that expensive, it gives her "heartache" to allocate money to more administrative positions. She concluded that she is hearing more concerns than enthusiasm for the reorganization, and she opined that it is not the time to go forward with it.

[4:42:24 PM](#)

CO-CHAIR ZULKOSKY asked the commissioner about the decision to put forward the reorganization through an executive order rather than legislation.

COMMISSIONER CRUM responded that the reasoning for an executive order was specifically contemplated by the framers of the state constitution and has been done numerous times before. He stated that the goal of executive orders according to the constitution is to delineate them from the political process to ensure that it is the best choice for Alaskans as well as department staff.

[4:43:52 PM](#)

CO-CHAIR ZULKOSKY commented that the choice to put forth an executive order to split the state's largest department is "interesting" when the purpose of the legislative process is to embed public engagement in the process. She opined that it's great that the department has enacted focused dialogue on the issue, but she is concerned about the position that was taken in order to effect this change in terms of public trust. She concluded that she looks forward to additional conversations with the department about EO 119, particularly regarding the expenses of it.

4:46:25 PM

**ADJOURNMENT**

There being no further business before the committee, the House Health and Social Services Standing Committee meeting was adjourned at 4:46 p.m.