

Department of Health and Social Services
FY2017 House Finance Budget Subcommittee Narrative Report
February 26, 2016

Subcommittee Members:

Rep. Dan Saddler, Chair	Rep. Wilson	Rep. Pruitt
Rep. Neuman	Rep. Munoz	Rep. Gara
Rep. Edgmon	Rep. Gattis	Rep. Kawasaki
Rep. Thompson	Rep. Guttenberg	

Recommendations:

The House Finance Budget Subcommittee for the Department of Health and Social Services submits a recommended operating budget for FY2017 to the House Finance Committee as follows:

Fund Source: (dollars are in thousands)

Unrestricted General Funds (UGF)	1,075,742.8
Designated General Funds (DGF)	107,931.8
Other Funds	100,296.4
Federal Funds	1,413,021.3
Total	2,696,992.3

The Unrestricted General Fund difference from FY2016 Management Plan to the House Subcommittee budget recommendation is a reduction of \$89,506.9 which is a 7.7 percent reduction.

Positions:

Permanent Full-time	3,444
Permanent Part-time	54
Temporary	92
Total	3,590

Budget Action:

The House Finance Budget Subcommittee for the Department of Health and Social held eleven meetings with the Department. The subcommittee reviewed the FY2017 budget request and took additional action as highlighted below:

Accepted the Governor's amended proposal, with the following exceptions:

Denied increments for Division of Juvenile Justice staffing and medical costs for supervised youth. Those adjustments include:

McLaughlin Youth Center	470.0 UGF
Kenai Peninsula Youth Facility	50.0 UGF
Bethel Youth Facility	250.0 UGF
Probation Services	120.0 UGF
Juvenile Justice Health Care	110.0 UGF
The Subcommittee also Denied an increment for Public Assistance Field Services	500.0 UGF

The Subcommittee made additional adjustments to the Governor's FY2017 Amended Budget including the following highlights:

Department Wide	25.0 Million	Authority to spend \$25.0 million across appropriations except Medicaid
Behavioral Health Treatment & Recovery Grants	(3,000.0) UGF	Reduce grant funding.
Nome Youth Facility	(1,693.9) UGF	Reduce funding. Delete 15 PFT and 3 Temp Positions. Close the facility.
Alaska Temporary Assistance	(5,000.0) UGF	Reduce funding to reflect possible MOE savings that could occur if expenditures for AHFC Homeless Assistance Program are eligible MOE expenditures.
Senior Benefits Payment Program	(5,137.9) UGF	Remove funding for payments for the highest income level recipients.

Health Care Medicaid Services	(13,300) UGF	Reduce funding in anticipation of savings resulting from an anticipated CMS policy change.
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Adult Preventative Dental Medicaid Services	(3,161.7) UGF (2,882.7) Fed	Program Reduction
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Attached Reports:

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

2017 Legislative Finance Division Reports – House Structure

1. Agency Totals – FY2017 Operating Budget
2. Allocation Summary (All Funds)
3. Allocation Summary (UGF Only)
4. Transaction Compare between Adjusted Base (17Adj Base) and House Subcommittee (H Sub)
5. Transaction Compare between Governor Amended (Gov Amd) and House Subcommittee (H Sub).
6. Wordage Report – FY2017 Operating Budget

The Budget Action Worksheet is attached for information purposes.

Respectfully submitted,



Representative Dan Saddler, Chair
House Finance Budget Subcommittee for the
Department of Health & Social Services

Department of Health and Social Services
FY2015 to FY2016 Comparison

<u>Fund Type</u>	FY2015	FY2016	<u>Difference</u>	Percent
	<u>Mgt Plan</u>	<u>Enacted</u>		<u>Difference</u>
Unrestricted General Fund	\$1,253,650.2	\$1,165,249.7	-\$88,400.5	-7.1%
Designated General Fund	\$96,278.1	\$103,724.3	\$7,446.2	7.7%
Other	\$89,091.5	\$94,354.2	\$5,262.7	5.9%
Federal	<u>\$1,253,304.7</u>	<u>\$1,253,679.3</u>	<u>\$374.6</u>	<u>0.0%</u>
Total	\$2,692,324.5	\$2,617,007.5	-\$75,317.0	-2.8%

<u>Unrestricted General Fund</u>	FY2015	FY2016	<u>Difference</u>	Percent
	<u>Mgt Plan</u>	<u>Enacted</u>		<u>Difference</u>
Non-Formula	\$388,277.2	\$362,413.6	-\$25,863.6	-6.7%
Formula	<u>\$865,373.0</u>	<u>\$802,836.1</u>	<u>-\$62,536.9</u>	<u>-7.2%</u>
Total	\$1,253,650.2	\$1,165,249.7	-\$88,400.5	-7.1%

<u>Budgeted Positions</u>	FY2015	FY2016	<u>Difference</u>	Percent
	<u>Mgt Plan</u>	<u>Enacted</u>		<u>Difference</u>
Permanent Full-Time	3,495	3,478	-17	-0.5%

<u>Filled Positions</u>	Dec 2014	July 2015	<u>Difference</u>	Percent
	<u>Employees</u>	<u>Employees</u>		<u>Difference</u>
Permanent Full-Time	3,260	3,192	-68	-2.1%
Permanent Part-Time	55	47	-8	-14.5%
Non-Permanent	<u>300</u>	<u>240</u>	<u>-60</u>	<u>-20.0%</u>
Total	3,615	3,479	-136	-3.8%

Notable Changes

Medicaid Services \$31,645.1 UGF

- The agency is foregoing an annual payment rate increase in order to absorb reductions to the appropriation. Without the rate increase, providers will have to absorb any inflation-related cost as a result of providing services to Medicaid recipients.

Public Health

- \$1,802.6 UGF – (1) Decrease funding to three Public Health Nursing Grantees: Municipality of Anchorage, North Slope Borough, and Maniilaq. (2) Close the Seward Public Health Center, partner with the new federally qualified health center clinic for reproductive services, and utilize an itinerant nurse from Kenai to Seward. Appointments for Public Health Nurses will be made through Kenai Public Health Center.

The limited local presence in Seward will result in a decrease in the number of appointments with the members of the community.

- \$1,049.7 UGF – Eliminate Obesity Prevention grants to school districts. Each of the seven school districts' obesity prevention grantees (Ketchikan, Kodiak, Mat-Su, Nome, North Slope, Petersburg, Sitka) will be reduced. They will reduce supplies to support student nutrition and physical activity goals, as well as travel for staff training in evidence-based best practices for obesity prevention.
- \$168.2 GF/PR – Close the Fairbanks Bureau of Vital Statistics satellite office and eliminate 2 Office Assistant positions that staffed the Fairbanks office. Services will be offered electronically.

Public Assistance \$2,291.6 UGF

- Senior Benefits Payment Program reduction resulting in lower payout amounts to the two lower pay levels of the program.

Pioneer Homes

- \$1,673.4 UGF - Impacts include: (1) longer waiting periods for prospective residents to gain entrance into a home, (2) a reduction in the number of residents who can receive higher levels of care within the homes (e.g., memory care), (3) a reduction in licensed bed amounts, (4) residents will experience longer response times from staff, (5) compromising of resident safety due to low staffing ratios.
- \$1,300.0 GF/PR; \$434.3 I/A - To offset the negative impacts of the change in unrestricted general fund revenue, the division will increase the resident rate by 8.5 percent with future automatic increases to match the cost of living adjustments provided by the Social Security Administration

Juvenile Justice

McLaughlin Youth Center

- \$261.6 UGF - Reduction of services within the Community Detention program. This program operates Monday through Saturday, providing GED assistance and school district credit recovery assistance for youth under the division's supervision. The program also arranges and supervises community service opportunities for youth with court-ordered hours.

Probation Services

- \$482.4 UGF – Delete 5 permanent probation staff from Fairbanks, Homer, Anchorage, and Ketchikan. This increases the caseloads of remaining probation staff in those locations. In addition, the deletion of the position in Homer will result in closing the Homer office. This will have a direct impact on the Kenai office's workload. The Kenai probation staffs are able to absorb the additional cases, but there will be increased travel to work with Homer youth.

**Department of Health and Social Services
Reductions, Cost Savings, and Efficiencies**

Total DHSS UGF Reduction

FY2016 GF \$88,400.5

FY2017 Proposed GF \$46,700.8

Department Wide Reductions, Cost Savings, and Efficiencies

- Deleted 66 positions in FY2016 and at least 18 proposed in FY2017
- Reduced or limited travel for all staff and contractual services, utilized videoconference for meetings, reviews, training, etc. whenever possible
- Held positions vacant longer to realize savings as long as the safety and security of clients and staff are maintained

Alaska Pioneer Homes

- Leveraged PeaceHealth purchasing agreements to spend less on commodities
- Negotiated advantageous reimbursement rates for pharmacy services
- Encouraged level III residents to apply for Medicaid Waivers to reduce UGF dependency
- Received the highest percentage of Veteran per diem benefit payments to date
- Increased Pioneer Home rates by 8.5 percent
- Reduced administrative staff and support from management, direct service staff, non-essential services and supplies
- Reduced supplies and cable television services

Division of Behavioral Health

- Encouraged grantees to rely more on Telebehavioral services
- Worked with grantees to actively manage their budgets more efficiently
- Provided regularly scheduled technical assistance for grantees to help them conduct business more efficiently
- Hired staff psychiatrists as employees rather than using locum tenens psychiatrists to fill vacancies at Alaska Psychiatric Institute reducing inefficiencies from high turnover
- Reduced Behavioral Health Treatment and Recovery grants and began transitioning clients to Medicaid
- Eliminated the Alaska Psychiatric Institute Advisory Board
- Reduced grants utilized for travel

Office of Children's Services

- Increased IV-E eligibility ratio to increase federal funds for foster care payments
- Leveraged Tribal partnerships
- Leveraged Federal dollars for existing services provided by Office of Children's Services
- Connected Office of Children's Services clients with existing grants and services
- Enrolled more Medicaid providers
- Aligned Office of Children's Services mental health rates with Medicaid
- Increased resources for permanency placement so more children safely exit Office of Children's Services

- Spread a small percentage reduction over all Family Preservation and Early Childhood Services grants to minimize the effect of the reduction
- Moved Infant Learning Program to Senior and Disabilities Services where it better aligns

Health Care Services

- Reduced the Catastrophic and Chronic Illness Assistance Program since the majority of the population served by this program is now covered under Medicaid Expansion

Division of Juvenile Justice

- Reduced funding for Ketchikan Youth Facility by seeking Medicaid refinancing to repurpose as a residential treatment facility
- Implemented a statewide nursing on-call roster to reduce the amount of stand-by pay for nurses who are now on call regionally
- Maximized the amount Medicaid is billed for secure facility residents admitted to the hospital for more than 24 hours
- Received insurance information from parents at admission into detention or treatment facilities and whenever possible used private insurance to pay for health services for youth
- Closed Homer probation office

Division of Public Assistance

- Reduced Alaska Temporary Assistance Program
- Partnered with non-profit organizations to identify third party contributions to meet the state's Maintenance of Effort requirements
- Reduced Adult Public Assistance to the level needed to satisfy the state's Maintenance of Effort requirement for the Medicaid program
- Reduced Tribal Assistance Programs
- Reduced Energy Assistance State Program
- Reduced Senior Benefits program through revisions in regulations resulting in lower payment amounts to the lowest payment level in the program
- Decreased Burial Assistance Program through reform and efficiencies

Division of Public Health

- Reduced Tobacco Cessation grants to ensure Tobacco Fund stability
- Closed the Fairbanks Bureau of Vital Statistics
- Closed the Seward Public Health Clinic
- Combined the Juneau Emergency Medical Services/Chronic Disease Prevention and Health Promotion offices and administrative support
- Utilized Vaccine Assessment Fund for vaccines
- Reduced Health Care Providers' Loan Repayment Program and Community Health Center Senior Access grants from Health Planning and Systems Development
- Reduced Viral Immunology Testing from Public Health laboratories
- Reduced Community Health Aide Training and Supervision from Community Health grants
- Reduced support for three public health nursing grantees
- Eliminated Obesity Prevention program in school districts

Division of Senior and Disabilities Services

- Restructured division to streamline service delivery and reduce operating costs
- Reduced overtime by closing non-emergency report of harm intake at 4PM
- Reduced individual benefits under the General Relief Assistance Program
- Reduced grants for Senior In-Home Services, Adult Day Services Traumatic and Acquired Brain Injury Management programs
- Reduced Community Developmental Disabilities grants
- Reduced Senior Residential Services grants supporting rural elders' residential services

Division of Departmental Support Services

- Deleted positions in anticipation of efficiencies brought by the statewide implementation of Integrated Resource Information System (IRIS), and other department technology platforms such as the Grants Electronic Management System (GEMS), and outsourcing the department Information Technology call center, efficiencies brought by IRIS have not been realized yet
- Reviewed contracts and consolidated space as cost containment measures
- Consolidated and transferred positions to different units within the division to meet needs of the department
- Support Service positions are largely driven by the division's need, positions are evaluated to assure there are sufficient resources to meet the administrative operation demands

Human Services Community Matching Grants / Community Initiative Matching Grants

- Reduced grants in both programs

Division of Medicaid Services

- Implemented Medicaid expansion with 100% federal funds
- Worked on reforms to improve Alaska's Medicaid program including improving fraud and abuse controls, pharmacy services, and care management for emergency room super utilizers as well as additional reforms currently in various planning stages
- Froze reimbursement rates to Medicaid providers for FY2016
- Reduced overall state spend in Medicaid