



## Testimony of Becky Hultberg, President/CEO of the Alaska State Hospital & Nursing Home Association House Finance Committee, July 9, 2019

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For the record, my name is Becky Hultberg. I am the President/CEO of the Alaska State Hospital and Nursing Home Association. I am also a lifelong Alaskan born in Anchorage and raised in Kenai.

A recent letter to the editor in the Washington Post written in response to Alaska's budget situation was entitled "Memo to Alaskans: Things Cost Money." It went on to talk about how you can't expect to have services without paying for them. I want to talk from an economic and health care perspective about what it will mean if we stop paying for these public "things that cost money."

It's hard to have this conversation without addressing the narrative that government spending is 'out of control'. For context, in a March 24 presentation to the Alaska council of school administrators, Legislative Finance Director David Teal provided a graphic showing that Alaska's per capita inflation-adjusted spending today is at about the same level it was in 1980. We are spending more in total today than we were in 1980, because of inflation and because more people live here. But on a per person, inflation-adjusted basis we are spending about the same. In the late 1970's, oil fields were coming online. It was a new era for Alaska, but the boom years were still ahead of us. Today, the boom is behind us, but we still have good years ahead if we're smart. So what can we learn from that chart? Can government be more efficient? Yes. Can we manage costs better? Most definitely. By historical standards, do we have an out-of-control budget? Data simply does not support that conclusion.

We've managed general fund cost growth in Medicaid through collaboration with the Legislature, DHSS and the provider community. From FY 2015 – FY 2018, general fund spending in Medicaid was relatively flat, while we provided coverage for tens of thousands of additional Alaskans. The Medicaid cost growth curve also flattened. These are successes that the governor's cuts put in jeopardy. Let's talk about a few of those cuts.

First, the governor has cut an additional \$50 million in Medicaid general funds above the \$70 million reduced by the legislature. This does not account for lost federal funds, which roughly doubles that amount. DHSS presented a plan to the Legislature for reductions of about \$100 million, but much of that plan is unattainable. There is no plan for the balance of the reduction, except for vague promises of "CMS waivers." First, the Medicaid program is in statute, so benefits must be provided to eligible individuals. Second, CMS does not have a magic wand to waive that will allow the state to massively reduce costs without significant changes to eligibility, utilization or rates.

We don't know what the impacts of these cuts will be, because there is no plan, but given the dollar amount, they could be extreme. They will affect vulnerable Alaskans, because children, the elderly and the disabled are the populations driving Medicaid costs.

Yesterday, DHSS put out an RFP for an advisor to help them achieve these cost savings. That makes it apparent that they do not have a plan. Let me be very clear, a cut of this magnitude without a plan or analysis of the impact on people is the height of irresponsibility. It is likely that Medicaid will need a significant supplemental next year or that the governor will make unwise and arbitrary administrative reductions.

We are concerned about other cuts affecting the safety net. First, cuts to homelessness assistance, while a relatively small amount of money will have huge impacts. According to Catholic Social Services, these cuts will cause a 48% increase in homelessness in Anchorage. Some people will lose access to permanent housing, and shelter beds will close. An increase in homelessness will also mean an increase in crime and emergency department costs.

It is widely acknowledged that we already have behavioral health system in crisis. Demand has increased, while state services, such as capacity at API, have decreased. As we work to improve the system and transform care, cuts in behavioral health grants will further strain a system already at the breaking point. These, combined with other state administrative reductions, will not only set back much of the good work that has occurred, but will result in fewer Alaskans getting treatment. The consequences? Increases in substance abuse, homelessness and crime as well as emergency departments at capacity.

Cuts to the university will also have consequences on health care. Our industry relies on the university to provide a trained workforce. Given the magnitude of the budget reduction, it is hard to see how these programs are held harmless. Health care is a labor-intensive business. If staffing and recruitment costs go up, health care costs for all will increase.

Finally, the elimination of adult preventive dental demonstrates the governor's willingness to take a penny-wise but pound-foolish approach. How does it make sense to pay for dental care in the emergency department, but not for preventive services?

For those who believe government is too big, there is another path. You can believe in the need for budget cuts AND believe that the governor's chosen methods will wreak havoc on the state. If the goal is to reduce costs strategically AND maintain a livable place, responsible reductions are achievable on a glidepath, giving organizations, the economy and people time to adjust.

This body has endorsed that approach. The Legislature has worked with stakeholders and industry to reduce the size of state government, while helping our economy emerge

from a recession. I want to thank every legislator sitting here today and some who are not in the room. You have reduced the size of government responsibly and thoughtfully, without destroying our economy and the state we love. We can continue that work together, with industry, stakeholders and government working collectively for the good of the state. Or we can choose the governor's blunt approach, which will bring recession and pain. The governor's vetoes put that choice in stark relief.

It's misleading to talk about these cuts in isolation, as if they exist in silos. In fact, the complexity of health care means that there are interacting and compounding effects.

Our economy is like a pond. When you drop a large boulder in a small pond, it creates a wave that affects the entire shoreline. The ripple effects of disruption will mark everything in their path. Those who will believe their lives and their quality of life will be unaffected by the governor's cuts are naïve at best. We are all impacted by homelessness and crime. We all count on open emergency departments in our community to provide lifesaving care. Businesses rely on a functioning public infrastructure so that their employees have access to health care, education and livable communities. The governor's cuts put these things, which we take for granted, in jeopardy.

I want to thank this body, other legislators and all Alaskans who have weighed in during this critical time. You have charted a responsible course. You have reduced the state budget in a responsible way. This is not a time for soundbites, but a time to reflect on real impacts on people and on our community. This is about our economy, our livelihoods, our communities and the future of our state.

Thank you for your time and for the opportunity to testify.