

**ALASKA STATE LEGISLATURE
HOUSE SPECIAL COMMITTEE ON WAYS AND MEANS**

February 3, 2022

11:33 a.m.

MEMBERS PRESENT

Representative Ivy Spohnholz, Chair
Representative Adam Wool, Vice Chair
Representative Andy Josephson
Representative Calvin Schrage
Representative Andi Story

MEMBERS ABSENT

Representative Mike Prax
Representative David Eastman

COMMITTEE CALENDAR

PRESENTATION(S): THE COST OF SUBSTANCE MISUSE IN ALASKA

- HEARD

PREVIOUS COMMITTEE ACTION

No previous action to record

WITNESS REGISTER

DONNA LOGAN, Senior Consultant
McKinley Research Group
Anchorage, Alaska

POSITION STATEMENT: Provided a PowerPoint presentation, titled "Economic Costs of Substance Misuse in Alaska."

MICHAEL BALDWIN, Senior Evaluation and Planning Officer
Alaska Mental Health Trust Authority
Anchorage, Alaska

POSITION STATEMENT: Testified during the presentation on the cost of substance abuse in Alaska.

ACTION NARRATIVE

[11:33:17 AM](#)

CHAIR IVY SPOHNHOLZ called the House Special Committee on Ways and Means meeting to order at 11:33 a.m. Representatives Josephson, Schrage, and Spohnholz were present at the call to order. Representatives Wool and Story arrived as the meeting was in progress.

PRESENTATION(S): The Cost of Substance Misuse in Alaska

[11:33:43 AM](#)

CHAIR SPOHNHOLZ announced that the only order of business would be a presentation on the Cost of Substance Misuse in Alaska.

[11:34:45 AM](#)

DONNA LOGAN, Senior Consultant, McKinley Research Group, provided a PowerPoint presentation, titled "Economic Costs of Alcohol & Drug Misuse Reports" [hard copy included in the committee packet]. She began on slide 2, which highlighted the two studies - one titled "Economic Costs of Alcohol Misuse in Alaska" and the other titled "The Economic Costs of Drug Misuse in Alaska." She noted that the research organization changed names from "McDowell Group" to "McKinley Group." The studies use data from 2018 and she noted the significance of the COVID-19 pandemic subsequent increased opioid use in recent years. Substance misuse has many adverse health and social consequences. Some consequences are tangible like healthcare, productivity, et cetera. Some consequences are intangible like quality of life, pain, suffering, et cetera.

[11:41:14 AM](#)

MS. LOGAN stated that \$3.45 billion is the total economic cost of substance misuse. This calculation is based on values available but does not reflect the full picture. The highest economic costs substance misuse is associated with are health care, followed by productivity. In response to Representative Wool, she clarified that the \$266 million that represents traffic collisions on the pie chart shown on slide 5 accounts for collisions specifically caused by alcohol or drug misuse.

[11:43:20 AM](#)

MS. LOGAN advanced to slide 6, which provided a breakdown of costs associated with both alcohol and drug misuse. Alcohol misuse represents approximately 70 percent of the total cost associated with substance misuse at \$2.39 billion. Drug misuse

was associated with a cost of \$1.06 billion. She noted that both drugs and alcohol impacted the overall economy, though impacts differed. She highlighted high healthcare costs which are associated with alcohol misuse versus the proportionately higher criminal justice and protective services costs for drug misuse.

[11:50:04 AM](#)

MS. LOGAN continued to slides 7 and 8 and addressed productivity losses in detail. She discussed the cost and diminished productivity associated with premature deaths. In response to Representative Wool, she said models were used from national organizations with specific variables applied to Alaskan datasets. Additionally, incarceration or addiction treatment contributes to productivity losses. Total costs associated with productivity loss are about \$1.1 billion. In 2016, 8 percent of all collisions that occurred in state were due to substance misuse. She said that 726 Alaskans were involved in collisions due to alcohol misuse and 194 due to drug misuse. There are many costs involved with vehicle collisions. Productivity lost due to injury is significant.

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MS. LOGAN said that criminal justice and protective services account for \$659 million in costs. About 65 percent of arrests and offenses that occur in the state are directly related to substance abuse. Of the total crime victims in Alaska, 55 percent were victims of crimes associated with or fueled by substances. She said there are direct costs like property damage and indirect costs, such as trauma, pain, and suffering. She noted that indirect costs are not included in the cost analysis because of how difficult it is to put a price tag on quality of life. It is estimated that 31 percent of the spending associated with the Office of Children's Services (OCS), \$50 million dollars is attributed to alcohol and drug misuse. She noted that in Alaska, the state is responsible for more criminal justice costs in comparison with states with federal penitentiaries.

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MS. LOGAN detailed that \$183 million is spent on hospital-related costs for drug and alcohol misuse. The figure would be much higher, at \$1.3 billion, if secondary diagnoses were included. She stated that additional health costs associated

with alcohol and drug misuse includes \$16 million for prescription drugs for alcohol treatment, \$41 million for hepatitis C treatment from drug misuse, and \$2 million for HIV/AIDS treatment from drug misuse.

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MS. LOGAN emphasized that the data associated with public assistance and social services is limited and outdated. The numbers referenced may represent significant underreporting. There are current estimates of \$57 million in costs for social welfare programs such as adult public assistance, senior benefit, Supplemental Nutrition Assistance Program (SNAP), Tribal assistance, work services, and Head Start.

[12:12:10 PM](#)

MS. LOGAN shared her understanding that OCS captures situational data during investigations and when children are removed from a home. Case files are also considered. She acknowledged the complications associated with the data. She reiterated the limitations with the data due to its complexity. She noted that in the alcohol report, there was a chapter set aside for fetal alcohol spectrum disorder (FASD) costs, utilization of medical health services, and lifetime costs of FASD individuals. The level of access to Medicaid data has increased, which is a credit to the state for investing in the availability of important data.

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MS. LOGAN showed the alcohol beverage tax retained in the general fund (GF) per capita graph on slide 15. She stated that 50 percent of the receipts of alcohol tax revenue goes into the alcohol and other drug use treatment and prevention fund. The other 50 percent goes into the General Fund. The GF portion is approximately \$20.5 million or \$30 per capita in Alaska and has remained relatively flat over time. She noted that in fiscal year 2021 (FY 21), \$30 million was collected in marijuana taxes. Of marijuana taxes \$8 million is excise tax, \$7 million goes into the marijuana education and treatment fund, and \$15 million goes into the recidivism reduction fund.

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MS. LOGAN detailed the GF portion of spending related to alcohol, opioid and other drug misuse on slide 17. Medicaid

spends \$37 million on alcohol misuse, \$18 million for opioid misuse, and \$21 million for other drug misuse. The Division of Behavioral Health's prevention grants are supported by the GF, including \$10 million allocated for alcohol misuse and \$4 million for drug misuse. Social welfare programs funded by the GF include \$7 million for alcohol misuse and \$3 million for drug misuse. Criminal Justice and Corrections depend on the GF and attribute \$31 million for addressing alcohol misuse and \$37 million for drug misuse.

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MS. LOGAN concluded that the total economic cost of alcohol misuse is \$2.39 billion. The total economic cost of drug misuse is \$1.06 billion.

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MICHAEL BALDWIN, Senior Evaluation and Planning Officer, Alaska Mental Health Trust Authority, emphasized that current data limitations create conservative estimates for figures mentioned by Ms. Logan. Investing in prevention and treatment and efforts to support the implementation of the 1115 demonstration waiver to improve the behavioral health system care is important. He noted the Title 4 alcohol review that is currently underway. Access to care is an ongoing battle, and the more access to treatment for Alaskans, the better. The psychiatric crisis care continuum is an important program to provide care to Alaskans in need. He noted the "Crisis Now" model.

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MS. LOGAN concluded that prevention is an important factor that is difficult to measure in terms of dollars. She highlighted that prevention is an important part of addressing crises and saving lives.

CHAIR SPOHNHOLZ thanked both presenters for their thoughtful and methodical presentation. She commented on the economic drag caused by loss of productivity and intergenerational trauma that builds over time. She expressed that early intervention is important and shared a personal anecdote about alcohol misuse in her family. She emphasized the importance of helping people find recovery the moment they are ready. A wide availability and variety of options for people in need are important investments to increase prevention and limit severe chronic substance misuse in Alaska.

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ADJOURNMENT

There being no further business before the committee, the House Ways and Means committee meeting was adjourned at 12:41 p.m.