

# Report Highlights

## Why DLA Performed This Audit

The purpose of this audit was to determine if there is a need for the commission's continued existence and whether its termination date should be extended. The commission is set to sunset on June 30, 2017, and will have one year from that date to conclude its administrative operations.

## What DLA Recommends

There were no new recommendations as part of the current sunset audit.

# A Sunset Review of the Department of Health and Social Services (DHSS), Alaska Health Care Commission (commission)

October 17, 2016

Audit Control Number 06-20098-17

## REPORT CONCLUSIONS

Overall, the audit found the commission failed to operate in the public's interest by not developing a statewide health plan. The prior sunset audit dated May 6, 2013, concluded that, without a statewide health plan, the actions of the commission may not effectively impact health care in Alaska. The prior audit recommended the commission coordinate with DHSS on development of a plan and to clearly define roles and responsibilities of the commission. Subsequent to the audit, no significant progress was made towards development of an actionable plan. The commission has been inactive since July 2015 due to a lack of funding.

In accordance with AS 44.66.010(a)(9), the commission is scheduled to terminate on June 30, 2017. We do not recommend extending the commission's termination date.

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# ALASKA STATE LEGISLATURE

## LEGISLATIVE BUDGET AND AUDIT COMMITTEE

### Division of Legislative Audit



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Juneau, AK 99811-3300  
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November 15, 2016

Members of the Legislative Budget  
and Audit Committee:

In accordance with the provisions of Title 24 and Title 44 of the Alaska Statutes (sunset legislation), we have reviewed the activities of the Alaska Health Care Commission and the attached report is submitted for your review.

DEPARTMENT OF HEALTH AND SOCIAL SERVICES  
ALASKA HEALTH CARE COMMISSION  
SUNSET REVIEW

October 17, 2016

Audit Control Number  
06-20098-17

The audit was conducted as required by AS 44.66.050(c) and under the authority of AS 24.20.271(1). Per AS 44.66.010(a)(9), the commission is scheduled to terminate on June 30, 2017. We recommend the commission not be extended.

The audit was conducted in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. Fieldwork procedures utilized in the course of developing the findings and recommendations presented in this report are discussed in the Objectives, Scope, and Methodology.

A handwritten signature in black ink, appearing to read "Kris Curtis".

Kris Curtis, CPA, CISA  
Legislative Auditor

## ABBREVIATIONS

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AAC	Alaska Administrative Code
ACN	Audit Control Number
AO	Administrative Order
AS	Alaska Statute
CISA	Certified Information Systems Auditor
commission	Alaska Health Care Commission
CPA	Certified Public Accountant
DHSS	Department of Health and Social Services
DLA	Division of Legislative Audit
FY	Fiscal Year
SLA	Session Laws of Alaska
U.S.	United States

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# ORGANIZATION AND FUNCTION

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## Alaska Health Care Commission (commission)

The commission is authorized by AS 18.09.010 to “provide recommendations for and foster the development of a statewide plan to address the quality, accessibility, and availability of health care for all citizens of the state.”

The commission consists of 14 members; 11 are voting members, and three are non-voting ex officio members representing the Alaska House of Representatives, the Senate, and the Office of the Governor. The 11 voting members are:

- The State’s chief medical officer who serves as chair;
- One active State-licensed primary care physician;
- One active State-licensed health care provider, not affiliated with the Alaska State Hospital and Nursing Home Association;
- One public member;
- One member who represents the tribal health community;
- One member who represents community health care centers;

## Exhibit 1

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### Alaska Health Care Commission Members As of January 1, 2015

Dr. Jay Butler, M.D., *Chair*  
*Chief Medical Officer*

Becky Hultberg  
*Alaska State Hospital and Nursing  
Home Association*

C. Keith Campbell  
*Public Member*

Lincoln Bean  
*Tribal Health Community*

Greg Loudon  
*Health Insurance Industry*

Emily Ennis  
*Mental Health Trust Authority*

Susan Yeager  
*United States Department  
of Veterans Affairs*

Allen Hippler  
*Alaska State Chamber of Commerce*

David Morgan  
*Community Health Centers*

Larry Stinson, M.D.  
*Health Care Provider*

Robert Urata, M.D.  
*Primary Care Physician*

### Non-Voting Members

Jim Puckett  
*Division of Retirement  
and Benefits Director,  
Office of the Governor Designee*

Senator John Coghill  
*Senate*

Vacant  
*House of Representatives*

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- One member who represents the health insurance industry;
  - One member who represents the Alaska State Hospital and Nursing Association;
  - One member who represents the statewide chamber of commerce who is not financially associated with the health care industry;
  - One member who represents the Alaska Mental Health Trust Authority; and
  - One member who is involved in the U.S. Department of Veterans Affairs health care industry.

Except for the two legislative seats, all members are appointed by the governor to serve staggered three-year terms. All members must be Alaska residents for at least one year at the time of appointment. Exhibit 1 lists commission members as of January 1, 2015.

Alaska Statutes 18.09.040 through 18.09.070 define the commission's scope. These statutes authorize the following:

1. The commission may adopt and amend bylaws to conduct efficient commission operations.
2. The commission shall foster the development of a statewide health plan which includes a comprehensive health care policy and a strategy for improving all residents' health. As part of the development process, the commission may hold public hearings to gather information and opinions over various health care matters. The commission is required to submit an annual report containing hearing results and other plan and policy development activities to the governor and the legislature by January 15th of each year.
3. The commission may employ an executive director to carry out administrative operations. The executive director reports directly to the commission. The Department of Health and



Social Services (DHSS) may also assign an employee to assist with commission activities. Both positions are employees of DHSS’ Office of the Commissioner, but the commission establishes their duties.

In accordance with adopted bylaws, the commission must meet at least four times annually.

Costs for commission operations for FY 13 through FY 15 are shown in Exhibit 2.

**Exhibit 2**

Alaska Health Care Commission Expenditures FY 13 through FY 15			
	FY 13	FY 14	FY 15
Personal Services	\$ 206,256	\$ 229,978	\$ 221,615
Travel	28,144	30,219	33,101
Services	204,773	166,721	89,853
Commodities	13,463	16,516	7,534
	<u>\$ 452,636</u>	<u>\$ 443,434</u>	<u>\$ 352,103</u>

Source: Alaska State Accounting System.

**Department of Health and Social Services**

Within the statutory language which created the commission, DHSS-related statutes were also amended. Alaska Statute 18.05.010(b)(5)(A) was added containing the provision that DHSS may “develop, adopt, and implement a statewide health plan under AS 18.09 based on recommendations of the Alaska health care commission.”

DHSS provides administrative support services to the commission by performing budgetary and other financial support needed for commission operations. DHSS also provides personnel support for hiring and retaining two full-time staff positions dedicated to commission duties, and other administrative support functions such as, but not limited to, public noticing of commission activities, grants and contracts assistance, and information technology support.

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## BACKGROUND INFORMATION

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### **Administrative Order (AO) 246 first established the commission in December 2008.**

The Alaska Health Care Commission's (commission) original purpose was to "provide recommendations for and foster the development of a statewide plan to address the quality, accessibility, and availability of health care for all citizens of the State." The AO required the commission to develop strategies for improving Alaskans' health that included:

1. Encouraging personal responsibility in prevention and healthy living;
2. Reducing per capita health care costs to below the national average;
3. Providing state communities access to safe water and wastewater systems;
4. Developing a sustainable state health care workforce;
5. Making quality health care accessible for all state residents; and
6. Increasing the number of state residents covered by health care insurance.

The commission met throughout 2009 and reported its findings and recommendations in January 2010. The report identified 31 recommendations; however, a statewide health plan was not developed. As documented in meeting transcripts, the commission did not consider itself responsible for producing a statewide health plan. Instead, the commission focused efforts on specific policy recommendations. The commission expired after producing the 2010 report and was reestablished by Senate Bill 172 in June 2010.

The legislature reestablished the commission to address the State's need for health care reform. The legislature intended the commission to achieve reform through developing a statewide health plan

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based on “education, sustainability, management efficiency, health care effectiveness, public private partnerships, research, personal responsibility, and individual choice.” To promote balanced decision making, the 14-member commission is composed of public and private sector representatives from major stakeholder groups. Membership includes representatives from the legislative and executive branches of government, the business community, the health care community, and health care consumers.

The commission’s statutory purpose<sup>1</sup> is similar to the purpose established in AO 246. However, the current commission has more specific requirements regarding the statewide health plan.<sup>2</sup> Whereas AO 246 did not specify plan priorities, Alaska Statutes require the commission to foster development of a plan that includes a:

1. Comprehensive statewide health care policy; and
2. Strategy for improving all state residents’ health that:
  - a. Encourages personal responsibility for disease prevention, healthy living, and health insurance acquisition;
  - b. Reduces health care costs;
  - c. Eliminates known health risks, including unsafe water and wastewater systems;
  - d. Develops a sustainable health care workforce;
  - e. Improves access to quality health care; and
  - f. Increases the number of insurance options for health care services.

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<sup>1</sup>Alaska Statute 18.09.010.

<sup>2</sup>Alaska Statute 18.09.070.

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The first commission meeting was held in October 2010. At that meeting, the commission agreed to continue the AO commission's work and use the same general approach. Rather than working on a statewide health plan, the commission collected information from various cost studies and developed high level policy recommendations. The commission also established general priorities which later evolved into a strategic framework (framework) and included the following:

- Develop a vision;
- Understand and accurately describe the current health care system;
- Build a foundation to identify infrastructure support elements for the health care industry; and
- Identify strategies to transform the health care delivery system to be more efficient, effective, and accessible.

The framework is summarized in the commission's 2014 document, *Transforming Health Care in Alaska*. The commission's vision is, "By 2025 Alaskans will be the healthiest people in the nation and have access to the highest quality, most affordable health care." The commission expected the vision to be achieved through consumer-focused innovations in patient-centric health care and support for healthy lifestyles. To that end, the commission identified eight core strategies and 76 recommendations<sup>3</sup> addressing four overarching priorities:

1. High quality, affordable health care;
2. Accessible, innovative, patient-driven care;
3. Healthy Alaskans; and
4. A sustainable, efficient, and effective health care system.

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<sup>3</sup>The commission had issued 31 recommendations while operating under AO 246 and 45 recommendations as of January 2015 since operating under Alaska Statutes.

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Core strategies and recommendations have focused on various policy areas, with particular emphasis on cost transparency and reduction efforts, evidence-based medicine, fraud and abuse prevention, and health information technology. The latter includes use of the hospital discharge database and implementing a statewide all-payers claims database.

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# REPORT CONCLUSIONS

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In developing our conclusion regarding whether the Alaska Health Care Commission's (commission) termination date should be extended, we evaluated commission operations using the 11 factors set out in AS 44.66.050(c) (included as Appendix A of this report). Under the State's "sunset" law, these factors are to be used in assessing whether an agency has demonstrated a public policy need for continuing operations.

Overall, the audit found the commission failed to operate in the public's interest by not developing a statewide health plan. The prior sunset audit dated May 6, 2013, concluded that, without a statewide health plan, the actions of the commission may not effectively impact health care in Alaska. The prior audit recommended the commission coordinate with the Department of Health and Social Services (DHSS) to identify each agency's role and responsibilities regarding development of a statewide health plan and pursue development accordingly. Subsequent to the audit, no significant progress was made towards development of an actionable plan. The commission has been inactive since July 2015 due to a lack of funding.

In accordance with AS 44.66.010(a)(9), the commission is scheduled to terminate on June 30, 2017. We do not recommend extending the commission's termination date.

Detailed report conclusions are as follows.

## **The commission failed to fulfill its purpose.**

The prior sunset audit found the commission failed to collaborate with DHSS to develop a statewide health plan and instead focused on developing high level strategies and policies, and issuing related recommendations. Subsequent to the audit, the commission discussed shifting its attention away from issuing policy recommendations and refocusing its efforts on how to implement recommendations. Despite its initial momentum, the commission made no real progress in developing a plan.

Its FY 16 budget request was not approved amid frustration with the

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**Commission operations generally complied with requirements in statutes and bylaws.**

commission's lack of progress and the general budgetary constraints faced by the State as a whole. Due to lack of funding, the commission ceased operations June 2015.

Apart from the sunset extension of the commission in 2014, no other commission-specific statutory changes were made during the audit period. However, some of the changes enacted by Senate Bill 74, which was signed into law July 2016, reflect recommendations issued by the commission such as changes to telemedicine and aspects of medical assistance reform.

During the period June 2013 through June 2015,<sup>4</sup> at least four meetings were held each year as statutorily required. With the exception of the last meeting to discuss termination, the meetings were generally public noticed adequately and allowed for public comment. All meetings had a quorum of commission members with which to conduct business. The commission also compiled and submitted the statutorily required annual report.

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<sup>4</sup>The commission met only twice in 2015 prior to ceasing operations.



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# FINDINGS AND RECOMMENDATIONS

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## Current Status of Prior Recommendations

The prior audit made three recommendations as follows:

- The Alaska Health Care Commission (commission) should coordinate with the Department of Health and Social Services (DHSS) commissioner to identify each agency's roles and responsibilities regarding development of a statewide health plan and pursue development accordingly;
- The commission chair should implement a policy to utilize established DHSS public noticing procedures for commission meetings; and
- The commission chair should implement procedures to ensure annual reports include all statutorily required components.

The prior audit recommendation for coordination between the commission and DHSS to define roles and responsibilities for development of a statewide health plan was not implemented. During 2014, the commission prioritized recommendations to begin facilitating implementation. However, no measurable progress was made to develop an actionable statewide plan; instead, the commission continued to develop high level policies and recommendations. Therefore, this recommendation remains unresolved.

The recommendation to implement a policy to use DHSS-established public noticing procedures for commission meetings was not adopted. Although the commission improved their public noticing of meetings, three of 12 meetings held were not adequately noticed at least 15 days in advance of the meeting or were not advertised in media as required by statute.<sup>5</sup> We consider this recommendation partially resolved.

The recommendation to ensure reports include all statutorily required components was implemented; however, two commissioner financial reporting forms did not include the required signatures.

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<sup>5</sup>One meeting was public noticed 14 days in advance and not in all required media. One other meeting was not advertised in all required media. The close out meeting in June 2015 was called on short notice and had no planned public involvement. This meeting was noticed only four days in advance of the meeting, and not advertised in all required media.

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One commissioner for each annual report for 2013 and 2014 did not sign the certification page for the financial disclosures. Although improvements were made, we consider this recommendation partially resolved.

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# OBJECTIVES, SCOPE, AND METHODOLOGY

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In accordance with Title 24 and 44 of the Alaska Statutes, we have reviewed the activities of the Alaska Health Care Commission (commission) to determine if there is a demonstrated public need for its continued existence and if it has been operating in an efficient and effective manner.

As required by AS 44.66.050(a), this report shall be considered by the committee of reference during the legislative oversight process in determining whether the commission should be reestablished. Currently, under AS 44.66.010(a)(9), the commission will terminate on June 30, 2017, and will have one year from that date to conclude its administrative operations.

## Objectives

The three central, interrelated objectives of our report are:

1. To determine if the termination date of the commission should be extended;
2. To determine if the commission is operating in the public's interest; and
3. To determine the status of recommendations made in the prior sunset audit.

## Scope

The assessment of operations and performance of the commission was based on criteria set out in AS 44.66.050(c). Criteria set out in this statute relates to the determination of a demonstrated public need for the commission. We reviewed the commission's activities from May 1, 2013 through June 30, 2015, when the commission was deactivated.

## Methodology

During the course of our audit we reviewed and evaluated the following:

- The prior sunset audit report (ACN 06-20086-13) to identify

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issues affecting the commission and to identify prior sunset audit recommendations.

- Applicable statutes and by-laws to identify commission functions and responsibilities, determine whether statutory or bylaw changes enhanced or impeded board activities, and help ascertain if the commission operated in the public interest.
- The State's online public notice system and media advertisement documentation to verify the commission meetings and recommendations proposed by the commission were adequately public noticed.
- Commission meeting transcripts and annual reports to gain an understanding of commission proceedings and activities, goals and objectives, the nature and extent of public input, whether a quorum was maintained, and whether commission vacancies impeded operations.
- Expenditures of the commission to gain an understanding of commission operations.
- Various state and news related websites to identify complaints against the commission or other commission related concerns.
- Various state and federal websites containing information for potential duplication of commission activities.
- No internal controls were deemed significant to the audit objectives.

To identify and evaluate the various issues relating to commission activities, we conducted interviews with Department of Health and Social Services staff and commission members. Specific issues of inquiry included commission operations, duplication of effort, and complaints against the commission. Additional inquiry was performed regarding the commission's progress on developing a statewide health.

Additionally, we reviewed and evaluated the House Finance Health and

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Social Services subcommittee meeting on February 11, 2015, where the 2014 annual commission report was presented, to understand the reasons for defunding the commission.

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## APPENDIX SUMMARY

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In developing our conclusion regarding whether the Alaska Health Care Commission's termination date should be extended, we evaluated its operations using the 11 factors set out in AS 44.66.050(c). Under the State's "sunset" law, these factors are to be used in assessing whether an agency has demonstrated a public policy need for continuing operations.

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# APPENDIX A

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## **Analysis Of Public Need Criteria (AS 44.66.050(c))**

A determination as to whether a board or commission has demonstrated a public need for its continued existence must take into consideration the following factors:

- (1) the extent to which the board or commission has operated in the public interest;
- (2) the extent to which the operation of the board or commission has been impeded or enhanced by existing statutes, procedures, and practices that it has adopted, and any other matter, including budgetary, resource, and personnel matters;
- (3) the extent to which the board or commission has recommended statutory changes that are generally of benefit to the public interest;
- (4) the extent to which the board or commission has encouraged interested persons to report to it concerning the effect of its regulations and decisions on the effectiveness of service, economy of service, and availability of service that it has provided;
- (5) the extent to which the board or commission has encouraged public participation in the making of its regulations and decisions;
- (6) the efficiency with which public inquiries or complaints regarding the activities of the board or commission filed with it, with the department to which a board or commission is administratively assigned, or with the office of victims' rights or the office of the ombudsman have been processed and resolved;
- (7) the extent to which a board or commission that regulates entry into an occupation or profession has presented qualified applicants to serve the public;

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- (8) the extent to which state personnel practices, including affirmative action requirements, have been complied with by the board or commission to its own activities and the area of activity or interest;
  - (9) the extent to which statutory, regulatory, budgeting, or other changes are necessary to enable the board or commission to better serve the interests of the public and to comply with the factors enumerated in this subsection;
  - (10) the extent to which the board or commission has effectively attained its objectives and purposes and the efficiency with which the board or commission has operated;
  - (11) the extent to which the board or commission duplicates the activities of another governmental agency or the private sector.

# Agency Response from the Department of Health and Social Services



THE STATE  
of ALASKA  
GOVERNOR BILL WALKER

## Department of Health and Social Services

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DEC 29 2016

LEGISLATIVE AUDIT

December 29, 2016

Ms. Kris Curtis, CPA, CISA  
Legislative Auditor  
Legislative Budget and Audit Committee  
Division of Legislative Audit  
P.O. Box 113300  
Juneau, Alaska 99811-3300

Dear Ms. Curtis:

RE: Response to confidential preliminary audit report on: Department of Health and Social Services (DHSS), Alaska Health Care Commission, October 17, 2016

Thank you for the opportunity to respond to your preliminary findings and recommendations based on the Division of Legislative Audit's sunset audit of the Alaska Health Care Commission. Below is our response for each section of the preliminary report received in your correspondence dated December 13, 2016.

### **Report Sections:**

#### **Organization and Function:**

We concur with the information presented in this section.

#### **Background Information:**

We concur with the information presented in this section. In addition, we believe there is other pertinent information that should be included.

- AS 18.09.070(c) requires the Commission to submit an annual report to the governor and legislature on January 15 of each year. The Commission submitted an annual report on the required due date during each of the years for which it was funded. Each annual report included a strategic plan for reforming Alaska's health care system, updated with new findings and recommendations to augment those produced in the previous year.
- The Commission procured numerous studies that provide the public and the legislature with valuable information about Alaska's health care system. These studies continue to be referenced by legislators and the media to the present day. Studies the Commission purchased include:
  - An analysis of medical payment levels and cost drivers in Alaska, conducted by Milliman, Inc. (available at: <http://dhss.alaska.gov/ahcc/Pages/focus/healthcarecosts.aspx>)

Ms. Kris Curtis, CPA, CISA  
December 29, 2016  
Page 2 of 3

- An analysis of health care costs in Alaska, conducted by the Institute for Social & Economic Research (ISER) at the University of Alaska Anchorage (available at: <http://dhss.alaska.gov/ahcc/Documents/meetings/201108/ISER%20Health-care%20Spending%20in%20Alaska%202010%20Report.pdf>)
- An early analysis of the economic effects in Alaska of the Patient Protection and Affordable Care Act, developed by ISER (available on this page: <http://dhss.alaska.gov/ahcc/Pages/nhcr/default.aspx>)
- A study on the business use case for an All-Payer Claims Database for Alaska, conducted by Freedman Health Care (available on this page: <http://dhss.alaska.gov/ahcc/Pages/focus/all-payer.aspx>)
- A survey of employer health benefits in Alaska, conducted by ISER (available on this page: <http://dhss.alaska.gov/ahcc/Pages/focus/employersrole.aspx>)

#### **Report Conclusion:**

Conclusion #1 The commission failed to fulfill its purpose.

We disagree with this conclusion. The department previously disputed the prior Legislative Audit finding in 2013 that “there is no statewide health plan,” providing the perspective that establishing a vision, priorities, core strategies, and numerous detailed and specific policy recommendations provided the framework for a statewide health plan, and is in essence a strategic plan. Legislators’ testimony during sunset audit hearings held during 2014 reinforced the Commission’s and department’s interpretation that the legislature’s intent was not focused on production of a document with actionable steps, which had been and continues to be the Division of Legislative Audit’s interpretation. The strategic plan for health care reform in Alaska produced by the Commission, titled “Transforming Health Care in Alaska: Core Strategies & Policy Recommendations,” is attached.

In addition, numerous policy changes have been enacted that implement recommendations of the Commission, and publication of a document titled “a statewide health plan” with actionable steps was not necessary to affect this success. Recommendations that have been implemented include those related to:

- Immunization against Vaccine-Preventable Disease (through HB 310 passed in 2012)
- Health Data and the Hospital Discharge Database (through DHSS regulation change in 2014)
- Workers’ Compensation Payment Reform (through HB 316 and HB 141 passed in 2014)
- Opioid Abuse Prevention & Control (through SB 74 passed in 2016)
- Telehealth (through SB 74 passed in 2016)
- Payment Reform in the Medicaid program (through SB 74 passed in 2016)
- Fraud & Abuse Reduction (through SB 74 passed in 2016)
- Public Health Data Access (through DHSS policy in 2010 and beyond)

Conclusion #2 Commission operations generally complied with requirements in statutes and bylaws.

We concur with this conclusion.

#### **Current Status of Prior Recommendations:**

Prior Recommendation #1. The commission should coordinate with the DHSS commissioner to identify each agency’s roles and responsibilities regarding development of a statewide health plan and pursue development accordingly:

Ms. Kris Curtis, CPA, CISA  
December 29, 2016  
Page 3 of 3

We disagree with the conclusion that "...no measurable progress was made to develop an actionable statewide plan." Evidence was presented that 1) the DHSS Commissioner actively engaged with the Commission, and convened a joint meeting of DHSS stakeholders and the Commission to facilitate that progress; and, 2) the Commission had worked through a planning process to effectively prioritize their body of recommendations for action step development, documented in the final annual report for 2014.

We believe it would be more accurate to state that progress was being made towards production of a joint action plan that would have detailed steps for implementation of Commission recommendations when the Commission was defunded in 2015.

Prior Recommendation #2. The commission chair should implement a policy to utilize established DHSS public noticing procedures for commission meetings:

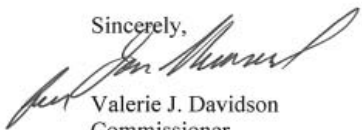
We concur with the finding related to this prior recommendation.

Prior Recommendation #3. The commission chair should implement procedures to ensure annual reports include all statutorily required components.

We concur with the finding related to this prior recommendation.

Please contact Deborah Erickson or Linnea Osborne if you have any questions or require additional information.

Sincerely,



Valerie J. Davidson  
Commissioner

Cc: Dr. Jay Butler, Chief Medical Officer and Director of Public Health  
Jon Sherwood, Deputy Commissioner  
Shawnda O'Brien, Acting Assistant Commissioner  
Monique Martin, Deputy Director  
Deborah Erickson, Project Coordinator  
Linnea Osborne, Accountant V



THE STATE  
-of- **ALASKA**  
GOVERNOR BILL WALKER

Department of  
Health and Social Services

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MEMORANDUM

**DATE:** December 22, 2016

**TO:** *File*

**FROM:** Valerie Davidson  
Commissioner

A handwritten signature in black ink, appearing to be "V. Davidson", written over the printed name and title.

**SUBJECT:** Delegation Memo

Effective December 22, 2016, I will be on leave returning January 9, 2017. During that time frame the following delegations will be in place.

Effective December 22, 2016, through January 8, 2017, Deputy Commissioners Jon Sherwood and Karen Forrest, will have full authority to assume the responsibilities of this office. In the event that both Jon and Karen are out of the office, the delegation will fall to Dr. Jay Butler, Chief Medical Officer and Public Health Director. In this capacity, Jon, Karen and Jay are authorized to sign/approve batch documents, leave slips, correspondence and other documents prepared for my signature.

cc: Jon Sherwood  
Karen Forrest  
Jay Butler

# Agency Response from the Alaska Health Care Commission



THE STATE  
of ALASKA  
GOVERNOR BILL WALKER

## Department of Health and Social Services

OFFICE OF THE COMMISSIONER

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DEC 29 2016

LEGISLATIVE AUDIT

December 29, 2016

Ms. Kris Curtis, CPA, CISA  
Legislative Auditor  
Legislative Budget and Audit Committee  
Division of Legislative Audit  
P.O. Box 113300  
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#### Organization and Function:

We concur with the information presented in this section.

#### Background Information:

We concur with the information presented in this section. In addition, we believe there is other pertinent information that should be included.

- AS 18.09.070(c) requires the Commission to submit an annual report to the governor and legislature on January 15 of each year. The Commission submitted an annual report on the required due date during each of the years for which it was funded. Each annual report included a strategic plan for reforming Alaska's health care system, updated with new findings and recommendations to augment those produced in the previous year.
- The Commission procured numerous studies that provide the public and the legislature with valuable information about Alaska's health care system. These studies continue to be referenced by legislators and the media to the present day. Studies the Commission purchased include:
  - An analysis of medical payment levels and cost drivers in Alaska, conducted by Milliman, Inc. (available at: <http://dhss.alaska.gov/ahcc/Pages/focus/healthcarecosts.aspx>)

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- An analysis of health care costs in Alaska, conducted by the Institute for Social & Economic Research (ISER) at the University of Alaska Anchorage (available at: <http://dhss.alaska.gov/ahcc/Documents/meetings/201108/ISER%20Health-care%20Spending%20in%20Alaska%202010%20Report.pdf>)
- An early analysis of the economic effects in Alaska of the Patient Protection and Affordable Care Act, developed by ISER (available on this page: <http://dhss.alaska.gov/ahcc/Pages/nhcr/default.aspx>)
- A study on the business use case for an All-Payer Claims Database for Alaska, conducted by Freedman Health Care (available on this page: <http://dhss.alaska.gov/ahcc/Pages/focus/all-payer.aspx>)
- A survey of employer health benefits in Alaska, conducted by ISER (available on this page: <http://dhss.alaska.gov/ahcc/Pages/focus/employersrole.aspx>)

**Report Conclusion:**

**Conclusion #1. The commission failed to fulfill its purpose.**

We disagree with this conclusion. The department previously disputed the prior Legislative Audit finding in 2013 that “there is no statewide health plan,” providing the perspective that establishing a vision, priorities, core strategies, and numerous detailed and specific policy recommendations provided the framework for a statewide health plan, and is in essence a strategic plan. Legislators’ testimony during sunset audit hearings held during 2014 reinforced the Commission’s and department’s interpretation that the legislature’s intent was not focused on production of a document with actionable steps, which had been and continues to be the Division of Legislative Audit’s interpretation. The strategic plan for health care reform in Alaska produced by the Commission, titled “Transforming Health Care in Alaska: Core Strategies & Policy Recommendations,” is attached.

In addition, numerous policy changes have been enacted that implement recommendations of the Commission, and publication of a document titled “a statewide health plan” with actionable steps was not necessary to affect this success. Recommendations that have been implemented include those related to:

- Immunization against Vaccine-Preventable Disease (through HB 310 passed in 2012)
- Health Data and the Hospital Discharge Database (through DHSS regulation change in 2014)
- Workers’ Compensation Payment Reform (through HB 316 and HB 141 passed in 2014)
- Opioid Abuse Prevention & Control (through SB 74 passed in 2016)
- Telehealth (through SB 74 passed in 2016)
- Payment Reform in the Medicaid program (through SB 74 passed in 2016)
- Fraud & Abuse Reduction (through SB 74 passed in 2016)
- Public Health Data Access (through DHSS policy in 2010 and beyond)

**Conclusion #2. Commission operations generally complied with requirements in statutes and bylaws.**

We concur with this conclusion.

**Current Status of Prior Recommendations:**

**Prior Recommendation #1. The commission should coordinate with the DHSS commissioner to identify each agency’s roles and responsibilities regarding development of a statewide health plan and pursue development accordingly:**



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We disagree with the conclusion that "...no measurable progress was made to develop an actionable statewide plan." Evidence was presented that 1) the DHSS Commissioner actively engaged with the Commission, and convened a joint meeting of DHSS stakeholders and the Commission to facilitate that progress; and, 2) the Commission had worked through a planning process to effectively prioritize their body of recommendations for action step development, documented in the final annual report for 2014.

We believe it would be more accurate to state that progress was being made towards production of a joint action plan that would have detailed steps for implementation of Commission recommendations when the Commission was defunded in 2015.

Prior Recommendation #2. The commission chair should implement a policy to utilize established DHSS public noticing procedures for commission meetings:

We concur with the finding related to this prior recommendation.

Prior Recommendation #3. The commission chair should implement procedures to ensure annual reports include all statutorily required components.

We concur with the finding related to this prior recommendation.

Please contact Deborah Erickson or Linnea Osborne if you have any questions or require additional information.

Sincerely,

  
Jay C. Butler, MD  
Chairman, Alaska Health Care Commission

Cc: Valerie J. Davidson, Commissioner  
Jon Sherwood, Deputy Commissioner  
Shawnda O'Brien, Acting Assistant Commissioner  
Monique Martin, Deputy Director  
Deborah Erickson, Project Coordinator  
Linnea Osborne, Accountant V

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# Legislative Auditor's Additional Comments

## ALASKA STATE LEGISLATURE LEGISLATIVE BUDGET AND AUDIT COMMITTEE



Division of Legislative Audit

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January 5, 2017

Members of the Legislative Budget  
and Audit Committee:

We have reviewed the Department of Health and Social Services' response to the audit report. Nothing contained in the response causes us to revise or reconsider the report conclusions and recommendations. Without a plan for implementing its recommendations, the Alaska Health Care Commission may not effectively impact health care in Alaska and does not demonstrate a need for its continued existence.

Sincerely,

A handwritten signature in blue ink, appearing to read "Kris Curtis".

Kris Curtis, CPA, CISA  
Legislative Auditor

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