

HOUSE FINANCE COMMITTEE

April 1, 2024

2:35 p.m.

2:35:45 PM

CALL TO ORDER

Co-Chair Johnson called the House Finance Committee meeting to order at 2:35 p.m.

MEMBERS PRESENT

Representative Bryce Edgmon, Co-Chair
Representative Neal Foster, Co-Chair
Representative DeLena Johnson, Co-Chair
Representative Julie Coulombe
Representative Mike Cronk
Representative Alyse Galvin
Representative Sara Hannan
Representative Andy Josephson
Representative Dan Ortiz (via teleconference)
Representative Will Stapp
Representative Frank Tomaszewski

MEMBERS ABSENT

None

ALSO PRESENT

Alexei Painter, Director, Legislative Finance Division.

SUMMARY

HB 268 APPROP: OPERATING BUDGET; CAP; SUPP; AM

HB 268 was HEARD and HELD in committee for further consideration.

HB 270 APPROP: MENTAL HEALTH BUDGET

HB 270 was HEARD and HELD in committee for further consideration.

Co-Chair Johnson reviewed the meeting agenda. The committee would consider amendments to the operating and mental health budgets.

#hb268

#hb270

HOUSE BILL NO. 268

"An Act making appropriations for the operating and loan program expenses of state government and for certain programs; capitalizing funds; amending appropriations; making capital appropriations; making supplemental appropriations; making reappropriations; making appropriations under art. IX, sec. 17(c), Constitution of the State of Alaska, from the constitutional budget reserve fund; and providing for an effective date."

HOUSE BILL NO. 270

"An Act making appropriations for the operating and capital expenses of the state's integrated comprehensive mental health program; and providing for an effective date."

^AMENDMENTS

[2:35:57 PM](#)

Co-Chair Johnson relayed that the committee had left off in the prior meeting on Amendment N 37.

[2:36:42 PM](#)

Representative Josephson MOVED to ADOPT Amendment N 37 (copy on file):

Agency: Environmental Conservation
Appropriation: Administration
Allocation: Administrative Services

Transaction Details
Title: Add an Analyst/Programmer 4 Position for Permitting Issues
Section: Section 1
Type: Inc

Line Items (Amounts are in thousands)

Personal Services:	139.1
Travel:	0.0
Services:	0.0
Commodities:	0.0
Capital Outlay:	0.0
Grants:	0.0
Miscellaneous:	0.0
	139.1

Positions

Permanent Full-Time:	1
Permanent Part-Time:	0
Temporary:	0

Funding (Amounts are in thousands)

1004 Gen Fund	139.1
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Explanation

DEC permit processing is time intensive and difficult to navigate. This amendment would add a new Analyst/Programmer 4 position solely to take on this task.

Representative Stapp OBJECTED for discussion.

Representative Josephson explained that the amendment was inspired by a conversation with a legislator who sat on the Department of Environmental Conservation (DEC) finance subcommittee. The legislator had told him that many DEC permits were not processed quickly. His colleague described a surprising system in which applicants used their My Alaska account, but the DEC permit renewal processes did not carry over information from existing approved permits.

Representative Josephson continued that the amendment would add a new analyst position to help improve the process. Some renewals required applicants to simply restate much of the original application on a fillable PDF. When a permit was approved by DEC, the department usually published the permit itself but often not the application that led to that permit, even though the applications were public records accessible by request. Requiring public records requests for the documents made it difficult for applicants to model applications after successful examples, increasing workloads for applicants and lowering the quality of incoming permit applications. The amendment would also seek to address a problem encountered in a member's professional

work. There was a complaint heard by many in the construction industry that DEC permit applications and rule processes were extremely difficult to navigate. He explained that his colleague on the DEC subcommittee concluded that the amendment would help fix the problem.

[2:39:01 PM](#)

Representative Tomaszewski remarked that he was not aware of any conversation on the topic during the subcommittee process. He was curious why the problem was being brought up during the budget process and whether the new employee would be stationed in a particular location.

Representative Ortiz commented that he was in support of the amendment. He thought the amendment would help the state be "even more open for business." He thought the legislature would want to be in support of projects that helped build the economy and a faster permitting process.

Representative Cronk asked if the issue was brought up in the DEC subcommittee.

Representative Tomaszewski added that he did not recall seeing the amendment during the subcommittee process and was confused by it.

Representative Cronk MAINTAINED the OBJECTION.

Representative Josephson added that the new employee requested by the amendment would be located in Anchorage.

[2:41:32 PM](#)

A roll call vote was taken on the motion.

IN FAVOR: Galvin, Josephson, Ortiz
OPPOSED: Coulombe, Cronk, Stapp, Tomaszewski, Hannan, Edgmon, Foster, Johnson

The MOTION to adopt Amendment N 37 FAILED (3/8).

[2:42:27 PM](#)

Representative Josephson MOVED to ADOPT Amendment N 38 (copy on file):

Agency: Family and Community Services
Appropriation: Children's Services
Allocation: Children's Services Management

Transaction Details

Title: Reduce One-Time Increment for Legal Services to
Address Class Action Lawsuit
Section: Section 1
Type: Dec

Line Items (Amounts are in thousands)

Personal Services:	0.0
Travel:	0.0
Services:	-500.0
Commodities:	0.0
Capital Outlay:	0.0
Grants:	0.0
Miscellaneous:	0.0
	-500.0

Positions

Permanent Full-Time:	0
Permanent Part-Time:	0
Temporary:	0

Funding (Amounts are in thousands)

1004 Gen Fund	-500.0
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Explanation

The Department of Family and Community Services and Office of Children's Services has been served with a large class action lawsuit, A Better Childhood. The lawsuit seeks compensation in the form of a consent decree; consent decrees are extremely expensive with average estimates over \$15 million and continue over a decade if the lawsuit prevails. This funding will allow the department to retain legal counsel through a reimbursable services agreement with the Department of Law, procure expert witness testimony, and initiate a public relations campaign.

This would decrement half the IncOTI appropriation.

Representative Stapp OBJECTED for discussion.

Representative Josephson explained the amendment. He relayed that his colleague Representative Zack Fields had

discussed the lawsuit against the Office of Children's Services (OCS) in the Department of Family and Community Services (DFCS) subcommittee. There was a temporary one-time increment of \$1 million required to pay for legal services to address the class action lawsuit. He explained that the increment would allow the department to retain additional legal counsel via a reimbursable services agreement with the Department of Law (DOL) to pay for legal services, procure expert witness testimony, and initiate a public relations campaign. He found the public relations campaign component interesting.

Representative Josephson shared that he asked his staff to research the lawsuit. He noted that the Legislative Finance Division (LFD) indicated that the lawsuit sought compensation in the form of a consent decree. He could infer that the litigants, an entity called A Better Childhood (ABC) wanted the state to concede that OCS was not performing well. The lawsuit alleged that OCS failed to provide adequate case management and permanency planning services and did not provide the required monetary and licensure support to foster families and children. He thought the allegations were partially true because the state was offering OCS more money. He relayed that Mother Jones magazine wrote about the topic and discussed the symbiotic relationship between child welfare agencies. There were too many children in custody and not enough places to put them. There were large for-profit companies with beds to fill.

Representative Josephson conceded that Mother Jones was a progressive magazine, but nonetheless, the magazine talked about North Star Behavioral Health's parent company, Universal Health Services, which settled in another similar case with the U.S. Department of Justice for \$122 million in 2020. He wondered why the state did not settle. There were records of OCS billing for medically unnecessary inpatient behavioral health services, failing to provide adequate and appropriate services, and paying illegal inducements to federal health care beneficiaries. The investigation stated that Alaska had one of the highest placements of foster kids in residential treatment facilities. Children were being treated as psychiatric problems. Suicidal ideation was used overwhelmingly as an excuse but often it was a response to being institutionalized. Administering drugs to ensure compliance

was a common practice. One OCS foster kid in the Mother Jones profile was in North Star's care for five years.

[2:47:31 PM](#)

Representative Stapp made a point of order. He requested that Representative Josephson speak to the amendment and not about a lawsuit that was not relevant to the funding request.

Representative Josephson remarked that he was not speaking about a lawsuit but about an article that did not concern the lawsuit. He noted that in New Jersey litigation, ABC had forced change with diligent court-ordered monitoring and now only 5 percent of foster kids were in group homes or residential treatment centers. The point that was made in subcommittee was that the lawsuit should settle prudently. He understood that LFD likely read something that suggested the state wanted to initiate a public relations campaign. He did not want to do a public relations campaign and he was asking for funding for DFCS and to save the state half a million dollars in the current year.

Representative Stapp expressed that he did not support the amendment. The department was requesting \$1 million for its own legal defense on an ongoing lawsuit and he did not think it was wise for the legislature to take a position on the lawsuit. He noted that there were active litigations and depositions that were occurring presently. He thought that decrementing the funding would harm the department's ability to defend itself against a lawsuit.

Representative Cronk MAINTAINED the OBJECTION.

[2:50:25 PM](#)

A roll call vote was taken on the motion.

IN FAVOR: Hannan, Josephson, Ortiz
OPPOSED: Coulombe, Cronk, Stapp, Tomaszewski, Galvin, Edgmon, Foster, Johnson

The MOTION to adopt Amendment N 38 FAILED (3/8).

[2:51:14 PM](#)

AT EASE

[2:52:23 PM](#)

RECONVENED

Co-Chair Johnson announced that Amendment N 39 and Amendment N 40 would be rolled to the bottom of the list in order to allow Representative Ortiz to offer them in person.

Representative Josephson requested that Amendment N 41 be rolled to the bottom as well.

[2:53:27 PM](#)

Representative Josephson MOVED to ADOPT Amendment N 42 (copy on file):

Agency: Health
Appropriation: Medicaid Services
Allocation: Medicaid Services

Transaction Details

Title: Funding for Federally Qualified Health Centers'
Medicaid Payments
Section: Section 1
Type: Inc

Line Items (Amounts are in thousands)

Personal Services:	0.0
Travel:	0.0
Services:	0.0
Commodities:	0.0
Capital Outlay:	0.0
Grants:	1,500.0
Miscellaneous:	0.0
	1,500.0

Positions

Permanent Full-Time:	0
Permanent Part-Time:	0
Temporary:	0

Funding (Amounts are in thousands)

1004 Gen Fund	1,500.0
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Explanation

The Alaska Primary Care Association has requested a \$1.5 million appropriation for support to the Department to accomplish the Federally Qualified Health Center's Medicaid payment requests in order to:

- 1) Adjust PPS rates for inflation adjustment unlawfully withheld (MEI).
- 2) Provide Alaska FQHCs accurate and legal Medicaid payment for services delivered to patients who have coverage from both Medicare and Medicaid (known as dual eligibles).
- 3) Amend regulations and procedures to provide FQHCs meaningful opportunities to apply for scope changes.
- 4) Revise and clarify new start policies for Alaska FQHCs.
- 5) Revise and clarify FQHC Medicaid cost reporting deadlines, processes, and requirements for APM rebase.

Representative Stapp OBJECTED for discussion.

Representative Josephson explained the amendment. He relayed that the Alaska Primary Care Association (APCA) had requested \$1.5 million for support to the Department of Health (DOH) to accomplish the Medicaid payment requests from Federally Qualified Health Centers (FQHC). The funding would help adjust Prospective Payment System (PPS) rates with inflation. The amendment would help provide Alaska FQHCs with accurate and legal Medicaid payments for services delivered to patients with coverage from both Medicare and Medicaid, known as dual eligibles. Additionally, it would amend regulations and procedures to provide FQHCs with meaningful opportunities to apply for scope changes as well as revise and clarify new start policies and FQHC Medicaid cost reporting deadlines, processes, and requirements for Advanced Alternative Payment Models (APMs) rebates. He reiterated that APCA was seeking an appropriation of \$1.5 million for support to the department to accomplish the Medicaid payment requests that he outlined. He thought that APCA had a strong case and the repayment was necessary.

[2:55:33 PM](#)

Representative Stapp understood that the request was for \$1.5 million to the department's rate rebasement study. He had asked the department if it needed the money and he was told that it did not because it was already rebasing rates for FQHCs. The state unlawfully withheld the rate rebasement increase and there was certainly a dispute between FQHCs. If FQHCs were entitled to the Medicare rate or the Medicaid rate for reimbursements through the publicly funded program, the FQHCs would argue that the centers were entitled to the full Medicaid rate. He thought that the \$1.5 million request for the debasement study of the rates was necessary because it was already being done. The department did not need an additional \$1.5 million.

Representative Cronk MAINTAINED the OBJECTION.

Representative Galvin commented that she had also heard from APCA and she did not understand that it was asking for funding for the rate rebasement study, but to be paid an amount that better fit the services that the association was providing. She relayed that APCA was currently struggling to make ends meet because of the differences in reimbursement rates. She understood that the association presently needed payment.

Representative Josephson remarked that Representative Galvin was correct and the amendment reflected her comments. The adjusted PPS rates would adjust for inflation and the funding would provide for much more than simply another study.

[2:59:12 PM](#)

A roll call vote was taken on the motion.

IN FAVOR: Galvin, Hannan, Josephson, Ortiz
OPPOSED: Coulombe, Cronk, Stapp, Tomaszewski, Edgmon, Foster, Johnson

The MOTION to adopt Amendment N 42 FAILED (4/7).

[2:59:57 PM](#)

Representative Josephson MOVED to ADOPT Amendment N 43 (copy on file):

Agency: Health

Appropriation: Public Health
Allocation: Epidemiology

Transaction Details

Title: Adopt Remaining Recommendations in the Alaska
Tuberculosis Elimination Plan (FY25-FY30)
Section: Section 1
Type: IncT

Line Items (Amounts are in thousands)

Personal Services:	0.0
Travel:	0.0
Services:	0.0
Commodities:	1,600.0
Capital Outlay:	0.0
Grants:	0.0
Miscellaneous:	0.0
	1,600.0

Positions

Permanent Full-Time:	0
Permanent Part-Time:	0
Temporary:	0

Funding (Amounts are in thousands)

1003 GF/Match	1,600.0
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Explanation

The Division of Public Health proposed increments for the purpose to enacting recommendations from the Alaska Tuberculosis Elimination Plan. Alaska's indigenous populations are disproportionately affected by this disease, and the Alaska TB Elimination Plan outlines strategies to reduce the infection among those populations by 25% of people by 2031.

In order to effectively screen, detect and treat TB before it becomes infectious, the Division requires this appropriation. The Governor decremented the TB appropriation in his proposed budget, and \$350,000 was restored in the House Finance Department of Health subcommittee, but this is inadequate to appropriately implement this plan.

Representative Cronk OBJECTED for discussion.

Representative Josephson explained the amendment. He could not understand why the governor was alarmed by the rate of tuberculosis in the previous year and seemed no longer concerned. He recalled that the governor was not alarmed by syphilis rates in Alaska either, but thought that funding was restored in a previous budget. The governor put a smaller sum than had been appropriated in FY 24 into the FY 25 "bucket" with an emphasis on curbing syphilis in the state. He relayed that tuberculosis was an issue when he lived in Western Alaska. He was warned to stay away from particular students due to their cough.

Representative Josephson explained that there was a national article from February of 2024 that stated that tuberculosis rates remained high in Alaska, Nevada, South Carolina, and Washington state even after the pandemic. A course of treatment for one tuberculosis case could cost around \$20,000 in the U.S.; however, a drug resistant case could cost at least \$182,000. The article went on to say that Alaska had the highest tuberculosis rates. The number of cases per 100,000 residents surged from 7.9 in 2021 to 13 in 2022. Advocates and medical professionals had been pushing for more state funding for tuberculosis in Alaska.

Representative Josephson noted that Brian Lefferts, the environmental health and engineering director of the Yukon-Kuskokwim Health Corporation (YKHC), which represented 58 tribes, said the state contributed about \$960,000 through a tuberculosis and congenital syphilis prevention grant. Mr. Lefferts stated that Alaska continued to have a huge tuberculosis problem. Alaska's community testing efforts focused on areas with the highest rates, including Alaska Native communities in the southwestern and northern regions of the state. In 2022, the state saw 95 cases, which was a 64 percent increase from the previous year. The article quoted Ms. Kelleher, an Koyukon Athabaskan individual from Nome, who spoke about the different manifestations of tuberculosis. Ms. Kelleher said that there were other types of tuberculosis that could affect the bones or kidneys. He had not received a satisfactory explanation from the administration on why there was such a reduced focus on tuberculosis over the course of a year.

[3:04:21 PM](#)

Representative Stapp thought that the money for tuberculosis was in a particular "track" in last year's

budget and it was not included in the current year's budget. He indicated that money was added back into the budget specifically for tuberculosis. He did not think the funding should be increased at the current time. There was already a multi-year funding mechanism that was used to gauge how effective the state's resources could be against tuberculosis and syphilis. If the efforts went well, he would be happy to revisit the subject next year. He believed in results-based budgeting and thought that the appropriation was sufficient for the time being. He appreciated Representative Josephson bringing up the issue and noted that it was a challenge, especially in some of the more rural communities of the state.

Representative Galvin understood that the funding increased from \$0 to \$350,000, but it was much less than the \$1.6 million request. Considering how quickly tuberculosis could spread, she was concerned that the legislature might not be able to compile a supplemental quickly enough to properly address an outbreak. She was not sure that \$350,000 would be enough. She was in support of the amendment.

[3:06:56 PM](#)

Representative Ortiz asked Representative Stapp what tuberculosis rates "going well" would mean. He recalled that Representative Stapp would be supportive of revisiting the subject if efforts were going well. He wondered why the subject would need to be revisited if the rates were decreasing. The budget was about making choices and determining priorities. If tuberculosis rates were starting to increase, particularly amongst indigenous populations, it would seem that addressing the spread would be a priority for the legislature. He agreed that the increase from \$350,000 to \$1.6 million was substantial. He wanted to offer a conceptual amendment to the amendment to bring the total from \$1.6 million to \$1 million.

Representative Ortiz MOVED to ADOPT conceptual Amendment 1 to Amendment N 43.

Representative Stapp OBJECTED. He noted that the budget included \$500,000 in funding split between epidemiology, public health labs, and nursing. The underlying Amendment N 43 was only referencing epidemiology. He thought that tuberculosis was a relatively new recipient of resourcing and it would be beneficial to be able to measure the

results of the funding. He did not support the conceptual amendment because he wanted to be certain of the results of the funding before allocating additional funding. The funding was a temporary increment and was revisited every year. He thought revisiting it was a useful accountability metric.

Representative Stapp MAINTAINED the OBJECTION.

[3:10:18 PM](#)

A roll call vote was taken on the motion.

IN FAVOR: Galvin, Hannan, Josephson, Ortiz
OPPOSED: Coulombe, Cronk, Stapp, Tomaszewski, Edgmon, Foster, Johnson

The MOTION to adopt conceptual Amendment 1 to Amendment N 43 FAILED (4/7).

[3:11:17 PM](#)

Co-Chair Johnson noted that the underlying Amendment N 43 was back before the committee.

Representative Josephson noted that Mr. Lefferts stated that Alaska contributed about \$960,000 towards prevention through a tuberculosis and congenital syphilis prevention grant. He assumed that the funding was only allocated to YKHC. He relayed that Mr. Lefferts expressed that the state continued to have an enormous tuberculosis problem and it could be doing more to combat it.

Representative Cronk MAINTAINED the OBJECTION.

[3:11:58 PM](#)

A roll call vote was taken on the motion.

IN FAVOR: Galvin, Hannan, Josephson, Ortiz
OPPOSED: Coulombe, Cronk, Stapp, Tomaszewski, Edgmon, Foster, Johnson

The MOTION to adopt Amendment N 43 FAILED (4/7).

[3:12:47 PM](#)

Representative Josephson relayed that he would not be offering Amendment N 44 or Amendment N 45.

[3:13:23 PM](#)

Representative Josephson MOVED to ADOPT Amendment N 46 (copy on file):

Agency: Health
Appropriation: Medicaid Services
Allocation: Medicaid Services

Transaction Details

Title: Medicaid Rate Rebasing for Developmental Disability and Personal Care Services
Section: Section 1
Type: Inc

Line Items (Amounts are in thousands)

Personal Services:	0.0
Travel:	0.0
Services:	0.0
Commodities:	0.0
Capital Outlay:	0.0
Grants:	15,000.0
Miscellaneous:	0.0
	15,000.0

Positions

Permanent Full-Time:	0
Permanent Part-Time:	0
Temporary:	0

Funding (Amounts are in thousands)

1002 Fed Rcpts	7,500.0
1003 GF/Match	7,500.0

Explanation

Last year, the legislature approved a \$15 million increment for Direct Service Provider and Personal Care Assistant rate increases. However, more funding is needed to maintain healthy rate increase that provide adequate funding in light of increased inflation. This amendment would appropriate \$7.5 million to match \$7.5 million in federal dollars, giving DPS and PCA rates a \$15 million increase.

Representative Cronk OBJECTED for discussion.

Representative Josephson explained the amendment. He reminded members that the committee had heard from over 20 different Alaskans who worked as caregivers who all pled for assistance from the legislature. In the prior year, the legislature approved a \$15 million increment for Direct Service Provider (DSP) and Personal Care Assistant (PCA) rate increases. He argued that more funding was needed in order to properly improve the rates. The amendment would appropriate \$7.5 million to match a \$7.5 million investment from the federal government. Overall, DSPs and PCAs would receive \$15 million. He shared that one of the largest contingents of Alaskans who called in to ask for assistance were seeking the content of Amendment 46. He reiterated that Alaskans working in the field had expressed overwhelming support for the amendment. The amendment would also allow individuals receiving care to remain in their homes rather than moving to a group home or facility, which would provide a net savings to the state. He added that the governor approved the concept in the prior year.

Representative Stapp remarked that he did not think the amendment would accomplish the same thing that had been discussed in the prior year. He did not remember the item being removed in the FY 25 budget. He understood that the home health care items remained in the budget.

[3:16:52 PM](#)

AT EASE

[3:25:57 PM](#)

RECONVENED

Co-Chair Johnson noted that the committee was still discussing Amendment N 46.

Representative Ortiz stated that he was in full support of the amendment. The strategy employed by the amendment was called upstream spending and would ultimately save money for the state. He thought that adopting the amendment would show that the committee was responsive to public comment. The committee had heard more public testimony about the need for better pay for personal care assistants than any other topic. He relayed that the committee had a responsibility to respond to public comments and the need was apparent. Studies showed that when individuals needing

care remained in their homes as long as possible, there were better results and the state saved money.

Representative Cronk commented that the majority of the public testimony callers were in support of senior care services. While he supported the idea of the funding, he could not support the funding until he knew where it was going. He agreed that the providers should be receiving more funding and that individuals needing care should stay in their homes as long as possible. He thought it was important to ensure that the money would be going to the caretakers directly. He was in opposition to the amendment.

Representative Josephson agreed that it was a difficult task to determine how to best provide compelling pay. He relayed that many people who called in and provided testimony said that they were unable to make ends meet on a caretaker's salary. The testifiers were not only caretakers for seniors, but for other individuals who needed a similar level of care. For example, he recalled that Ms. Vanessa Cunningham spoke about her son being housebound after being in a tragic car crash many years ago and her son needed constant care. The Alaska State Senate at one point in the budget in 2023 afforded DSPs and PCAs \$30 million, but the funding was reduced to \$15 million. He stressed that the issue was seen as prudent in the prior year.

Representative Cronk MAINTAINED the OBJECTION.

[3:30:58 PM](#)

A roll call vote was taken on the motion.

IN FAVOR: Galvin, Hannan, Josephson, Ortiz

OPPOSED: Coulombe, Cronk, Stapp, Tomaszewski, Edgmon, Foster, Johnson

The MOTION to adopt Amendment N 46 FAILED (4/7).

[3:31:45 PM](#)

Representative Josephson MOVED to ADOPT Amendment N 47 (copy on file):

Agency: Health

Appropriation: Behavioral Health

Allocation: BH Treatment and Recovery Grants

Transaction Details

Title: Behavioral Health Care Rate Review Increases

Section: Section 1

Type: IncOTI

Line Items (Amounts are in thousands)

Personal Services:	0.0
Travel:	0.0
Services:	0.0
Commodities:	0.0
Capital Outlay:	0.0
Grants:	12,900.0
Miscellaneous:	0.0
	12,900.0

Positions

Permanent Full-Time:	0
Permanent Part-Time:	0
Temporary:	0

Funding (Amounts are in thousands)

1037 GF/MH	12,900.0
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Explanation

Behavioral healthcare is a vital and equal part of the healthcare system, and behavioral health treatment and recovery grants are crucial to thousands of underserved Alaskans to access essential treatment and services like medication and in-home care services. Alaskans with disabilities, family members, and other caregivers need access to timely behavioral health services.

The Department of Health initiated a rate review intended to take effect in FY23 (July 2022). These rates have yet to be enacted. Community behavioral health providers are facing financial hardship due to a delay in rate adjustment. According to preliminary data from the Office of Rate Review for new potential rates, the delayed implementation has resulted in \$12.9 million in missed revenue for behavioral health providers over that time.

Consequently, providers have been operating with the same rates since 2018, which predates the pandemic and associated rise in service needs. This highlights the

critical need for swift action in enacting the updated rates to ensure fair compensation for these essential services. The \$12.9 million to augment rates would rectify the missing payments and allow providers to maintain their capacity while waiting for the new rate methodologies.

Representative Stapp OBJECTED for discussion.

Representative Josephson explained the amendment. He had tried to champion behavioral health care, which he was aware was partially covered by the 1115 waiver; however, the 1115 waiver was inoperative due to startup costs. There were residential alcohol treatment centers that did not meet the four parameters required by the 1115 waiver. He explained that the Key Coalition of Alaska was a coalition of parents, family members, self-advocates, and friends. He clarified that it was a members-only organization and one of the organization's priorities was to invest in behavioral health services. The coalition sought \$13 million in funding to close the gap from a delayed rate increase.

Representative Josephson argued that behavioral health care was a vital and equal part of the health care system and behavioral health treatment and recovery grants were crucial. Thousands of underserved Alaskans used the grants to access essential treatment and services like medication and in-home care services. Alaskans with disabilities, family members, and other caregivers needed access to timely behavioral health services. He noted that DOH initiated a rate review that was intended to take effect in FY 23. Community behavioral health providers were facing financial hardship due to delays in rate adjustment. According to preliminary data from the Office of Rate Review for new potential rates, the delayed implementation had resulted in \$12.9 million in missed revenue for behavioral health providers. Consequently, providers had been operating with the same rates since 2018, which predated the COVID-19 pandemic and associated rise in service needs. There was a critical need for swift action in enacting the updated rates to ensure fair compensation. The \$12.9 million was designed to augment rates and rectify the missing payments, allowing providers to maintain capacity while waiting for the new rate methodologies.

[3:35:08 PM](#)

Representative Stapp stated that he was in opposition to the amendment. The reason the 1115 behavioral health waiver process began was to reduce the general funds in the grants line to providers and offset it with federal funds through a program called 1115 demonstration waiver. The renewal was currently taking place and later on in the year, additional services that were not currently covered under behavioral health through Medicaid could be requested during the 1115 amend process. He was uncertain about there being five years of lost rates. The 1115 waiver went through a review process every five years. The legislature chose to give the department the administrative authority to change rates through Medicaid reimbursements. He would be open to a broader conversation about revoking the department's authority if it was so desired.

Representative Galvin remarked that she was not an expert on the 1115 waiver, but people often came into her office to share that they were only making \$16 per hour to take care of Alaskans with deep behavioral health issues. She asked if Representative Josephson could provide clarification on whether the dollars requested in the amendment would go towards wages.

Representative Josephson relayed that he liked DOH, but he had heard from too many credible sources that there was a lack of compliance with the regulatory timeline for rate review. He believed the comments from his sources. He recalled that Representative Stapp asked why the legislature gave the department the authority to review rates, to which he would say that the legislature thought that the department would complete the rate review on time. While the amendment could translate into pay increases, he thought it was less about the providers and more about the services. The amendment was focused more on starting up behavioral health programs and providing behavioral health services.

Representative Stapp MAINTAINED the OBJECTION.

[3:39:08 PM](#)

A roll call vote was taken on the motion.

IN FAVOR: Galvin, Hannan, Josephson, Ortiz

OPPOSED: Coulombe, Cronk, Stapp, Tomaszewski, Edgmon, Foster, Johnson

The MOTION to adopt Amendment N 47 FAILED (4/7).

[3:39:55 PM](#)

Representative Josephson relayed that he would not be offering Amendment N 48.

Representative Josephson MOVED to ADOPT Amendment N 49 (copy on file):

Agency: Health
Appropriation: Medicaid Services
Allocation: Medicaid Services

Transaction Details
Title: Restore Funding Associated with Abortions
Section: Section 1
Type: Inc

Line Items (Amounts are in thousands)

Personal Services:	0.0
Travel:	0.0
Services:	0.0
Commodities:	0.0
Capital Outlay:	0.0
Grants:	90.7
Miscellaneous:	0.0
	90.7

Positions

Permanent Full-Time:	0
Permanent Part-Time:	0
Temporary:	0

Funding (Amounts are in thousands)

1004 Gen Fund	90.7
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Explanation

Following the subcommittee process, this amount toward Medicaid was deducted from the allocation because it is the amount representing expenditures on abortion-related services during FY23. While the language is technically constitutional, the decrement is not. The

Supreme Court has made it very clear that reproductive services include abortion services in Alaska, so this decrement will result in a cut to the entire appropriation and not to any abortion services. This is unfair to other Medicaid recipients receiving any other service.

Representative Cronk OBJECTED for discussion.

Representative Josephson explained the amendment. He was aware that the state's budgets routinely included language indicating the state would not participate in Medicaid-funded abortions. He was acutely aware that the governor vetoed about \$320,000 from the court system in 2019. He wrote a lengthy op-ed about the veto and said it was unconstitutional, which it was, and the court agreed. The governor indicated that he did not like the court system's rulings, which he found to be honest but improper of the governor to say. The amendment would be "one step less unconstitutional" in that the legislature was the appropriator. Court cases from around the year 2000 reported that if the state provided OB/GYN care to women, such as delivering healthy babies, pap smears, and gynecological care, the state was required to provide the whole panoply of care, which would include the \$90,700 request in the amendment.

[3:42:36 PM](#)

Representative Galvin asked for clarification that the funds that were being restored were the same funds that were originally removed from the budget by the governor because the governor felt that certain services should not be covered. If her understanding was correct, she would be supporting the amendment. She thought that any decision about which Medicaid services a woman could receive should be between a woman and the caregiver only.

Representative Josephson responded to Representative Galvin that the \$90,700 cut was in the committee substitute proposed by the House Finance Committee and he was asking for the funds to be restored.

Representative Cronk MAINTAINED the OBJECTION.

[3:44:41 PM](#)

A roll call vote was taken on the motion.

IN FAVOR: Galvin, Hannan, Josephson, Ortiz, Foster
OPPOSED: Coulombe, Cronk, Stapp, Tomaszewski, Edgmon,
Johnson

The MOTION to adopt Amendment N 49 FAILED (5/6).

[3:45:30 PM](#)

Representative Josephson MOVED to ADOPT Amendment N 50
(copy on file):

Agency: Health
Appropriation: Senior and Disabilities Svcs
Allocation: Senior Community Based Grants

Transaction Details

Title: Senior and Disabilities Grants Increase to
Match Population Increase
Section: Section 1
Type: Inc

Line Items (Amounts are in thousands)

Personal Services:	0.0
Travel:	0.0
Services:	0.0
Commodities:	0.0
Capital Outlay:	0.0
Grants:	998.3
Miscellaneous:	0.0
	998.3

Positions

Permanent Full-Time:	0
Permanent Part-Time:	0
Temporary:	0

Funding (Amounts are in thousands)

1004 Gen Fund	998.3
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Explanation

Last year, the population of seniors over the age of 75 in Alaska increased by 5% last year alone. AGENet has requested an increase equivalent to this fact (a 5% increase in community-based grants reflected in this amendment). These services help seniors with

providing nutritious meals, daily safety checks, transportation, exercise classes, and light-housekeeping.

Representative Cronk OBJECTED for discussion.

Representative Josephson explained that the amendment concerned senior and disabilities grants and a request from the Alaska Geriatric Exchange Network (AGEnet). He met with AGEnet and learned about its priorities. He understood that many members of the committee were concerned that a COVID-19 grant in the amount of \$2.7 million in general funds for senior community-based grants had lapsed. He was trying to estimate how much money was available and unspent, and whether the money could be supplemented to return funding for seniors back to the \$2.7 million total. He was not certain where the committee left off on the issue and noted that it was a separate topic, but the need was similar.

Representative Josephson stated that one in five Alaskans were over 65. There was a "hollowing out" of 30 to 40 years, which was due to increased out migration. There was a request in addition to the \$2.7 million for a 5 percent increase in senior community-based grants over the FY 24 funding level. From 2022 to 2023, the population of Alaskans aged 75 and older increased by over 5 percent according to Alaska Commission on Aging Statistics. The older population was most at risk of going into an institution without the support of senior community-based grants. Community grants served older Alaskans all over the state, including Anchorage, Bethel, Fairbanks, Kenai, Mat-Su, and Nome, allowing seniors to live in the community of their choice. The number of meals provided under the meal grants to older Alaskans with disabilities around the state increased 13 percent from 611,000 meals to 690,000 meals from 2013 to 2023. The cost of food also increased 27 percent in the same time period. The amendment also came at the request of AARP of Alaska and Senior Safety Net and Health Security. He thought it was a righteous and legitimate amendment.

[3:49:58 PM](#)
AT EASE

[4:00:29 PM](#)
RECONVENED

Co-Chair Johnson stated that the committee was still discussing Amendment N 50. There had been some confusion about what the amendment would be adding, and she requested that the Legislative Finance Division (LFD) provide additional context.

ALEXEI PAINTER, DIRECTOR, LEGISLATIVE FINANCE DIVISION, explained that there was \$21.7 million of funding within the senior community-based grants within the CS, in addition to \$5.8 million of federal COVID-19 relief funding that was carrying forward from prior years. The COVID money needed to be spent and there was an appropriation in the CS that extended the appropriations through FY 25; however, all of the COVID money was required to be spent by January 28, 2025. He relayed that some portion of the \$5.8 million would be carried forward into the first half of FY 25. The amendment would add to the existing \$21.7 million funding.

Representative Galvin asked Mr. Painter whether there were any additional funds to keep up with inflationary costs.

Mr. Painter responded that his understanding was that the rates were expected to be comparable from 2024 to 2025 and the COVID funding would be used to augment the rates. While that COVID funding remained, the rates should be relatively steady until FY 26, when there might be a shortfall when the COVID funding ends. He did not think there was an increase built into FY 25.

Representative Galvin understood that there was no increase in one-time COVID funding. She asked if her understanding was correct that there was a 5 percent increase in the number of people being served.

Mr. Painter responded in the affirmative. There was an increase in the number of seniors in the state, but he was not certain that there was an increase in the number of seniors receiving care. There was no change in the level of funding.

Representative Coulombe asked if the amendment was an increment in the base budget.

Mr. Painter responded in the affirmative.

Representative Galvin commented that she would support the amendment and that it made sense to her. She thought it was

likely that there would be an increased number of seniors seeking care with the increase in the senior population. The cost of malnutrition for one day in the hospital for a senior was more than \$40,000, and one day in the hospital for malnutrition was many times more than an entire year of Meals on Wheels. The committee had heard testimony from individuals who were delivering services to seniors that working hours were decreasing due to a lack of resources.

Representative Cronk MAINTAINED the OBJECTION.

[4:05:58 PM](#)

A roll call vote was taken on the motion.

IN FAVOR: Galvin, Hannan, Josephson, Ortiz

OPPOSED: Coulombe, Cronk, Stapp, Tomaszewski, Edgmon, Foster, Johnson

The MOTION to adopt Amendment N 50 FAILED (4/7).

[4:06:43 PM](#)

Representative Josephson MOVED to ADOPT Amendment N 51 (copy on file):

Agency: Health
Appropriation: Medicaid Services
Allocation: Medicaid Services

Transaction Details
Title: Restore General Fund Match for Medicaid Rate Increases
Section: Section 1
Type: Inc

Line Items (Amounts are in thousands)

Personal Services:	0.0
Travel:	0.0
Services:	0.0
Commodities:	0.0
Capital Outlay:	0.0
Grants:	10,000.0
Miscellaneous:	0.0
	10,000.0

Positions

Permanent Full-Time: 0
Permanent Part-Time: 0
Temporary: 0

Funding (Amounts are in thousands)
1003 GF/Match 10,000.0

Explanation

The House Finance Health Subcommittee decremented the Governor's request for \$21,000,000. A decrement of \$10,000,000 in GF reduces the state's ability to be reimbursed \$10,000,000 in Fed, effectively creating a \$20,000,000 cut to services. This original amount was predicated on the department's estimates for supporting the Medicaid program with rate increases and inflation calculated. Services to be affected by inadequate funding includes:

Resource-based Relative Value Scale (Physicians Services Rates)

Senior and Disability Services 3.7% Provider Rate Increase

Estimated Office of Rate Review Rates Increases (State and Federal Required Provider-Specific Annual Rate Increases)

Community Behavioral Health Rate Increase Final

1115 Rate Increase 2025 (Inflationary)

Representative Cronk OBJECTED for discussion.

Representative Josephson explained the amendment. He relayed that he would be reading his notes from a meeting he had with the Department of Corrections (DOC). The department noted that enrollment and utilization of Medicaid were hard to predict. There was attrition because after the national emergency brought about by COVID ended, there needed to be a period of re-enrollment. Essentially, all applicants were screened to ensure that the applicants were qualified; however, many others had re-enrolled since the initial re-screening period. He questioned whether individuals who were disenrolled were generating services in other ways and whether some individuals were generating services that were not directly related to the Medicaid

services. The governor and the administration sought \$21 million for rate increases based on rebasing and inflation.

Representative Josephson explained that DOH used what was called the Resource-Based Relative Value Scale for physician payment purposes. The Medicaid rate had some catching up to do with the Medicare rate, and the rates that had been most recently rebased went into effect on July 1, 2023. He thought it was inevitable that there would be further rebasing of various rates in the summer of 2024. The department and the governor thought it was unwise to cut the \$10 million in combination with re-enrollment. For example, other rate reviews were pending and would be completed later in 2024, which would drive costs further and were reflected in the amendment. The federally qualified health centers, for example, would need a \$7 million increment after the rate review. He noted that the committee had already voted in opposition to a different federally qualified health center amendment [Amendment N 42], which he respected. He added that there was another more costly issue related to the health centers that would soon become relevant. The \$10 million increment was needed and he hoped the committee would vote to reinstate the funds.

[4:10:11 PM](#)

Representative Stapp stated that he was opposed to the amendment. The governor's budget requested \$21 million in Medicaid increases with \$11 million of the increases allocated to rate rebasements. He opted to reduce the Medicaid services budget by \$10 million to reject about half of the request for the purpose of Medicaid utilization and redetermination. During the pandemic, no one was allowed to be disenrolled from the Medicaid program. During the time, the federal government gave all states "Enhanced FMAP" to compensate for the states' inability to disenroll individuals from Medicaid who were not eligible. He thought that Medicaid redeterminations were behind schedule and noted that DOH had initiated 171,703 redeterminations to date with 69,000 redeterminations remaining. The deadline for the remainder of the redeterminations was January of 2025. Additionally, 40 percent of redeterminations were "appended for additional information." He thought that removing 100,000 people from the Medicaid program would reduce the overall spend. He understood that DOH did not plan to complete Medicaid redeterminations in 2024, which

he did not think was acceptable. He noted that the cost of redeterminations was the same as the cost of about four days of the total state annual spend on Medicaid. He thought that completing the redeterminations and then needing more money from the state was reasonable, but not completing the redeterminations and asking for more money was not acceptable.

Representative Josephson relayed that he understood that there were redeterminations, but the redeterminations would not result in the removal of 100,000 people from Medicaid. Most people would likely still be qualified. There would still be hundreds of thousands of people in public health care. He did not think a decrement would be a good idea and it would likely be a supplemental if the amendment was rejected. He thought it would become newsworthy if providers were not paid.

Representative Cronk MAINTAINED the OBJECTION.

[4:14:19 PM](#)

A roll call vote was taken on the motion.

IN FAVOR: Galvin, Hannan, Josephson, Ortiz, Edgmon
OPPOSED: Coulombe, Cronk, Stapp, Tomaszewski, Foster, Johnson

The MOTION to adopt Amendment N 51 FAILED (5/6).

[4:15:15 PM](#)

Representative Josephson relayed that he would not be offering Amendment N 52.

Representative Josephson MOVED to ADOPT Amendment N 53 (copy on file):

Agency: Health
Appropriation: Senior and Disabilities Svcs
Allocation: Senior/Disabilities Svcs Admin

Transaction Details
Title: Add Three Positions for Adult Protective Services (FY25-FY29)
Section: Section 1
Type: IncT

Line Items (Amounts are in thousands)

Personal Services:	407.6
Travel:	0.0
Services:	0.0
Commodities:	0.0
Capital Outlay:	0.0
Grants:	0.0
Miscellaneous:	0.0
	407.6

Positions

Permanent Full-Time:	0
Permanent Part-Time:	0
Temporary:	3

Funding (Amounts are in thousands)

1002 Fed Rcpts	203.8
1003 GF/Match	203.8

Explanation

In January 2024, the Alaska State Ombudsman released an investigative report that revealed deficiencies in the Department of Health's Adult Protective Services, which resulted in the death of an elder under their care. The Ombudsman's analysis substantiated the allegations and included recommendations to support APS to perform its duties sufficiently. Of the recommendations, the Ombudsman recommends adding funding for 3 permanent full-time positions to be funded for 5 years. This amendment adds funding for full-time temporary positions to match the recommendation of temporary funding. A future legislature may choose to reevaluate in FY30.

Each figure represents the cost of the salary, benefits, services, and commodities combined:

Protective Services Manager 2 - \$154,000/year, Range 22 The Ombudsman believes that the investigation warranted more oversight from APS supervisors and managers. This position could focus on APS initiatives, like program evaluation, staff training, and interpretation of policy and goals.

Quality Assurance Manager - \$147,000/year, Range 19 This position would assume staff management roles and

create more opportunities for the APS Manager to work with community stakeholders, and service recipients to ensure values align with community's expectations.

Administrative Assistant 2 - \$106,000/year, Range 14
The Ombudsman recommends that APS develop and implement Multidisciplinary Teams (MDT), groups of professional experts who are committed to supporting the mission of the agency. This position would work to develop regional MDTs and forming community and stakeholder partnerships.

Representative Cronk OBJECTED for discussion.

Representative Josephson explained the amendment. In January of 2024, the Alaska State Ombudsman released an investigative report that revealed deficiencies at DOH's Adult Protective Services (APS), which it concluded resulted in the death of an elder under the care of APS. The Ombudsman's analysis substantiated the allegations and included recommendations for APS. The Ombudsman recommended adding funding for three permanent full-time positions to be funded for five years. The amendment added funding for the full-time temporary positions to match the recommendation of temporary funding. The future legislature could choose to re-evaluate in FY 30. He thought that the Ombudsman was one of the best sources of information for the legislature.

Representative Cronk MAINTAINED the OBJECTION.

[4:17:48 PM](#)

A roll call vote was taken on the motion.

IN FAVOR: Galvin, Hannan, Josephson, Ortiz, Cronk
OPPOSED: Coulombe, Stapp, Tomaszewski, Foster, Johnson, Edgmon

The MOTION to adopt Amendment N 53 FAILED (5/6).

[4:19:03 PM](#)

AT EASE

[4:19:28 PM](#)

RECONVENED

Representative Josephson asked that Amendment N 55 be rolled behind Amendment N 54 because the two were comparable. He noted that Representative Ortiz was momentarily away from the committee room and he asked to wait to present the amendments until he returned.

[4:20:34 PM](#)

Representative Josephson MOVED to ADOPT Amendment N 56 (copy on file):

Agency: Health
Appropriation: Senior and Disabilities Svcs
Allocation: Early Intervention Learning Prgm

Transaction Details

Title: Funding to Expand Outreach for the Alaska Infant Learning Program
Section: Section 1
Type: Inc

Line Items (Amounts are in thousands)

Personal Services:	0.0
Travel:	0.0
Services:	750.0
Commodities:	0.0
Capital Outlay:	0.0
Grants:	0.0
Miscellaneous:	0.0
	750.0

Positions

Permanent Full-Time:	0
Permanent Part-Time:	0
Temporary:	0

Funding (Amounts are in thousands)

1037 GF/MH	750.0
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Explanation

This amendment proposal expands agency capacity for outreach and expansion for the Alaska Infant Learning Program. With this increment, DOH may expand outreach to families with children at risk or who experience developmental delays. Over the past 10 years ILP has received flat funding, which has not been adequate to

keep up with inflation and the increased costs of running ILP programs and services.

Early intervention has proven life-long benefits to program recipients; however, program participation rates remain low. Children from birth to 3 years are in the most important developmental phase of their lives. Support for early intervention efforts help to bring Alaska up to the national average for outcomes for young children with developmental disabilities.

Representative Cronk OBJECTED for discussion.

Representative Josephson explained that the amendment was an increment for the Alaska Infant Learning Program. The amendment proposal expanded agency capacity for outreach and expansion. He explained that the responsible agency was Senior and Disability Services' Early Intervention Learning Program (ILP). With the increment, DOH could expand outreach to families with children at risk or who experience developmental delays. Over the past 10 years, ILP had received flat funding, which had not been adequate to keep up with inflation and increased costs of running ILP programs and services. Early intervention had proven lifelong benefits to program recipients, however program participation rates remained low. Children from birth to age three were in the most important developmental phase of their lives. Support for early intervention efforts helped to bring Alaska up to the national average for outcomes for young children with developmental disabilities.

Representative Galvin commented that she was grateful to hear from the Governor's Council on Disabilities and Special Education because she was not aware that the program had been flat funded for 10 years. She appreciated that the work of the ILP programs was important and the programs must be kept strong, particularly because the programs were able to identify small children with developmental delays early on and help prepare families and the children for a better future.

[4:22:33 PM](#)

Representative Stapp remarked that at the beginning of the budget process, there was a list of items that were not in the budget due to the lack of a budget surplus. He emphasized that the committee was now on its fifty-sixth

amendment. The vast majority of the amendments would add money to the operating budget. He would not support the amendment, but it was not because he did not think there should be a discussion about expanding outreach for ILPs. He found it slightly irritating that there were so many amendments that added money to the budget without subtracting money elsewhere.

Representative Hannan relayed that she was in favor of the amendment and asked the committee to remember that the longest return on investment was early investments. If a child with developmental delays could be identified early on, higher costs associated with a later-term identification could be prevented. The cost to the state of children with developmental delays compounded over time, and the earlier the state intervened, the better the return on investment and the better the services.

Representative Josephson noted that the budget had a \$152 million surplus while the amendments to date cost roughly \$63 million. He thought the question for the committee was whether it thought that the Senate would agree to claw back about \$140 billion in Constitutional Budget Reserve (CBR) monies. There were many different ways the budget could work.

Representative Cronk MAINTAINED the OBJECTION.

[4:26:05 PM](#)

A roll call vote was taken on the motion.

IN FAVOR: Galvin, Hannan, Josephson, Ortiz
OPPOSED: Coulombe, Cronk, Stapp, Tomaszewski, Edgmon, Foster, Johnson

The MOTION to adopt Amendment N 56 FAILED (4/7).

[4:27:08 PM](#)

AT EASE

[4:28:57 PM](#)

RECONVENED

[4:29:08 PM](#)

Representative Josephson WITHDREW Amendment N 57.

4:29:51 PM

AT EASE

4:30:00 PM

RECONVENED

Representative Josephson asked that the committee discuss Amendment N 59 before discussing Amendment N 58.

4:30:59 PM

HB 268 was HEARD and HELD in committee for further consideration.

HB 270 was HEARD and HELD in committee for further consideration.

Co-Chair Johnson reviewed the agenda for the following day.

#

ADJOURNMENT

4:31:20 PM

The meeting was adjourned at 4:31 p.m.