

HOUSE FINANCE COMMITTEE  
February 13, 2025  
1:37 p.m.

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CALL TO ORDER

Co-Chair Josephson called the House Finance Committee meeting to order at 1:37 p.m.

MEMBERS PRESENT

Representative Neal Foster, Co-Chair  
Representative Andy Josephson, Co-Chair  
Representative Jamie Allard  
Representative Jeremy Bynum  
Representative Alyse Galvin  
Representative Sara Hannan  
Representative Nellie Unangiq Jimmie  
Representative DeLena Johnson  
Representative Will Stapp  
Representative Frank Tomaszewski

MEMBERS ABSENT

Representative Calvin Schrage, Co-Chair

ALSO PRESENT

Heidi Hedberg, Commissioner, Department of Health; Pam Halloran, Assistant Commissioner, Department of Public Safety; Emily Ricci, Deputy Commissioner, Department of Health; Deb Etheridge Director, Division of Public Assistance.

SUMMARY

HB 53        APPROP: OPERATING BUDGET; CAP; SUPP

HB 53 was HEARD and HELD in committee for further consideration.

HB 55        APPROP: MENTAL HEALTH BUDGET

HB 55 was HEARD and HELD in committee for further consideration.

OVERVIEW: FY 26 BUDGET BY THE DEPARTMENT OF HEALTH

Co-Chair Josephson reviewed the meeting agenda.

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#hb55

HOUSE BILL NO. 53

"An Act making appropriations for the operating and loan program expenses of state government and for certain programs; capitalizing funds; amending 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. 55

"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."

^OVERVIEW: FY 26 BUDGET BY THE DEPARTMENT OF HEALTH

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HEIDI HEDBERG, COMMISSIONER, DEPARTMENT OF HEALTH, introduced herself and her colleagues. She addressed a PowerPoint presentation titled "Department of Health FY2026 Budget Overview," dated February 13, 2025 (copy on file). She relayed that on July 1, 2023, the Department of Health and Social Services reorganized into two different departments [Department of Health and Department of Family and Community Services]. The Department of Health (DOH) was comprised of five divisions shown in an organizational chart on slide 2. As a small department, DOH had been able to deep dive into operations of each of its divisions and had developed a strong leadership team and staff. The department's division were all focused on the mission to promote the health, well-being, and self-sufficiency of all Alaskans (slide 3).

Commissioner Hedberg highlighted that department had been working on a new website and would be launching soon. She elaborated that the website would move from a repository of information to a user-based journey. She explained that currently users would have to know where a program resided within a division, which most people did not know. The new website would allow users to type in the program on the homepage to locate it and associated programs. The goal was to help ensure the department was providing access and information to Alaskans. The website would be mobile friendly, which was phase one of the project. Phase two would be language and included Spanish, Tagol, Korean, Russian, and Hmong. The department recognized that Yupik was a common spoken language in Alaska, but DOH had not been able to secure a language bank with Yupik. She asked members to pass along any information they may have about language banks with Yupik. The website would also include chatbot features to make finding information easier.

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PAM HALLORAN, ASSISTANT COMMISSIONER, DEPARTMENT OF PUBLIC SAFETY, reviewed slide 3 beginning with the department's mission. The department had 1,557 permanent full-time staff with a budget of just over \$3.5 billion. Medicaid represented 80 percent of the department's overall budget request and operations that supported Medicaid or were outside of Medicaid represented \$695 million including \$290 million in unrestricted general funds (UGF).

Ms. Halloran showed a comparison of the department's budget from FY 24 to FY 26 on slide 4. The governor's budget reflected 29 percent of the department's overall request, while federal authority represented 67 percent. Designated general funds (DGF) and "other" represented a significantly smaller portion of the budget at 1 percent and 3 percent respectively. She detailed that DGF included tobacco education and cessation funds, alcohol and drug treatment and prevention funds, recidivism reduction funds, marijuana education and treatment funds, and more. Other funds for the department reflected interagency receipt authority, the Permanent Fund Dividend fund, mental health trust authority funds, statutory designated program receipts, and the restorative justice account.

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Ms. Halloran moved to Medicaid Services on slides 5 and 6. Medicaid Services had a budget of just over \$2.8 billion. The Medicaid budget reflected the reversal of a multiyear appropriation for InterRai. She detailed it was an assessment tool for individuals seeking Medicaid community based waiver services or professional care services. The appropriation for InterRai would continue into FY 26 and was a collaboration between disability advocates, the legislature, and the department. Slide 6 provided a comparison of the Medicaid Services budget from FY 24 to FY 26. General funds represented 26 percent and federal represented 74 percent of the Medicaid budget. The department provided Medicaid projections to the legislature on December 15<sup>th</sup> and would provide updated projections the following week. She explained that providing updated projections would ensure the department could address items that could drastically impact the Medicaid budget that were unknown when the budget was built in early fall.

Ms. Halloran moved to the Division of Health Care Services on slide 7. The division provided oversight of Medicaid operations including the Medicaid Management Information System (MMIS), Medicaid recovery and reclamation, Medicaid systems analysis, background check determinations, health facility licensing and certification, residential facility licensing and certification, and Medicaid policy and communications. She highlighted a \$962,500 request within the health facilities licensing and certification allocation comprised of \$295,000 in federal funds and \$667,500 general fund matching funds. The funding aligned budgeted authority to actual expenditures. To date, the division had met its budgetary needs through vacancy savings and transfers from other areas of the division. Additional authority was necessary for health facilities licensing and certification to meet its statutory obligation of licensing and investigating Title 18 and 19 health facilities. The authority was needed to maintain sufficient staff for federal certification of health facilities in Alaska including healthcare hospitals, skilled nursing facilities, hospice programs, home health agencies, rural health clinics, and other types of health facilities.

Ms. Halloran turned to slide 8 highlighting the Health Care Services budget comprised of 34 percent UGF and 53 percent federal. The DGF represented general fund program receipts

for the division's background check program, which performed 23,310 background check determinations in FY 24.

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Representative Hannan asked Ms. Halloran to repeat the number of background checks.

Ms. Halloran replied that the number was 23,310.

EMILY RICCI, DEPUTY COMMISSIONER, DEPARTMENT OF HEALTH, reviewed slide 9 pertaining to pharmacy rebates and tribal reclaiming. She relayed that the Division of Healthcare Services (DHS) was also responsible for two programs which were critical to leveraging savings in the Medicaid program. The first was tribal reclaiming, which provided opportunities to receive 100 percent federal match for certain services provided to tribal members who were Medicaid eligible. The second was leveraging drug rebate recoveries for pharmaceutical spend. She highlighted that the total tribal reclaiming had grown from its initiation in FY 17 from \$34 million to \$138 million in FY 24. The department was seeing about \$25 million in general fund savings per month. The department was also actively pursuing any opportunities to recovery additional dollars to offset the costs pharmaceuticals in the Medicaid program. There were two types of rebate recovery programs: federal rebates (available to all Medicaid providers and all states) and supplemental rebates. She elaborated that with the build up of the pharmacy team in DHS in the past six or so years, the department had been able to leverage \$138 million in federal rebates. She noted that the slide did not show an additional \$26.8 million in supplemental rebates received by the department. Savings were shared between the federal government and the state agency.

Representative Stapp stated that a couple of years back, the state had looked at the staffing in the tribal reclaiming and rebate program and the legislature had added some staff. He asked how it had been working out.

Ms. Ricci responded that it was working out very well. The department was seeing an increase in supplemental rebates that would not have been possible without the work done by additional staff on the pharmacy team. The department was also seeing an increase in the annual amount of additional federal match to offset general fund services for tribal

reclaiming. She noted there was a slight decline between FY 23 and FY 24 in relation to overall drug rebate recoveries, which reflected a drop in pharmaceutical spend over the same time period. She explained that proportionately it was still growing in terms of rebates to offset the overall pharmaceutical cost.

Representative Stapp asked about the Office of Health Care savings and how it was going.

Ms. Ricci answered that the Office of Health Savings was developed in the commissioner's office and was comprised of three people considered to be the idea engine. The individuals were focused on helping identify opportunities for the department to save money through pursuit of different innovations. She detailed that day to day activities in divisions took up much of the time that could be used for innovating ideas; therefore, the Office of Health Savings had dedicated staff to think about innovations (i.e., waivers or opportunities) to support the divisions and working to implement them. The office had brought in several million dollars in technical assistance and grants over the past year. Additionally, the office had been working with the Department of Law to add two positions to support additional subrogation activities that had resulted in about a 30 percent increase in subrogation activities overall. She offered to provide additional information in writing.

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Representative Bynum stated that many departments were demonstrating how they spent their money in their budget overviews but did not specify how the revenue was coming in. He asked the department to highlight any offsets for expense the department was bringing in.

Ms. Ricci answered that the information was not depicted in the slide, but it was in the annual Medicaid Reform Report which had been shared with the legislature. Typically, with insurance programs there were certain requirements regarding who paid first in the event an individual may be covered under multiple policies or in the event of a car accident where a person was injured and their insurance plan may not be responsible for primary costs associated with the accident. She explained that those situations involved subrogations or third-party payments. She stated

it was a very important part of the division's work. She elaborated that the recovery of the payments where Medicaid may have paid in the primary position, but it was later determined to not have been the primary payer, was another source of revenue and savings that came back into the Medicaid program.

Representative Bynum clarified that he was not requesting the information on all of the slides but if something came to mind that was of significance, he would appreciate a reminder of where the committee could look for additional detail.

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Ms. Halloran reviewed the Division of Public Assistance (DPA) on slide 10. The division had a budget of just over \$306 million. The division provided eligibility determinations for nine public assistance programs responsible for administering the Senior Benefits Payment Program. Significant budget changes for the division included a budget increase reflecting the department's fiscal note for SB 189 that did not get attached to the bill in the late hours of session closeout in 2024; a reversal of one-time funding for two items including a childcare grant program and food security; a reversal of multiyear funding for Medicaid eligibility redeterminations; and for addressing the Supplemental Nutrition Assistance Program (SNAP) backlog. She reported that 2025 reflected the final year of both multiyear appropriations.

Representative Galvin looked at the department's goal that SNAP funds were delivered efficiently in a timely way on slide 13. She asked if the waitlist had been eliminated.

Commissioner Hedberg responded that the one-time multiyear appropriations met their original intent. When she had started as commissioner in November of 2022, the program faced a significant backlog. She elaborated that there were 36,000 applications across all programs. She clarified there were about 17 different types of public assistance programs in the division, including nine predominant ones. She detailed that of the 36,000 applications, 13,000 were for SNAP. The department had requested funding from the legislature to address the immediate need. She explained that Medicaid redeterminations had begun at the same time

and the same staff were responsible for processing Medicaid and SNAP. She shared that the department had eliminated the original backlog due to the extra funding, hardworking employees, and business redesign. She would elaborate on the technical aspects, the current status, and what needed to happen in the future on subsequent slides.

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Representative Galvin asked to keep in mind that the legislature was there to support the department if there was a need for adjustment to ensure constituents were not reporting four-hour phone wait times and getting hung up on. She asked for detail about childcare and food security.

Commissioner Hedberg answered that in March of 2023, the timeliness rate had been 28 percent [for SNAP]. The department's current timeliness rate toggled between 60 and 90 percent. The department had made significant improvement on processing applications, but there was still work to do. The childcare appropriation was for \$7.5 million, and funding went out to providers at the end of January/beginning of February for operational expenses. For food security, a request for proposal (RFP) was awarded to the Food Bank of Alaska.

Representative Galvin asked about the \$7.5 million for childcare. She asked if the childcare sector was no longer in need of support.

Commissioner Hedberg referenced the work done on the governor's taskforce on childcare. The department was actively working on the taskforce's recommendations. She believed the one-time funding met the initial need; however, a significant amount of work within childcare was needed. The department was currently working on systemic changes for sustainability in partnership with childcare providers.

Co-Chair Josephson stated the concern was that there was such substantial bipartisan support for an immediate fix. He elaborated that they were having problems with SB 189 [that had passed the previous session]. He referenced the reverse of one-time funding for childcare. He asked for verification that there were significant federal reductions as well.

Ms. Halloran confirmed that two federal COVID-19 appropriations would be removed from the FY 25 budget associated with childcare including a ~\$17 million and ~\$11 million. She noted that the funds would be spent through FY 25 and would end.

Co-Chair Josephson stated it illustrated his grave concern. He highlighted that childcare was a top priority for the State Chamber of Commerce. He felt investment was needed immediately.

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Representative Hannan asked about the extension of the senior benefits. She remarked that a bill had been passed to extend the program that had lapsed. She highlighted that the \$470,000 [shown on slide 10] did not begin to approach what was needed for the \$24 million program.

Ms. Halloran confirmed that the overall budget for the Senior Benefit Program was \$24 million for FY 26. She noted there was a small increment of \$470,800 to address the increased population entering the program.

Representative Hannan asked how long it had been since the payment amount had been increased for senior benefits. She understood there were three payout levels and a couple of years back the amount had been static.

Commissioner Hedberg replied that the department would follow up with the information.

Co-Chair Foster noted he had met with Commissioner Hedberg and DPA Director Deb Ethridge. His district had been inundated with the SNAP backlog issue. He thought it seemed like much of the backlog may be in western Alaska. He asked what went away if the state was not spending the \$8.8 million [shown on slide 10]. He asked if it was staff, contracted third-party support, or technology.

Commissioner Hedberg answered that the funding was to pay for long-term nonpermanent positions, which would end at the end of the calendar year. The funding also provided contractual support. The department was currently in conversations on how to meet the needs and stay current with its timeliness in processing. She would follow up with additional information.

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Co-Chair Foster asked how many non-permanent positions would go away.

Commissioner Hedberg replied, "30."

Co-Chair Foster stated there had been a recent Legislative Budget and Audit meeting where audit reports had been discussed. He thought the audit pertaining to the SNAP backlog may not have been made public yet. He asked if the audit was still underway.

Ms. Halloran replied that the department received the management letter that week. There was an internal process underway where the department would respond prior to the finalization of the report.

Co-Chair Foster stated his understanding that at some point the legislature would see a report on the issue.

Representative Stapp referenced the end of the long-term nonpermanent positions addressing the SNAP backlog. He remarked that the SNAP payment error rate was significant the last time he looked. The legislature recently passed a bill that would likely increase the number of SNAP applications. He believed the bill's effective date was July 1. He asked if the department was anticipating a spike in applications.

Commissioner Hedberg answered that Representative Stapp was referring to the broad-based categorical eligibility. The department was currently working on information technology (IT) modernizations. The department's number one goal was not falling behind on its timeliness. She relayed that moving forward the department would have to make decisions and it was consistently evaluating its staffing needs and operations. She referenced the payment error rate for SNAP. When she stepped into the role, the certification period was six months. She had made the decision and had notified federal partners that the department was moving the timeframe to 12 months. When the department made the decision to prioritize getting the food to qualifying Alaskans, it took all of the cases that would have gone through the quality control process and eliminated it, which artificially inflated the payment error rate.

Additionally, because the department was not compliant with interviews, it had increased the payment error rate. She reported that both of the issues had been resolved and the error rate was decreasing.

Representative Stapp asked how many applications were currently in backlog.

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Commissioner Hedberg asked for clarification on the question.

Representative Stapp clarified that he was asking about all programs.

Commissioner Hedberg responded that there were 29,000, of which, 21,000 were associated with Medicaid. She explained that pertaining to Medicaid, there were issues with the data system which was not a reflection of the untimely processing. She deferred to a colleague for additional information.

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DEB ETHERIDGE DIRECTOR, DIVISION OF PUBLIC ASSISTANCE, responded that the Medicaid backlog was around 21,000 applications. She explained that the data associated with the number was not clean or correct. She elaborated that individuals apply for Medicaid benefits through an online portal via the federal facilitated marketplace. Individuals could apply via their myAlaska account online or they could drop an application off. The division was unable to de-duplicate at times and could not tell whether it was an application or a renewal form. Additionally, because of the timeliness issues people often submitted more than one application for Medicaid and if an individual changed household the division received additional applications. The division had gone through various exercises to de-duplicate and comb through the data. The Medicaid backlog had been closer to 28,000 at one point and the division had cleared just over 7,000 duplicates. She reported that the division's AIRES system would shut down in the middle of processing an application and the applicant was unable to close the program. To fix the problem an eligibility worker had to open the application in the EIS eligibility information legacy system. She explained that the process

left an application hanging out there as if there was no benefit; however, the individual was actually receiving services. The division was about to put out an RFP to modernize the non-MAGI [modified adjusted gross income] Medicaid category, which would correct the issue and result in improved fidelity in the data.

Representative Stapp remarked that he was already aware of her answers and wanted them highlighted for the committee. He stated there were good reasons for the existing backlog. He elaborated that the EIS system ran on Cobalt software. He relayed that a law passed by the legislature could significantly increase the number of public assistance applications. He noted there had been technical issues with AIREs since its creation. He was concerned about the elimination of the long-term non-permanent positions who were tasked with assisting with the work. He knew the department had done an excellent job and planned well; however; he did not want to trade one backlog in SNAP for a backlog in all of the other programs. He asked if the department was certain it would be able to keep up to ensure Medicaid applications were timely and delivered.

Commissioner Hedberg responded that it was a top priority to meet the timeliness on processing the applications. She acknowledged that while progress had been made, the department still had work to do. She recognized the concerns about the broad-based categorical eligibility. There were different aspects involved including an administrative burden that was reduced by implementing the broad-based categorical eligibility. She explained there was tight coordination between the commissioner's office and DPA; the two entities met almost daily to assess how staff could be supported and what the numbers were and how to create efficiencies. She noted that future slides in the presentation would demonstrate how the department had categorized efficiencies and the progress to date.

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Co-Chair Josephson shared some of the concerns with solving the backlog. He had some anxiety about retreating from the state's improved position.

Ms. Halloran returned to the presentation on slide 10. She clarified that in addition to the 30 positions leaving specifically associated with the SNAP backlog, there was

another multiyear increment specific to Medicaid eligibility redeterminations, which was another 30 positions. She advanced to slide 11 which compared the DPA budgets from FY 24 to FY 26. The decrease from the FY 25 management plan was just over \$13 million UGF and \$35 million in federal funds. Contributing factors included the reversals just discussed and two large American Rescue Plan Act (ARPA) multiyear appropriations within the Child Care Assistance Program, which had also been discussed earlier in the meeting.

Co-Chair Josephson looked at slide 10 and referenced Ms. Halloran's mention of redeterminations. He understood that if the temporary staff was not needed, it was not needed. He thought that if they could be hired in some other capacity it was all the better. He referenced Ms. Halloran's statement that the staff working on childcare and food security was often the same staff working on the SNAP backlog. He asked if he was correct.

Commissioner Hedberg responded in the negative and clarified that it was very different. She explained that the multiyear reversal for Medicaid unwinding had associated long-term non-permanent positions that were being reversed out. Childcare and food security had funding that went through DOH out to providers or the Food Bank of Alaska.

Commissioner Hedberg advanced to slide 12 titled "Public Assistance Statewide Profile FY2024." She recognized that there was a tremendous amount of work that flowed through DPA. The slide showed a monthly representation of recipients leveraging any of the public assistance programs. She reported that the 28 percent timeliness in March of 2023 had been an all-time low. She relayed that the timing coincided with coming out of the pandemic and federal changes were being implemented. The department had been faced with how to support its staff, clients needing benefits, and meet the division's mission of providing financial assistance and help individuals to self-sufficiency. She shared that DPA had made great strides over the past two years. She noted that the next slide would address changes that had been made and how DPA was making progress. She highlighted there were 65,778 Alaskans on SNAP benefits, which was a significant increase from two years earlier.

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Representative Hannan asked about slide 12. She used senior benefits averaging 10,663 recipients monthly as an example. She asked if the recipients would also likely be counted in the 65,778 Alaskans receiving SNAP benefits. Alternatively, she asked if individuals were only counted once in the assistance recipient numbers on the slide.

Ms. Etheridge responded that they could be duplicated. Recipients could be receiving a senior benefit, a Medicaid benefit, or a SNAP benefit.

Representative Hannan asked if the individuals would also qualify for adult public assistance.

Ms. Etheridge responded that adult public assistance was for age, blind, and disabled and it was a supplemental program for low income individuals on supplemental security income.

Commissioner Hedberg advanced to slide 13 titled "Drivers of Improvement." She expressed gratitude to Ms. Etheridge for stepping into a difficult role and working with staff through substantial change management. The slide showed the work broken out into four different areas including client engagement, workforce enhancements, policy streamlined, and IT improvements. She shared how the department had been focusing on how to simplify the process for public assistance applicants. She relayed that all of division's offices were now open for same-day service. She elaborated that an Alaskan could visit an office with their supporting documentation, complete their application, complete an interview if required, and receive a determination. She noted it was progress that had not been available a couple of years back. Additionally, staffing had been increased for DPA's virtual contact center and all of the applications were now available online. The division was leveraging smart form technology where the system made additional questions available to an applicant if needed, which was enhancing the amount of time required to complete an application.

Commissioner Hedberg continued to address slide 13. She relayed that DPA was working on a multiprogram smart form application to help clients and application processing technicians. In the summer of 2024, DPA launched Alaska

Connect, which allowed Alaskans to login into a portal on myAlaska where they could submit applications, renew benefits, report a change of status, or upload documents. Phase two would launch in the coming summer and would allow individuals to update their demographics through the online portal. For example, clients would be able to update their address if they moved, they would see notices mailed, see reminder dates on when an application was up for renewal or when an interview was needed, and they would see their benefit amounts.

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Commissioner Hedberg explained that the department was providing substantially more information to clients and ensuring that there was access to the information. Additionally, DPA was sending reminders via text message to Medicaid and SNAP beneficiaries notifying them when to renew an application or when they were about to receive a phone call for an interview. Lastly, the division had adopted a one and done model. She elaborated that when a client called or came into an office, the eligibility technician would see all of the applications the individual had applied for and would process all of the applications as much as possible with the client present. She stated the one and done process was a business process redesign that had helped with the efficiency and flow of the information. She had been out in the community in the last week, and it was heartwarming to learn from social services organizations that the advancements were making a difference. There were still connectivity issues with unstable internet for Alaskans in rural areas. The division was open to ideas on how to continue to meet the needs of individuals living in rural communities who may not have stable internet.

Commissioner Hedberg relayed that in terms of workforce enhancements the division had been working hard to support employees. She reported that the division had a high turnover rate, which was multifactorial. The division had been working to improve the culture and work environment for its staff. The division had installed security in its large offices a couple of years back to ensure staff feel safe at work and that situations could be deescalated when they arose. Additionally, DPA began using the survey tool Qualys in the past year to gather information from employees and providers. The department wanted to hear

about the issues and ideas for solutions to create more efficiencies. The tool helped lead into the quality improvement process that looked at the root cause analysis when identifying errors and improvements for operational efficiencies. Staff had been provided with larger computer screens and internet bandwidth had been increased as much as possible for staff efficiency. The division had recently completed the business process redesign on the training unit. The division began leveraging adult training theory, which decreased the amount of time that eligibility technicians were in training, so they were able to start processing applications faster under supervision until they felt more comfortable. She remarked that it had been a game changer for many employees. Finally, the division had held numerous town halls and meetings with staff on their needs and ideas and how the division could improve the work.

Co-Chair Foster relayed that he had met with the commissioner earlier and highlighted that if people in the villages did not have money for food, they did not have money for internet. He remarked that villages did not have public libraries where people could go use the internet. For some of the individuals who had technology, he was out in 27 villages over the past summer, and he had seen many old flip phones that required hitting a button numerous times to type an individual letter. He supported the division's goal of being more technologically innovative, but he requested maintaining some level of old school resources in place such as the ability for clients to contact the office via phone. He remarked that people took for granted that many people in many areas had access to internet; however, it was not the case in some areas.

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Representative Allard stated that what Co-Chair Foster had said correlated well with seniors who were veterans. She agreed it was necessary to have access to applications on paper and the ability to call an office. She remarked that it was hard for seniors living in remote areas to get things done with technology. She supported the use of pen and paper in some scenarios and she did not believe it was always efficient to go through the internet. She supported coming up for a better plan for rural communities.

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Commissioner Hedberg replied that the division still saw a large amount of paper applications. She had recently explained to a federal agency it was necessary for the division to have one foot in the basics and one foot in technology. She had told the agency that if you could make it work in Alaska you could make it work in any state. She agreed with the comments by Co-Chair Foster and Representative Allard.

Representative Tomaszewski referred to workforce enhancements and observed that 24 percent of the division's workforce worked remotely from home. He asked if it was a trend that was increasing or decreasing. He asked how it worked for workforce enhancement and happy workers.

Ms. Etheridge answered that when she started as the director most of the DPA workers were teleworking; the public assistance offices had not been open. She relayed that through the process of reopening offices, staff had returned to the office in order to meet individuals in person and provide same-day service. Generally, people were working at least four days a week in the office. There were some staff without direct client service who could work one or two days in the office and telework the rest of the time. She relayed that if the division saw people needing some additional support they may be asked to come back into the office.

Representative Tomaszewski referenced a snapshot from October of 2024 showing 23 percent of the division's employees working from home. He asked if the number of people working from home was shrinking or if there was a rotation of individuals working from home.

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Ms. Etheridge replied that the information Representative Tomaszewski was referencing was a snapshot in time. The division had an increase in number of staff who were working in the office for larger spans of time. There were a number of staff with telework agreements where staff may be working remotely one or two days a week, or they had a telework agreement to work overtime from home.

Co-Chair Josephson asked for verification that the response provided by Ms. Etheridge was specific to DPA.

Ms. Etheridge replied in the affirmative.

Representative Allard asked for the number of DPA employees.

Ms. Etheridge replied that the division had just over 400 employees.

Representative Allard asked how many of the total employees teleworked.

Ms. Etheridge replied that she would have to follow up with the exact number. She stated that it was significant number.

Representative Allard asked if the department would come back to brief the committee.

Co-Chair Josephson replied it was unlikely.

Representative Allard wanted to know the difference in productivity between employees working in the office and teleworkers. She had a concern that the productivity was not as high for teleworkers. She wanted to see the numbers. She thought the department should anticipate the questions. She wanted the information on the public record.

Ms. Etheridge responded that she understood the question. She explained how work happened with DPA eligibility workers. The division operated on a statewide basis and used a workflow management tool called Current. She detailed that eligibility workers were all assigned a skill set. For example, an eligibility worker may focus on SNAP and Medicaid only, while another worker may have a skill set to work on all programs. The work was received by eligibility technician 1s where a case was registered in the system and was assigned to be worked through the current workflow management system. An eligibility had to "claim next" in the current system and leadership could tell exactly how much time an individual was taking to process a case, how many cases they work on, and how much time they spent idle because they did all of the work in the workflow management system. When she initially started the division set a baseline requirement of working five cases per day or they would be required to come back into the office to receive additional support. Through continuous quality improvement they realized that five

cases per day was arbitrary because it did not reflect cases that were difficult versus easy to work. She elaborated that it had resulted in people potentially not producing as much as they could because five was the standard or producing what looked like less but they were taking more difficult cases.

Ms. Etheridge elaborated that DPA had transitioned to key performance indicators where supervisors supervised staff based on their productivity in the key performance indicators. She explained it was based on statewide the length of time an average transaction took depending on the program. Supervisors had access to a daily report where they could monitor individuals whether they were in the office or working remotely and supervisors would step in when someone was taking too long to process a case. She relayed that if there was consistent lower productivity, those individuals were likely pulled back into the office.

Representative Allard appreciated the answer. She thought it sounded like there was a good check and balance in place.

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Representative Bynum asked about crossover collaboration with the Department of Labor and Workforce Development (DLWD) workforce enhancement and development.

Ms. Etheridge responded that DPA had a fairly close working relationship with DLWD. She relayed that DPA offices were often collocated with DLWD including in Juneau and Kenai. When individuals applying for positions within DPA struggled with completing the application, DPA referred them to DLWD for help filling out the application. She highlighted that it was a gateway for individuals to become better applicants for DPA and any other position they may want. She explained that DLWD may be working with an individual and was aware that DPA had open positions. For example, in Fairbanks there were fliers outside DLWD. Additionally, within DPA there was a SNAP employment and training program and a work services program for the Temporary Assistance for Needy Families (TANF) program. She noted that at times individuals moved from the work services programs to become public assistance employees.

Representative Bynum asked if DPA worked with workforce development to help develop its workforce.

Ms. Etheridge answered that DPA had programs to support staff when they needed workforce development support and they may refer staff if they needed support in learning, but there was nothing specific.

Representative Tomaszewski thanked the department for the key performance indicator discussion, which he found helpful. He noted that the data he had looked at showed the entire department. He asked if it cost more for the department to have teleworkers. He wondered if there were other costs associated with telework.

Commissioner Hedberg answered, "No." She was not aware of any other costs. She explained that telework was an agreement of where a person worked, and the department did not pay for anything at a person's house.

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Commissioner Hedberg continued to review slide 13. She addressed the bullet point "Policies Streamlined." One of the first decisions had been to extend the certification period for SNAP from six to twelve months, which reduced the churn of Alaskans coming in every six months for renewal. The division had become fully compliant with SNAP interviews as part of its business process redesign in its training program. Additionally, on December 1, 2024, the USDA gave approval for the Elderly Simplified Application Project (ESAP) certification pertaining to adults who were 65 years old and older with a disability, which was qualified by the federal Food Nutrition Services agency. She relayed that prior to December there was a 24-month certification period for individuals qualifying for ESAP. The certification period had been extended to 36 months. The extension provided continuity for the population and evened out a lot of the certifications for eligibility technicians. She stated that when the shift had been made it was 41 percent of the SNAP population.

Ms. Etheridge continued to address slide 13. She relayed that DPA had taken several steps to determine how to administratively simplify the programs and provide better customer service to Alaskans. She reported that staff were finding it very difficult to get basic questions answered.

She provided an example where a staff member had a question about eligibility, what income to count, who a household member was, and what dates of employment to look at and they had to stop their work to ask a peer or trainer for assistance. She explained that it took a significant amount time and energy away from eligibility technicians. The division was creating an internal search engine that would enable workers to ask questions and receive clear and concise answers from DPA policy manuals. The change would provide better customer service to staff, decrease the error rate, and ensure more quality decisions were made.

Ms. Etheridge noted that Alaska had a special section of the [federal] farm bill. She relayed that in rural Alaska, communities outside of a 50-mile radius of a public assistance office could have a fee agent serving as a delegate of the state. The agent could take an application to preserve the date of the application and an individual's interview. She stated it was difficult to get people to want to be fee agents; therefore, the farm bill contained a section to enable a "postponement of interview" option. She elaborated that for SNAP cases in rural areas, DPA would receive an application and do a cold call to try to conduct an interview (if the individual was not available the caller would leave a message that they would try back in five minutes). She elaborated that if the division was unable to reach the person, they would certify and get the benefits out to the person, schedule an interview, and give enough time for the mail to reach the person so they could make their interview.

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Ms. Etheridge relayed there was now an interview queue and a missed interview queue on the virtual contact center because many times the mail arrived after a person's interview was scheduled. The division would be doing the same thing for recertifications and applications with the caveat that verifications would be needed in order to certify. She believed the items would be a game changer for rural Alaska. She stated it would increase the division's ability to be timely and it was only issuing benefit for up to two months depending on the timing of the interviews. She noted it was similar for expedite. She elaborated that expedite meant a person had less than \$150. She underscored it was critical that the division had the ability to be responsive to Alaskans.

Representative Bynum asked if a fee agent was paid through a federal program. He noted Ms. Etheridge indicated it could be a difficult person to find. He asked how they were paid.

Ms. Etheridge answered that fee agents went through a training with DPA and entered into a contract to be paid on a per application basis at \$25 per application. The agent was responsible for sending the division and invoice for reimbursement by DPA.

Representative Bynum asked if the cost was paid by the state or federal government.

Ms. Etheridge replied that the cost was paid with state funds.

Representative Bynum referenced Ms. Etheridge's discussion of using phone calls as an option to work with clients to get applications filled out. He asked if DPA was using teleconference or telephone.

Ms. Etheridge replied they were using telephone.

Representative Hannan directed a question to Commissioner Hedberg. She referenced Commissioner Hedberg's discussion about extending the elderly simplified application certification up to 36 months. She referenced her statement that it was 41 percent of SNAP beneficiaries. She asked if 41 percent of the state's SNAP beneficiaries were elderly.

Commissioner Hedberg answered the individuals needed to be 65 years or older and have a disability as defined by Food Nutrition Services (FNS) housed under USDA.

Representative Hannan asked if the number was 41 percent of total SNAP recipients. She thought there were far more families with children on SNAP.

Ms. Etheridge responded that it was household. The members of the household had to be 65 or older and disabled and they could also have children who were not of working age.

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Commissioner Hedberg turned to slide 14 titled "Division of Public Assistance: IT Modernization." She shared that two years ago the legislature made a large appropriation to pay for the modernization. She addressed ARIES maintenance and operations shown on the right of the slide. She elaborated that the small project management team within DPA working with contractors had shifted the document management system and ARIES into the cloud, which positioned the division for future advancements by aligning updates to the technical infrastructure. Additionally, it provided easier access to the data in a more secure, adaptable way. She directed attention to a bullet point pertaining to the integrated eligibility enrollment system. The division had antiquated systems and the appropriation was to get from to current position to where they needed to be. There were two RFPs going out in the current year including one to migrate the non-MAGI categories off of the mainframe and the second was to migrate SNAP off the mainframe. The RFPs would go out soon for contractors to begin work. Once the first two programs moved, the TANF and cash programs would be migrated off the mainframe. The project was estimated to be completed by 2028.

Commissioner Hedberg addressed a bullet point pertaining to enhancing client engagement on slide 14. The division had implemented text messaging and secure document upload. The division had multiple eForms - recognizing it was still necessary to keep paper forms for some clients. Additionally, phase two of the client portal was launching. She referenced earlier discussion by Ms. Ricci about the division's ex-parte process for Medicaid. She explained it was an automated process that would help with redetermination and many efficiencies would be gained by increasing the ex-parte process. In November 2024, the division had leveraged some technology to identify incoming emails containing applications or renewals and automatically place them in the document management system. In the coming year DPA would be working on data integration between all of its platforms to help eligibility technicians and clerical staff to not have to toggle between different platforms. She noted that verification was an important tool for verifying an individual qualified for public assistance. The process was currently manual and DPA would be working to automate the process to reduce the time the eligibility technicians spent processing applications. Additionally, the division was required to mail out a lot of notifications. She explained that when

mail went to wrong addresses it was returned to the division and the division received a large volume of snail mail. The division was purchasing equipment that would automate the mail coming back in. The equipment would scan the incoming mail and upload the new addresses in order for the division to connect with its clients. She highlighted other areas within DPA including the Women, Infant, and Children (WIC) program with its new system called Spirit currently in a phased roll out; and the Child Care program office with a phased roll out of the new Alaska Child Care Information System.

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Representative Bynum referenced Commissioner Hedberg's appreciation for a legislative appropriation into the new infrastructure. He asked if the current budget was sufficient to maintain the infrastructure going forward.

Commissioner Hedberg responded that the department felt confident with the current funding. She relayed that there would be a lot of cost savings when moving off of the mainframe. She believed through the transition of the technologies the division was gaining and getting off of the old legacy systems, the division would be able to maintain its budget.

[2:57:47 PM](#)

Ms. Halloran reviewed the Division of Behavioral Health (DBH) on slide 15. The division identified behavioral health needs across Alaska and developed and implemented strategies to meet those needs. The division maintained Alaskans behavioral health system in partnership with grantees and providers with a budget of just over \$94 million. She highlighted several budget changes beginning with a \$1.5 million request for a crisis call center comprised of \$750,000 in mental health trust receipts and \$750,000 general fund mental health funding. The call center provided for 24/7 statewide coverage for 988 calls as well as 1-877-266-HELP. The center provided a free confidential talk line for Alaskans at risk of suicide or in emotional distress. The center had been in operation for over 20 years and had answered the suicide prevention line - now 988 - calls since its inception. The current call center contract began in 2022 and ended at the end of the current fiscal year on June 30, 2025. The department would

issue an RFP for a new contract. There had been an increase in Alaskans utilizing the call center in recent years resulting from statewide and national media campaigns. In recent years the contract had partially been supported by ARPA funding and other federal programs, which were expiring. She relayed that \$15 million was needed to maintain current services.

Ms. Halloran highlighted the second item was a reduction of \$3.7 million in designated program receipts including the Marijuana Education and Treatment Fund, Recidivism Reduction Fund, the Alcohol Drug Treatment and Prevention Fund, and the Tobacco Cessation and Education Fund. The division primarily used the funds for grants and reimbursable services agreements with other state agencies. The third budgetary change was a \$5 million increase in federal authority for DBH. The division managed 20 different federal grant awards at any given time. The additional authority would mean the division would not have to hold back and toggle funds from fiscal year to fiscal year.

Co-Chair Josephson referenced the reduction in designated program receipts. He viewed it the funds as source of revenue and he considered that just because the source was reduced did not mean the problems were not there. He asked why not find a substitute revenue source. Alternatively, he asked if the reduction indicated there was less use of intoxicating substances. He assumed that was not the case.

Ms. Ricci responded that relying on the specific revenue sources for programs was always challenging because they reflected certain variables outside of the state's control. In light of the decrease in tax revenue, the division was thinking about how it could mitigate the impact to existing programs. She could not speak to whether the use of marijuana or tobacco had increased or decreased relative to the tax. She noted it would be a question for the Department of Revenue. The division was looking at some of the programs supported through the funding. She relayed that some of the programs were reimbursable services agreements (RSA) to other divisions or departments and DBH had provided those entities with notice that the funding may be impacted based on tax receipts. The department would continue to think about how to mitigate the impact of the reduction in funds. She noted it was the nature of the variable programs.

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Representative Galvin referenced the statement that the nature of the funds going to better behavioral health was inconsistent. She asked why not make a request for consistent funding from the state. She was confused to see the decrease. She highlighted the federal receipt authority request for grants [on slide 15]. She wondered why there was no request to fill the hole left by the reduction designated general funds.

Ms. Ricci replied that it was important to put into context the grant funds as one of many funding streams that supported a variety of different behavioral health programs. The \$5 million in federal receipt authority was not intended for the same types of services the other tax revenues had been used for. She considered the funding of the services with a variable tax revenue funding source and believed it had been a decision made with the legislature evaluating how best to use the revenues with the recognition that the tax revenues would shift over time. She remarked that while it represented a decrease the division would have to manage, there was also \$122 million added to the behavioral health system through the 1115 Medicaid waiver. The services may not translate into the exact services supported through the grants [being reduced], but it was important to look at the entirety of the funds available to the behavioral health system. There were gaps the department wanted to address, but there had been significant strides in federal and state funding increases to support the behavioral health system.

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Representative Galvin appreciated the assessment and the department finding ways to distribute \$122 million. She remarked that the department had done a great job building a road map. She believed it was on the legislature to help identify and fill any funding gaps and help the department meet its mission of a comprehensive and integrated behavioral health system.

Ms. Ricci added that one of the department's areas of focus was the development of certified community behavioral health clinics. She relayed that a portion of the \$5 million in federal grant authority was because the

department was awarded \$1.6 million in federal funds to pursue planning and development for implementing certified community behavioral health clinics. She stated it was a promising model; some clinics were operating in Alaska but they could not receive the enhanced Medicaid program funding until the Medicaid program established its own certification system. The federal grant funding would enable the department to begin planning out the services and it hoped to begin implementation work towards the end of the fiscal year.

Representative Hannan asked about the crisis call center. She shared that she had been a legislative member of the state suicide prevention council. She did not realize the council was not in the department's base budget. She asked if the increment on slide 15 was an additional \$1.5 million anticipating an increase in the RFP. Alternatively, she wondered if the council was not in the budget because the contract for current operation was expiring.

Ms. Halloran answered that the crisis call center had existed for over 20 years. She explained that the utilization had drastically increased with the advertising around 988. As a result, the need was greater and additional staff was necessary.

Ms. Ricci confirmed it was an additional increase to the budgeted amount. The crisis call center was a bit complicated to track over the years because it had existed for 20 years and because the services it provided and the model for providing the services continued to evolve over time. She explained that the suicide prevention line had morphed into a crisis contact center. The center connected with the federal 988 requirement that made the services available nationwide and incorporating things like the ability to send text messages and the opportunity to follow up with individuals to connect them to services and potentially appointments. The department also viewed the crisis contact center as being essential to further establish the crisis stabilization and crisis response programs in Alaska. She explained there had been some good work done, but it was an area that needed building out including crisis stabilization centers. She noted that having the IT platform necessary to support the call center growth was key. She explained it was all part of the reason for the increase. She viewed it as a shift or evolution in the model over the last 20 years.

Representative Hannan stated it was what she wanted to hear that it was an expansion responding to increased demand. She reported that the council heard continuously that because the effort was nationwide and in the states that had the most success it also meant it linked to subservice. She elaborated that Utah was the exemplar of the suicide crisis lines where the University of Utah dispatched a crisis team to the phone caller, which could not happen in Alaska.

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Representative Hannan elaborated that Alaska's call center was in one location and rural communities had no better response delivery than when 988 went live. She stated the legislature needed to do a better job to get more services available to respond to communities and people in crisis calls. She stressed that the crisis center did an amazing job of trying to stabilize, but many communities did not have services. She stated it was one of the pieces of the federal rollout that was successful in many other places, but Alaska did not have enough providers, access to care, and crisis stabilizations centers set up to see individuals once they made a lifeline call. She was more than happy to advocate passionately for the additional money because 988 had saved lives.

Ms. Halloran reviewed slide 16 showing a three-year comparison for the DBH budget. The majority of the division's UGF was general fund mental health authority which comprised 26 percent of its budget and the federal share was 31 percent.

Ms. Ricci advanced to slide 17 titled: "Behavioral Health Spend: Medicaid & Grants." The slide reflected important shifts in how the behavioral health system was funded in Alaska.

Representative Tomaszewski asked what percentage of the grants were comprised of federal and state funding.

Ms. Ricci replied that she would follow up on how the \$51 million was broken out. The majority were general fund grant dollars, but there was a level of federal grants through different federal entities that may also flow into DBH. She did not know how much of those were included in

the number on slide 17. She stated her understanding that the vast majority on the slide were UGF dollars.

Representative Tomaszewski requested the list of recipients and the breakdown.

Co-Chair Josephson requested a review of the most pertinent information on slide 20.

Ms. Halloran reviewed slides 20 through 21 pertaining to the Division of Senior and Disabilities Services (SDS). The division's work was comprised of Adult Protective Services, assessment review, early intervention, the Infant Learning Program, grant services, Intellectual and Developmental Disabilities Unit, provider certification and compliance, and more. The primary change was a companion change to the Medicaid Services appropriation, which was a reversal of a multiyear appropriation for InterRai. Slide 21 showed the division's budget was just under \$73 million, reflecting a decrease of \$1.5 million from management plan.

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Ms. Halloran moved to the Division of Public Health (DPH) on slide 22. The division was responsible for diagnosing and investigating health problems and hazards in Alaskan communities and informing Alaskans on health issues, mobilizing partnerships to identify and solve health problems, support community health efforts, provide linkage for Alaskans to health services, ensure adequate public health infrastructure, and monitor and evaluate health service effectiveness. The appropriation included one increase in general fund program receipts to increase the Strengthening Healthcare Access Recruitment Program I (SHARP I). The program received general fund program receipts from healthcare agencies across the state, which was matched with federal Health Resources Systems Administration (HRSA) loan repayment program funds. The department was seeing increased utilization of agencies in the program. The division also saw a reduction related to designated general funds, similar to DBH. She highlighted a reversal of several multiyear appropriations for COVID. Many of the appropriations would terminate at the end of the current fiscal year. Others would be carried into FY 26 in the amount of approximately \$70 million in COVID funds.

Co-Chair Josephson asked what the intent was for the funding.

Commissioner Hedberg answered that the funding would be used for one-time expenditures, much of which was related to data integration. For example, funding would be used for data integration in the state lab's information management system.

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Representative Galvin asked about the reduction of DGF based on the Department of Revenue's projections. She asked what would be lost within DPH.

Commissioner Hedberg answered that DPH was looking at its overall budget to determine how to refocus its funding. She used the After School Program as an example and explained that it leveraged some of the funds. The program would make sure the funds continued through FY 26 as DPH continued to evaluate its budget to meet the needs with existing resources.

Representative Galvin surmised the division was figuring out a way to move things around - perhaps there was funding associated with vacancies - to cover what may normally be lost without the funds.

Commissioner Hedberg responded affirmatively. The division was making sure it could take care of it and evaluate.

Ms. Halloran moved to slide 23 pertaining to the DPH budget comparison from FY 24 to FY 26. The division also administered two smaller appropriations including the Human Services Community Matching Grant Program and the Community Initiative Matching Grant Program. The overall decrease was just under \$150 million; however, a number of the items would roll back into the department at the end of the fiscal year when it realized year-end balances.

Ms. Halloran discussed Department Support Services on slides 24 and 25. She relayed that the division provided for all health support functions within the department including human resources oversight, procurement, grants and contracts, information technology, finance and revenue, cost allocation, audit response, and administrative support. There were two budget changes including a request

for an increase in interagency receipt authority in order for the division to allocate support costs out to the department and a reversal of a multiyear homeless management information system increment terming out at the end of FY 25.

Co-Chair Josephson thanked the department.

HB 53 was HEARD and HELD in committee for further consideration.

HB 55 was HEARD and HELD in committee for further consideration.

Co-Chair Josephson reviewed the meeting for the following day.

#  
ADJOURNMENT

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The meeting was adjourned at 3:23 p.m.