

SENATE FINANCE COMMITTEE
DEPARTMENT OF HEALTH AND SOCIAL SERVICES BUDGET SUBCOMMITTEE

SEN. NATASHA VON IMHOF, CHAIR
ALASKA STATE CAPITOL
ROOM 516
JUNEAU, ALASKA 99801-1182



MEMBERS:
SEN. JOHN COGHILL
SEN. LORA REINBOLD
SEN. ELVI GRAY-JACKSON

CLOSE-OUT BUDGET NARRATIVE

April 17, 2019

RECOMMENDATIONS:

The Senate Finance Subcommittee for the Department of Health and Social Services submits a recommended operating budget for FY20 to the Senate Finance Committee as follows:

FUND SOURCE (thousands)	FY19 Mgt Plan	FY20 Adj Base	FY20 Gov Amd	FY20 Sen Sub	Difference FY20 AdjBase to SenSub	%
UGF	\$1,140,456.6	\$1,133,157.7	\$837,703.2	\$998,003.40	(\$135,154.3)	-12%
DGF	\$79,388.1	\$79,388.1	\$80,151.4	\$84,216.4	\$4,828.3	6%
Total GF	\$1,219,844.7	\$1,212,545.8	\$917,854.6	\$1,082,219.8	(\$130,326.0)	-11%
Other	\$122,491.6	\$118,238.6	\$158,634.7	\$153,359.4	\$35,120.8	30%
Federal	\$1,885,149.7	\$1,884,456.7	\$1,435,942.0	\$1,904,672.9	\$20,216.2	1%
Total All Funds	\$3,227,486.0	\$3,215,241.1	\$2,512,431.3	\$3,140,252.1	(\$74,989.0)	-2%
SALARY ADJUSTMENTS (for informational purposes only)						
UGF					\$6,264.6	
DGF					\$1,805.7	
Total GF					\$8,070.3	
Other					\$3,338.3	
Federal					\$3,139.6	
Total All Funds					\$14,548.2	
POSITION COUNT						
PFT	3,460	3,205	3,189	3,189	-16	
PPT	44	44	44	44	0	
Temp	85	72	72	70	-2	
Total Positions	3,589	3,321	3,305	3,303	-18	

BUDGET ACTIONS:

Over the course of 14 meetings between February 11th and April 12th, the subcommittee analyzed the governor's budget recommendations, studied the department's program and budget history, and reviewed department programs for mission and outcome alignment.

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The subcommittee focused on finding realistic budget reductions achievable within the next fiscal year. The subcommittee worked with the department to find efficiencies and reductions where possible while preserving access to services for Alaska's most vulnerable populations.

Governor's Amended FY20 Budget Items Approved as Requested

The subcommittee recommends the following items be adopted:

Alaska Pioneer Homes

- Create Pioneer Homes Payment Assistance as a new allocation within the Pioneer Homes appropriation.
- Appropriate \$20.9 million UGF for payment assistance subsidies (\$20.0 million) and salary increases resulting from the branch-wide nursing class study (\$0.9 million).
- Accept fund source changes involving federal, inter-agency and program receipts and deletion of UGF within the Pioneer Homes Management allocation to implement rate increases.

Alaska Psychiatric Institute

- Increase API budget by \$4.7 million UGF and \$5.3 million other funds to support the operation of API at full capacity.

Behavioral Health

- Increase restorative justice funds by \$215.0 thousand for mental health and substance abuse grants.
- Increase federal receipt authority by \$4.0 million for behavioral health and opioid misuse grants.
- Reduce transportation costs by \$1.0 million in the Designated Treatment and Evaluation allocation for involuntary commitment transfers through savings on transportation and lodging costs.

Juvenile Justice

- Close Nome youth detention facility for UGF savings of \$2.0 million.

Division of Public Assistance

- Reduce required maintenance of effort by \$14.7 million for Adult Public Assistance benefits by reverting to 1983 payment standards.
- Limit general relief assistance payments for burial assistance for UGF savings of \$600.0 thousand.
- Decrease Public Assistance Field Services allocation by \$2.4 million based on projected savings through administrative cost reductions.

Public Health

- Implement public health nursing cost reductions of \$2.0 million UGF by leveraging federal grant funds and developing innovative service delivery models.
- Increase receipt authority for \$2.8 million in federal funds and \$1.0 million in inter-agency receipts for additional public health opioid misuse funding.
- Add \$2.3 million in Marijuana Education, Treatment and Prevention funds in support of substance misuse programs in response to SB104 (SLA 2018) fiscal notes.

Department-wide

- Decrease executive branch travel by 50 percent for savings of \$1.1 million for all fund sources.

Governor's Amended FY20 Budget Items Approved with Modifications

The subcommittee recommends these items be adopted with the following modifications:

Behavioral Health

- Reduce \$8.2 million UGF for Behavioral Health Treatment and Recovery Grants to allow behavioral health funding transition to Medicaid payments through the implementation of the 1115 Medicaid Behavioral Health Waiver.
- Replace \$4.0 million UGF with Marijuana Education, Treatment and Prevention funds for Behavioral Health Treatment and Recovery Grants.

Medicaid Services

- Implement Medicaid Phase I cost containment measures; including five percent provider rate reductions for selected provider types, rate inflation freeze, utilization controls and administrative and travel efficiencies for total UGF savings of \$82.6 million.

Governor's Amended FY20 Budget Items Not Adopted

The subcommittee does not recommend these items be adopted:

Senior Benefits Program - Elimination

- This program supports low-income seniors. Eliminating this program may increase costs for other public assistance programs.

Community Initiative and Human Services Matching Grants - Elimination

- These grants leverage millions of dollars of local match funding in support of community facilities like women's shelters, food banks, and emergency shelters.

Medicaid Adult Preventative Dental Program - Elimination

- The adult dental program reduces demand for costly emergency dental care and serves as an access point for other preventative physical and behavioral health services.

Provider Rates for Long-Term Nursing Facilities – Cut 5%

- Long-term care facilities operate with thin margins and can be reimbursed up to 95 percent through Medicaid. Rate cuts could destabilize these critical facilities that care for the most vulnerable populations.

Additions and Deletions

In addition to the budget items listed above, the subcommittee considered and recommends adopting the following items:

- Remove language inserted by OMB to allow unlimited transfers across appropriations.
- Add intent language to allow the Commissioner of the Department of Health and Social Services to transfer up to \$25.0 million between all appropriations, with the exception that no transfers be made from the Medicaid Services appropriations.
- Add intent language that the Division of Public Assistance limit the use of Supplemental Nutrition Assistance Program benefits for the purchase of snack foods, candy, and soft drinks.

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- Add intent language that long-term care facilities be exempt from Medicaid provider rate reductions.
- Add intent language that the Department of Health and Social Services continue to provide adult preventative dental Medicaid services.

Organizational Changes

The following budget structure changes are recommended by the subcommittee:

- Combine Health Care, Behavioral Health and Senior and Disabilities Medicaid allocations into a single Medicaid allocation. Adult Preventative Dental Medicaid will remain its own allocation within the Medicaid appropriation.
- Alaska Psychiatric Institute will become its own appropriation outside the Behavioral Health Division.
- A new allocation will be created within the Pioneer Homes appropriation for Pioneer Homes Payment Assistance.

ATTACHED REPORTS:

The Senate Finance Subcommittee for the Department of Health and Social Services adopts the attached reports:

- HSS- Agency Totals – FY20 Operating Budget
- HSS- Transaction Comparison 1
- HSS- Transaction Comparison 2
- HSS- Transaction Comparison 3
- HSS- Wordage

Senator Natasha von Imhof, Chair