

ALASKA STATE LEGISLATURE
HOUSE HEALTH AND SOCIAL SERVICES STANDING COMMITTEE

February 8, 2022

3:04 p.m.

MEMBERS PRESENT

Representative Liz Snyder, Co-Chair
Representative Tiffany Zulkosky, Co-Chair
Representative Ivy Spohnholz
Representative Ken McCarty
Representative Mike Prax

MEMBERS ABSENT

Representative Zack Fields
Representative Christopher Kurka

COMMITTEE CALENDAR

EXECUTIVE ORDER 121: DHSS REORGANIZATION

- HEARD AND HELD

PREVIOUS COMMITTEE ACTION

No previous action to record

WITNESS REGISTER

STACIE KRALY, Director
Civil Division
Department of Law
Juneau, Alaska

POSITION STATEMENT: Gave a presentation and answered questions during the hearing on Executive Order 121.

ADAM CRUM, Commissioner
Department of Health and Social Services
Juneau, Alaska

POSITION STATEMENT: Gave a presentation and answered questions during the hearing on Executive Order 121.

SYLVAN ROBB, Assistant Commissioner
Department of Health and Social Services
Juneau, Alaska

POSITION STATEMENT: Answered questions during the hearing on Executive Order 121.

ACTION NARRATIVE

[3:04:28 PM](#)

CO-CHAIR LIZ SNYDER called the House Health and Social Services Standing Committee meeting to order at 3:04 p.m. Representatives Zulkosky, Spohnholz (via teleconference), and Snyder were present at the call to order. Representatives Prax and McCarty arrived as the meeting was in progress.

EXECUTIVE ORDER 121: DHSS REORGANIZATION

[3:05:23 PM](#)

CO-CHAIR SNYDER announced that the only order of business would be Executive Order 121: Department of Health and Social Services Reorganization.

CO-CHAIR SNYDER explained that Executive Order 121 (EO 121) would bifurcate the Department of Health and Social Services into the Department of Health and the Department of Family and Community services. Another version of this proposal, called EO 119, was introduced last session but was withdrawn by the governor [on 3/11/21]. She went on to outline the documents her staff distributed from the administration [available in the committee packet].

[3:07:10 PM](#)

CO-CHAIR SNYDER introduced those presenting and those available for questions.

[3:08:11 PM](#)

STACIE KRALY, Director, Civil Division, Department of Law, began her presentation by explaining that the sectional analysis is "a beast of a document," so she would summarize it using a three-legged stool analogy. One leg creates the Department of Health and the Department of Family and Community Services out of the Department of Health and Social Services (DHSS). She explained that EO 121 "takes everything out of Title 47 and Title 44 and creates these two departments." The original department, DHSS, was defined under AS 44.29. That chapter has now been used to create the Department of Health, while another chapter has been

added to create the Department of Family and Community Services. A similar bifurcation occurs under AS 47.30, which is the major statutory framework for what is currently DHSS.

MS. KRALY explained that leg two takes all the boards and advocacy groups currently under DHSS and moves them to their respective departments under Title 44. She noted that the Alaska Mental Health Trust Authority (AMHTA) and the Long-Term Care Ombudsman are in the Department of Revenue and indicated that EO 121 removes any reference to them from Title 47 and moves them to Title 44. She named boards that are moved to the new Department of Health: The Governor's Council on Disability and Special Education; the Commission on Aging; the Alaska Mental Health Board; and the Statewide Independent Living Council. She said the Advisory Board on Alcoholism and Drug Abuse and the Suicide Prevention Council are currently under Title 44, so there were no changes made to them. She noted that the Pioneer Home Advisory Board is also under Title 44, but it is being moved to the Department of Family and Community Services because "that's where ... the Pioneer Home will be located." She explained that from an organizational standpoint it made sense to take the boards that have unique roles and obligations out of the day-to-day statutory obligations.

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MS. KRALY, continuing with the stool analogy, described the final leg as being technical. She explained that it encompasses all the necessary conforming amendments to address the statutory provisions in which DHSS is involved, including audits, centralized licensing, and background checks. She explained that included in the final leg are the sections of statute that have been repealed because of adoption elsewhere, as well as instructions for the revisors of statutes for technical amendments including transitional provisions.

[3:15:27 PM](#)

CO-CHAIR ZULKOSKY asked which sections are different in EO 121 versus EO 119 that was introduced last session.

MS. KRALY explained that EO 121 has a more detailed review. She elaborated that the major difference is the division of mental health services between the two departments is addressed and how both departments will work with AMHTA to address the integrated mental health services required under current AS 47.30. On

reconsideration, the administration made EO 121 more compact with less confusing interactions.

CO-CHAIR ZULKOSKY asked to see those changes in writing.

MS. KRALY replied that DHSS can provide that, and she mentioned that one of the things that came up in review with Legislative Legal Services is that there were two commissioners on some of the boards, which is a substantial change to state law.

[3:18:19 PM](#)

CO-CHAIR SNYDER echoed Representative Zulkosky's request. She noted that the National Alliance on Mental Illness (NAMI) had a similar request in a 1/6/22 communication and asked for a specific and clearly laid out breakdown in the technical changes between the two EOs. She also asked Ms. Kraly if the effect of EO 121, with exception of the board positions, was basically unchanged.

MS. KRALY confirmed that the effect of EO 121 was largely unchanged.

[3:20:13 PM](#)

ADAM CRUM, Commissioner, Department of Health and Social Services, gave a PowerPoint presentation on EO 121 [hard copy included in the committee packet]. He directed attention to slide 3, a "hundred-thousand-foot view of the Department of Health and Social Services." He described DHSS as a "mega agency" and cited South Dakota as having four departments that share an equivalent workload to DHSS. He emphasized that with a budget of \$3.5 billion and 3,000 employees, DHSS is a large department. He opined that the resulting complexity from the number of programs offered, the "multifaceted" services, and the vulnerability of the primary beneficiaries make bifurcation necessary. He explained that the presentation would include the challenges DHSS faces, the proposed solution, and why an executive order is the appropriate vehicle for the change. He presented a list of some of the programs offered by DHSS and asked the committee which one they would have the commissioner prioritize to highlight that the programs DHSS offers and the communities it serves are all high priority. He went on to opine that the concerns of stakeholders cannot be properly addressed under the current structure.

COMMISSIONER CRUM explained that the current structure comprised 119 different federal funding sources for DHSS, all with their own regulations and overseers, that limit what can be delegated. He explained that many program funding requests require the signature of the commissioner or deputy commissioner. He explained that the due diligence of these responsibilities creates a bottleneck in the department. Commissioner Crum opined that the creation of more deputy positions is not enough to fix the problem. He explained that the bottleneck has been an ongoing problem and will continue to be a problem unless DHSS is bifurcated. He pointed out the diverse array of agencies that work with and receive funding from the department and pointed out the tough decision-making when deciding what to prioritize. He acknowledged that time management and hard decision-making encumber leadership roles nationwide but emphasized the pain of working within a structure that inhibits an appropriate response.

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COMMISSIONER CRUM moved to the number of employees at the DHSS. He explained the challenge of juggling such a large and spread-out department. He explained that DHSS has as many employees as five other state departments, the legislature, and the governor's office combined, and emphasized that the entire department answers to one commissioner's office. The commissioner pointed out that DHSS accounted for nearly 30 percent of the state budget in fiscal year 2023 (FY 23). Because of its scale, the department interacts with every other department in the state, and improving service delivery will help other departments provide better service. He explained there are more subtle interactions between DHSS and other departments, such as working with the Alaska Department of Fish and Game (ADF&G) to get special eligibility areas to use Sustainable Natural Alternative Power (SNAP) benefits to purchase hunting and fishing equipment. He spoke about the cross collaboration between DHSS and the Department of Natural Resources (DNR) that started the "Kids Don't Float" campaign.

COMMISSIONER CRUM moved to the proposed solution. He explained that DHSS has two key functions that could be better served by two departments with narrower scopes. The first key function is providing direct care to patients and clients that would be covered by the Department of Family and Community Services, and the second key function is managing the payment process and programs that would be covered by the Department of Health. He explained that by aligning these functions, the Office of the

Commissioner and policy staff would be able to focus on staff support, improvement of services, and broader bandwidth for stakeholder engagement.

COMMISSIONER CRUM directed attention to a slide showing the current structure of DHSS and explained that the Department of Health will consist of the Medicaid Divisions of Healthcare Services, Behavioral Health, and Senior and Disability Services, and it is being aligned with Public Assistance and Public Health. He explained that the Department of Family and Community Services will consist of the facility-based divisions, including the Alaska Psychiatric Institute, the Division of Juvenile Justice, the Pioneer Homes, and the Office of Children's Services. He explained that the reorganization keeps the public-facing organizations and leadership intact. He explained that in order to keep services aligned, designated evaluation and treatment (DET) services will be moved from the Division of Behavioral Health to the Department of Family and Community Services in order to stay closely aligned with the Alaska Psychiatric Institute (API) and the coordination of Title 47 involuntary commitment patient movement between facilities. He pointed out that the primary changes in the reorganization are around financial and management services and commissioner staff.

[3:33:13 PM](#)

CO-CHAIR SNYDER asked Commissioner Crum how many new positions are included in the reorganization and whether the current structure of the Department of Health would remain largely unchanged.

COMMISSIONER CRUM answered 11 new position control numbers (PCNs) and 10 reclassified PCNs. He confirmed that the overall structure will remain with the addition of a new commissioner position, along with the addition of another project coordinator, a department reorganization liaison, and a tribal liaison. He said he was unsure whether the new positions will require a designated person.

[3:35:01 PM](#)

CO-CHAIR ZULKOSKY asked Commissioner Crum about the policy considerations as they relate to API being in the Department of Family and Community Services and the stakeholder engagement around the separation from behavioral health.

COMMISSIONER CRUM explained that API is an acute inpatient psychiatric hospital and bills accordingly. He explained that there has always been a question of conflict of interest created by the surveying group responsible for licensing hospitals being in the same department as the hospital it oversees. He also mentioned that the department worked with the Division of Behavioral Health when deciding where to put API in the reorganization. He mentioned that being in separate departments will require a formal memorandum of agreement between the Division of Behavioral Health and API to ensure that the formalized data process and sharing continues.

CO-CHAIR ZULKOSKY asked about the new positions and the delegation of the liaison roles.

COMMISSIONER CRUM explained the liaison roles are not covered at this time.

CO-CHAIR ZULKOSKY asked what the scope of the reorganization liaison's responsibilities will be.

COMMISSIONER CRUM responded that the idea behind the reorganization liaison is to provide a single point of contact that stakeholders can reach out to if there are issues that need to be addressed once the implementation begins. He explained that the tribal liaison role is not taking over another role, and in talks with tribal partners, a tribal liaison role will be critical for stakeholder engagement.

CO-CHAIR ZULKOSKY summarized her understanding of Commissioner Crum's response.

COMMISSIONER CRUM confirmed that Representative Zulkosky's understanding was correct.

CO-CHAIR ZULKOSKY asked if there is a timeline for when DHSS will decide on the delegation of roles.

COMMISSIONER CRUM explained that after 60 days, EO 121 becomes law, and at that time many of those decisions will be made. As the deadline draws nearer, DHSS plans on holding meetings with key stakeholders to make sure the people responsible for the liaison roles are named.

[3:43:55 PM](#)

CO-CHAIR SNYDER asked Commissioner Crum how the positions will be divided between the two departments.

COMMISSIONER CRUM deferred the question to Sylvan Robb.

[3:44:29 PM](#)

SYLVAN ROBB, Assistant Commissioner, Department of Health and Social Services, explained that the Department of Family and Community Services will have six of the new positions and nine reclassified.

[3:45:15 PM](#)

COMMISSIONER CRUM resumed his presentation by highlighting that the reorganization was designed to not disrupt payment or service delivery, and financial management and the Office of the Commissioner are the most affected.

[3:46:00 PM](#)

CO-CHAIR SNYDER asked whether the organization has remained unchanged from the original EO 119 except for public assistance now being under the deputy commissioner.

COMMISSIONER CRUM confirmed that Representative Snyder was correct and explained that the goal is to expedite authority and oversight.

[3:47:29 PM](#)

COMMISSIONER CRUM moved to slide 17, likening the issues that work their way up to the Office of the Commissioner to fires and emphasizing that an additional Office of the Commissioner will prevent this from happening. He talked about the crises the administration has faced and the ways DHSS has responded. He discussed the new funding from the COVID-19 pandemic and the "herculean effort" to manage it. He explained that unless an issue is a crisis it will not be given proper attention. He opined that under the current structure, DHSS "can only run from crisis to crisis." He talked about the need to innovate for the future and that bifurcation will mean more bandwidth for engaging with interest groups and stakeholders. He spoke about the improvement to the working environment of DHSS and benefits of bifurcation for employees. He moved on to talking about the mechanisms of an executive order.

[3:54:02 PM](#)

CO-CHAIR ZULKOSKY asked whether the department considered potential delays to the implementation of EO 121 and planned for them. She commented on the cyber-attack and asked whether the department has made any plans for a worst-case scenario.

COMMISSIONER CRUM explained that the reorganization was started by staff. He explained that this is the third iteration and that the Office of the Commissioner considered many options including three or four departments but focused on the most pragmatic choices. He explained that because of the cyber-attack and because DHSS is covered by the Health Insurance Portability and Privacy Act (HIPAA), the department's "cyber security office" will stay whole through the reorganization and cover both departments. He deferred to Sylvan Robb for further comment.

[3:58:30 PM](#)

MS. ROBB noted that the state has not created a new department since the Department of Corrections (DOC) was created in the mid-1980s, which meant there was little to guide the process. She talked about working with other divisions in the state and planning for the implementation, and she emphasized that a priority of the plan is to ensure a smooth public transition.

CO-CHAIR ZULKOSKY talked about the cyber-attack and the impact it had during the COVID-19 pandemic, and she asked whether DHSS has "mapped out" similar potential scenarios.

COMMISSIONER CRUM replied that the department has worked on it as hard as it can and is continually updating security procedures.

CO-CHAIR ZULKOSKY asked Commissioner Crum to describe the metrics of success and anticipated results related to EO 121.

COMMISSIONER CRUM confirmed the department has metrics of success that he could provide at a later date. He gave the example of improving the recruitment and retention of finance and budget staff.

CO-CHAIR SNYDER pointed to DHSS's discussions with NAMI and stated that the primary immediate goals are that with the addition of the 11 new positions, the department will have more "bandwidth." She asked if her understanding is correct that the

issues facing DHSS won't be quickly solved but that the bifurcation will allow the state to be "in a better position."

COMMISSIONER CRUM confirmed that's correct and emphasized that these are long-standing issues that need a lot of time and focus.

[4:09:10 PM](#)

REPRESENTATIVE MCCARTY asked about the evaluation of efficacy and the baseline used in evaluation. He asked whether his understanding is correct that service will become better as a change to the public-facing side of the department.

COMMISSIONER CRUM explained that the changes will be incremental.

REPRESENTATIVE MCCARTY talked about the cyber-attack and the efficacy of the Office of Children's Services (OCS) and asked what DHSS is looking at for efficacy of security.

COMMISSIONER CRUM explained that OCS has been a long-standing issue that the department is still addressing.

[4:14:01 PM](#)

COMMISSIONER CRUM, returning to the presentation, explained why a bill is not the appropriate avenue to bifurcate the department. He explained that executive orders are "well defined," and the process is described as not [creating] substantive law change, meaning programs and services won't be changed by EO 121. He pointed out that the timeline laid out in Article 3, Section 23 of the Alaska State Constitution is more rigid than the legislative process. He noted that DOC was formed by an executive order. He acknowledged that future legislation will be needed to help fill gaps in the EO. Commissioner Crum presented the timeline for the implementation of EO 121 and the revisal process the Office of the Commissioner went through to rewrite EO 119. He noted that due to the size of DHSS, it was impossible to reach every stakeholder; however, he has provided an e-mail address at every meeting.

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COMMISSIONER CRUM continued the presentation by talking about the groups involved in creating EO 121.

[4:21:24 PM](#)

CO-CHAIR SNYDER summarized her understanding that most of the stakeholder interaction so far has been presentations on the plan followed by question-and-answer sessions, and she asked the commissioner to provide examples specific to transition and implementation that the department has gleaned from stakeholder engagement.

COMMISSIONER CRUM explained that one example is the post 90-day consideration, which consists of meetings set up in late March, April, and May to ensure all stakeholders have had the opportunity to address their concerns. He described the recent outreach the office has done to ensure stakeholders are ready to engage in feedback.

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COMMISSIONER CRUM continued the presentation on Slide 29, outlining the new positions, and emphasized that this is not a cost-cutting or job-cutting initiative.

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CO-CHAIR ZULKOSKY asked whether the department has done any assessment of possible absorption of some of the new roles by existing staff. She clarified that she was asking about the additional roles necessary for the transition as well as the additional roles post transition. She indicated she wanted to know what percent of day-to-day function will be impacted by the transition.

MS. ROBB explained that the department is not concerned about its ability to manage the transition while still attending to its regular responsibilities. She further explained that the function on Finance and Management Services is necessary to keep the entire department running. She said that after the reorganization there will be a huge impact because the breadth of the burden on her staff will be greatly decreased.

[4:29:13 PM](#)

COMMISSIONER CRUM, in response to a follow-up question from Co-Chair Zulkosky, explained that one of the primary goals of DHSS is to ensure that the public interface with the department is unaffected.

[4:29:49 PM](#)

REPRESENTATIVE SPOHNHOLZ asked how the continuum of care could be affected by adding a new department and what would ensure "smooth" cross-department communication.

COMMISSIONER CRUM pointed to the in-house Medicaid eligibility unit within OCS and explained that because of a memorandum of understanding (MOA), that group will be directly tied into the Division of Public Assistance, and similar programs will be used in cross-department lines. He explained that through the requirement of formal communication agreements, the commissioner expects some inter-division communication to improve.

REPRESENTATIVE SPOHNHOLZ commended Commissioner Crum on his use of "plain language" and observed that a lot of work has gone into the reorganization since it was introduced the year before.

[4:34:02 PM](#)

CO-CHAIR SNYDER asked about the math related to 3,266 full-time positions. Currently at 3,259 positions, that would mean 7 new positions; therefore, she asked why the department was asking for 11.

MS. ROBB responded that the department added 11 but took 4 away after transferring them to shared services.

[4:35:15 PM](#)

REPRESENTATIVE SPOHNHOLZ inquired whether the PCNs are Information Technology personnel.

SYLVAN ROBB explained that they are accounting positions.

[4:35:46 PM](#)

COMMISSIONER CRUM resumed the presentation by talking about the effective date for the reorganization at the start of FY 23. He talked about the difference in function of the Offices of the Commissioners and the slow effects of that going forward. He broke down the timeline beginning with dividing the budget into two departments. He moved on to what will happen once EO 121 becomes law, including notifying federal partners and ongoing work with the legislature. He talked about things that cannot be done until the transition is ready to become law, including transferring employees to the new departments, redirecting

charts of account, and incurring expenses on behalf of the new departments. He explained that staff in both departments will help close DHSS's books for the last time.

[4:39:30 PM](#)

CO-CHAIR ZULKOSKY asked what kind of notification DHSS has had as it relates to program recipients.

COMMISSIONER CRUM said there has not been formal communication but that DHSS has reached out to advocacy groups and would begin reaching out to recipients around April or May.

CO-CHAIR ZULKOSKY asked what Alaskans might expect to hear from the department.

COMMISSIONER CRUM offered to follow up with the committee regarding programs the department has to contact, and he reemphasized DHSS's goal of minimal disruption to services.

REPRESENTATIVE SPOHNHOLZ asked whether there were any federal approvals that need to be submitted in advance of the reorganization.

[4:42:01 PM](#)

MS. ROBB answered no but stated there are notifications that need to be made.

[4:43:06 PM](#)

CO-CHAIR ZULKOSKY asked whether DHSS expects both commissioner offices will be fully staffed by July 1.

COMMISSIONER CRUM answered that the administration is trying to determine whether the governor can name commissioners before the departments are split, but he said posting and recruitment will be done before July 1.

[4:44:17 PM](#)

CO-CHAIR SNYDER asked whether DHSS is archiving the work done on the process of bifurcation and if there has been a budget prepared for the rebranding of the new departments.

MS. ROBB replied that the department was pleased to find that most of its facilities do not use the department's name and will

not have to be changed, but it anticipates a cost of around \$50,000 on signage that does need to be changed.

CO-CHAIR SNYDER asked whether there will be an expense of a similar magnitude for similar materials.

MS. ROBB explained that because of the use of digital media, there is not much hard letter head that will need to be rebranded.

[4:47:17 PM](#)

COMMISSIONER CRUM noted that the administration does not yet have logos and suggested that the state could reach out for ideas for new logos.

[4:47:49 PM](#)

REPRESENTATIVE PRAX asked if his understanding is correct that positions "down the ladder" will remain largely unaffected.

COMMISSIONER CRUM confirmed that is correct.

REPRESENTATIVE PRAX asked whether the commissioner has thought about communication of the change to providers and the media.

COMMISSIONER CRUM explained that the department has held employee townhall meetings and has more scheduled to address additional concerns. In response to a follow-up question, he explained that the department has not had any conversations with media outlets on the transition; it is keeping communication limited until EO 121 becomes law.

[4:51:32 PM](#)

COMMISSIONER CRUM resumed his presentation by explaining how the two departments will be addressing known issues once the transition is done. He finished the presentation by giving the committee contact information.

[4:54:07 PM](#)

CO-CHAIR ZULKOSKY asked what systems are still impacted by the aforementioned cyber-attack.

COMMISSIONER CRUM explained that some systems are still down, but most have been restored. He deferred to Ms. Robb for further details.

[4:55:10 PM](#)

MS. ROBB stated that the department is "making good progress" but that it hasn't gone as quickly as desired; the department hired a multi-national contractor that identified 19 systems that need to be taken offline. She confirmed 9 systems are still going through recovery. She talked about the need to rebuild the system and go through penetration testing to see if "they can get in," which is the last test before bringing a system back online. In response to a follow-up question from Representative Zulkosky, she explained that there haven't been any impediments to the reorganization in response to the attack, and the department has resources requested in the budget.

CO-CHAIR ZULKOSKY asked a question regarding the expense of the transition.

MS. ROBB explained that the budget is for the new positions and the reclassifications.

[4:59:26 PM](#)

REPRESENTATIVE PRAX stated his concern about the Office of Child Services, and he asked what the focus would be a year after reorganization and how it would help the families involved.

[5:00:00 PM](#)

COMMISSIONER CRUM explained [the two bifurcated departments] will be focusing on recruitment and retention initially and then how to put more prevention into communities.

REPRESENTATIVE PRAX predicted that the reorganization will be a success.

[5:01:24 PM](#)

CO-CHAIR SNYDER thanked everyone for a productive meeting.

[5:02:07 PM](#)

ADJOURNMENT

There being no further business before the committee, the House Health and Social Services Standing Committee meeting was adjourned at 5:02 p.m.