Testimony of the Department of Health and Human Services
Commissioner Sara Gagné-Holmes,
Deputy Commissioner of Finance Benjamin Mann, and
MaineCare Director Michelle Probert

Before the Joint Standing Committee on Appropriations and Financial Affairs and
The Joint Standing Committee on Health and Human Services

LD 209, *An Act to Make Supplemental Appropriations and Allocations from the General Fund and Other Funds for the Expenditures of State Government and to Change Certain Provisions of the Law Necessary to the Proper Operations of State Government for the Fiscal Year Ending June 30, 2025*

Hearing Date: January 23, 2025

Senator Rotundo, Representative Gattine, Senator Ingwersen, Representative Meyer, Members of the Joint Standing Committee on Appropriations and Financial Affairs and Members of the Joint Standing Committee on Health and Human Services; my name is Sara Gagné-Holmes, Commissioner of the Department of Health and Human Services (DHHS). I am here today to speak in support of LD 209, the Governor's supplemental budget proposal for state fiscal year 2025. I will introduce our testimony and help answer questions; Deputy Commissioner Benjamin Mann will testify on individual initiatives and will also be available to answer questions, and he will be joined by Michelle Probert, MaineCare Director, who will also help provide context and background information about cost increases in the MaineCare program.

The Maine Department of Health and Human Services (DHHS) is dedicated to promoting health, safety, resilience, and opportunity for Maine people. The Department provides health and social services to almost a third of the State's population, including children, families, older Mainers, and individuals with disabilities, mental illness, and substance use disorders. My executive leadership team and I understand the importance of these services to the health and wellbeing of not only the Maine people accessing these services but their families as well.

Nevertheless, in light of state revenues leveling off and in order to ensure these services are sustainable in the long term, we made hard decisions to rebalance and make certain program adjustments. To that end, I wanted to provide you with some insight into our decision-making.

We had to include difficult tradeoffs in the budget given the current budget environment. Our general approach to making those decisions included 1) rolling back programs and/or funding that are not implemented yet, 2) rolling back programs and/or funding that are still new and only were implemented recently, and 3) looking to other states and national averages as a reference point to assess level of support currently provided by programs in Maine. These guideposts helped inform us how to build and rebalance the budget before you.

We did not arrive at the budget proposals lightly nor were they without heated debate, but ultimately the budget proposals before you today maintain core supports and services across the Department.

And with that, I will turn it over to Deputy Commissioner Mann to speak more specifically about the Supplemental Budget.

Departmental Supplemental Initiatives

Senator Rotundo, Representative Gattine, Senator Ingwersen, Representative Meyer, Members of the Joint Standing Committee on Appropriations and Financial Affairs and Members of the Joint Standing Committee on Health and Human Services; my name is Benjamin Mann, Deputy Commissioner of Finance at the Department of Health and Human Services.

Before I begin with initiatives included in the Supplemental Budget, we wanted to provide some context and background related to the MaineCare program. As a reminder, healthcare in general, and Medicaid programs in particular, are inherently volatile, and MaineCare is no exception. Between the pandemic response, enrollment and coverage changes, the workforce shortage, changing federal requirements, MaineCare rate reform, inflationary pressures, and other factors, MaineCare has endured even more than typical uncertainty in recent years. We are requesting one-time $117 million General Fund to fund the MaineCare program so that we can pay projected expenditures this fiscal year. Without additional funding, provided on an emergency basis, we will need to take the extraordinary step to limit MaineCare payments and/or stop paying providers until additional funding is secured.

Maine's experience is consistent with that of many other states. According to a Kaiser Family Foundation survey, a majority of states are facing Medicaid budget challenges resulting from enrollment and cost increases and flattening of state revenues after years of growth. Any one of these factors on their own would not present significant budget difficulty, but, when taken together, create a perfect storm that must be addressed to stabilize MaineCare costs into the future.

To help explain our current situation in terms of MaineCare cost growth, Director Probert will walk you through a few slides.

[switch to MaineCare slide deck]

A couple of housekeeping notes before I begin with the specific Supplemental Budget initiatives: For the initiatives that we'll cover during this session, I included the traditional budget language that directly aligns to what you see in the Governor's printed budget. This language is italicized. However, my oral testimony today will summarize each initiative so that it's easier to understand while not losing any detail or meaning. I will try to explain why we are proposing the budget initiative in addition to what the budget initiative is. Thus, my testimony today is 7 pages, but I won't be reading it all. And per the guidance from the committee, I won't be covering certain

more-administrative initiatives such as reclassifications and revenue adjustments. There are also a few initiatives that appear more than once in the budget because they are funded in multiple programs, but I will only read them once.

The Department's budget starts on page A-20 but I will proceed directly to page A-22 since the first couple of initiatives are related to reclassifications.

Maine Center for Disease Control and Prevention

*The first program on page A-22 is **Maine Center for Disease Control and Prevention – 0143.***

1. The first initiative on page **A-22,** along with **Part K on page 6** of the language document, eliminates two limited-period positions, which are vacant, and reduces one-time funding approved in last year's budget (Public Law 2023, chapter 643) for developing and expanding pharmacy services at federally qualified health centers. As mentioned in our opening statement, this budget required hard decisions and this new program, using one-time funding, is not yet implemented. As such, we are proposing to de-appropriate it prior to implementation. This initiative reduces General Fund by $4.2 million in state fiscal year 2025.

*The first initiative (I-A-7799) on page **A-22** eliminates one limited-period Comprehensive Health Planner II position, one limited-period Management Analyst II position and funding for related All Other costs. This initiative also reduces one-time funding approved in Public Law 2023, chapter 643 for developing and expanding pharmacy services and access to affordable priced prescription drugs for patients of federally qualified health centers to address statewide budget constraints. This program has not been implemented and recruitment of staff positions has not started. This initiative repeals this one-time funding. This initiative reduces General Fund Personal Services funding of $208,549 and All Other funding of $4,013,074 in state fiscal year 2025.*

Medical Care – Payments to Providers

*The next program on page A-22 is **Medical Care – Payments to Providers – 0147.***

1. The next initiative on page **A-22** provides one-time funding for the MaineCare program. MaineCare does not have sufficient funding to pay projected expenditures in the current fiscal year. We have funding to pay claims until May. Without additional funding provided on an emergency basis, the Department will need to limit payments to MaineCare providers. This initiative requests General Fund of $117 million this fiscal year. As a reference point, $117 million is approximately 7 percent of the FY2025 total state funding for MaineCare.

*This initiative (I-A-2106) on page **A-22** provides one-time funding for the MaineCare program. Current projections show a significant shortfall in the MaineCare General Fund accounts in Fiscal Year 2025. This funding is needed to ensure MaineCare can continue making payments*

for the entirety of the fiscal year. This initiative provides General Fund All Other funding of $117,618,761 in state fiscal year 2025.

Mental Health Services – Children

The next program on page A-23 is ***Mental Health Services – Children – Z206.***

1. The first initiative on page **A-23** reduces one-time funding approved in last year's budget for training clinicians in assertive continuing care, which is an evidence-based treatment for youth and young adults with co-occurring mental health and substance use disorders. This one-time funding has not yet been implemented. This initiative reduces General Fund by $1,000,000 in state fiscal year 2025.

*The first initiative (I-A-7920) on page **A-23** reduces one-time funding approved in Public Law 2023, chapter 643 for training clinicians in assertive continuing care to facilitate the delivery of the evidence-based practice for potential expansion of services for the acute mental health needs of adolescents with co-occurring disorders. This service has not yet been implemented. This initiative reduces General Fund All Other funding by $1,000,000 in state fiscal year 2025.*

Mental Health Services – Community

The next program on page A-23 is ***Mental Health Services – Community – Z198.***

1. The next initiative on page **A-23** reduces funding to establish 24 mental health law enforcement liaisons to support crisis response services. These law enforcement liaisons were newly created in last year's budget and this initiative is not yet implemented, nor did the initiative provide sufficient funding. Further, the Administration has made, and continues to make, significant investments in behavioral health and mobile crisis response across the state, including five behavioral health liaisons in the Maine State Police. This initiative reduces General Fund by $953,300 in state fiscal year 2025.

*The next initiative (I-A-7928) on page **A-23** reduces funding approved in Public Law 2023, chapter 643, Part DDDD to establish 24 mental health law enforcement liaisons to support mental health crisis intervention mobile response services due to statewide budget constraints. This initiative is not yet implemented. This initiative reduces General Fund All Other funding of $953,300 in state fiscal year 2025.*

2. There are two initiatives on page **A-23** and one on page **A-25** related to crisis receiving centers. In her FY2024 Supplemental Budget, Governor Mills proposed adding a crisis receiving center in Lewiston, building on a successful center in Portland, with another planned for Kennebec County. The Legislature passed the Governor's proposal but added funding and language requiring the creation of additional crisis centers in Penobscot County and Aroostook County. The Governor's current budget proposal will suspend plans for Kennebec and Aroostook

Counties, and instead move forward with new crisis receiving centers in Androscoggin County and Penobscot County. This proposal impacts the supplemental and biennial budgets. In the supplemental, the three initiatives result in savings of $2.85 million in the current fiscal year.

*The next initiative (I-A-7919) on page **A-23** reduces funding approved in Public Law 2023, chapter 643, Part EEEE to establish a crisis receiving center in Aroostook County. The Department will continue to develop a network of crisis receiving centers in a more measured approach, building on the existing Cumberland County location and expanding to Androscoggin County and Penobscot County. This initiative reduces General Fund All Other funding by $1,400,000 in state fiscal year 2025.*

*The next initiative (I-A-7927) on page **A-23** reduces funding approved in Public Law 2023, chapter 643, one-time, to establish 3 crisis receiving centers in Androscoggin, Kennebec and Penobscot counties. The Androscoggin and Penobscot are anticipated to start January 1, 2026 and therefore the fiscal year 2025 funding will not be needed until fiscal year 2026. This funding is being requested in the 2026-2027 biennium in C-A-1901. This initiative reduces General Fund All Other funding by $900,000 in state fiscal year 2025. This initiative can also be found on page A-25.*

*This initiative (I-A-7927) on page **A-25** reduces funding approved in Public Law 2023, chapter 643, one-time, to establish 3 crisis receiving centers in Androscoggin, Kennebec and Penobscot counties. The Androscoggin and Penobscot are anticipated to start January 1, 2026 and therefore the fiscal year 2025 funding will not be needed until fiscal year 2026. This funding is being requested in the 2026-2027 biennium in C-A-1901. This initiative reduces General Fund All Other funding by $550,000 in state fiscal year 2025. This initiative can also be found on page A-23.*

3. The next initiative on page **A-23** reduces ongoing funding approved in last year's budget for recruitment and retention incentives to employees that provide medication management services. This initiative is not yet implemented and we are proposing to reduce the total funding but continue the program. It was funded at $2.5 million annually and we are proposing to reduce it to $1 million annually, thus saving $1.5 million a year, starting this fiscal year. The Department has conducted extensive stakeholder engagement and outreach with medication management providers to get feedback on how these funds can be most impactful and is in the process of issuing an RFP to distribute the funds.

*The next initiative (I-A-7929) on page **A-23** reduces ongoing funding approved in Public Law 2023, chapter 643, Part GGGG for employee recruitment and retention incentives to staff that provide medication management services provided by the Office of Behavioral Health that are similar to the services provided under the department's rule Chapter 101: MaineCare Benefits Manual, Chapter II, Section 65, Behavioral Health Services to address statewide budget constraints. This initiative reduces General Fund All Other funding by $1,500,000 in state fiscal year 2025.*

Office of Violence Prevention

*The next program on page **A-26** is **Office of Violence Prevention – Z411**.*

1. This initiative on page **A-26** reduces funding for the Office of Violence Prevention for annual grants to communities approved in last year's budget. This funding is being proposed to be deappropriated on a one-time basis in this fiscal year and the upcoming biennium while this new office is being established. This initiative reduces General Fund by $1,000,000 in state fiscal year 2025.

*This initiative (I-A-7794) on page **A-26** reduces funding one-time in the Office of Violence Prevention program, General Fund for annual grants to communities approved in Public Law 2023, chapter 643, Part FFFF to conduct community-based violence intervention initiatives that are primarily focused on interrupting cycles of violence, including gun violence, trauma and retaliation by providing culturally competent intervention services. This is a new program that has not yet been implemented. This initiative reduces General Fund All Other funding by $1,000,000 in state fiscal year 2025.*

Language

*Language submitted on page **6L, Part K**, and is related to the first initiative I spoke about. This language repeals language approved in last year's budget, Pt. QQ, §3 and §4 to support federally qualified health centers develop and expand pharmacy services.*

Language submitted on page **6L, Part L**, defines Acute Care Hospital, Critical Access Hospital, Psychiatric Hospital, and Rehabilitation Hospital and removes the reference to publicly owned specialty hospitals. It also clarifies the intent of the language included in last year's budget and specifies that beginning January 1, 2025 the tax for acute care hospitals and rehabilitation hospitals is equal to 3.25%. The tax for Psychiatric Hospitals remains at 2.23%. This language does not make any new changes and is only intended to clarify the hospital rate and tax changes enacted last year. There was a concern that Psychiatric Hospitals would otherwise be subject to a tax of 3.25% instead of 2.23%.

Language submitted on page **8L, Part M**, authorizes DHHS to adopt emergency rules to implement any provisions of this Act over which it has specific authority that has not been addressed by some other Part of the Act without the necessity of demonstrating that immediate adoption is necessary to avoid a threat to public health, safety or welfare.

Language submitted on page **9L, Part N**, amends the Maine Child Care Affordability Program to ensure state General Funds can be used to support any eligible family in the child care subsidy program, regardless of income level (i.e. whether above or below 85 percent of the state median

income). The current law specifies that Other Special Revenue can be used to support the subsidy program but is silent about General Fund.

Language submitted on page **11L, Part S,** limits housing assistance under the General Assistance Program to a maximum of 3 months in a 12-month period per household. This 3 month limit would not apply to temporary housing and emergency shelters. It also limits municipalities from exceeding the maximum levels of assistance for all assistance categories for no more than 30 days in a 12-month period per household. The Department recognizes that General Assistance is a critical temporary support for Maine people, but reforms are needed to ensure the long-term sustainability of the program and to preserve its core mission of supporting basic needs for a short period. If these changes are not implemented, based on current projections, the Department would need an additional $10 million General Fund appropriation annually, $20 million over the coming biennium, to support the program starting in FY 2026.

MaineCare Costs

Michelle Probert, Director
Office of MaineCare Services (OMS)

January 2025

Where MaineCare Appropriations Go

Proportion of MaineCare's FY24 Claims-based Spending* by Section of Policy

45 Hospital 20%

21 HCBS IDD 14%

80 Pharmacy 13%

67 Nursing Facility 9%

65 Behav Health 5%

19 HCBS Older, Disab 3%

97 PNMI E MH 3%

90 Physician Svcs 3%

29 HCBS IDD 3%

28 Child Rehab 3%

97 PNMIC Res Care 3%

31 FQHC 2%

46 Psych Hosp 2%

96 PDN, PCS 2%

60 DME 1%

50 ICF IDD 1%

97D Child Res 1%

17 Comm Supp 1%

25 Dental 1%

13 TCM 1%

93 OHH 1%

18 BI 1%

97F 1%

103 1%

5 Ambul 1%

14 APRN 1%

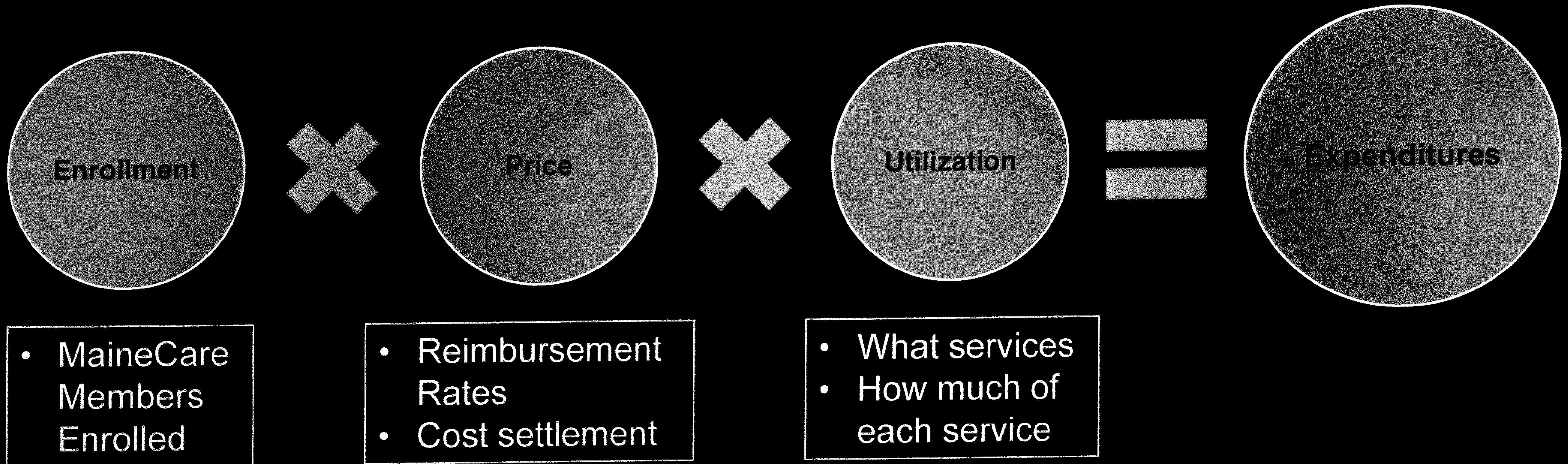
97B 0%

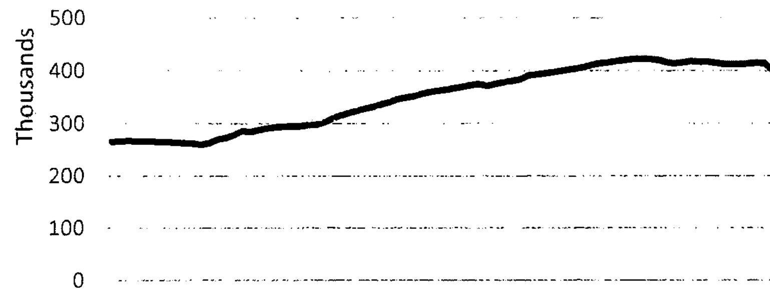
2 0%

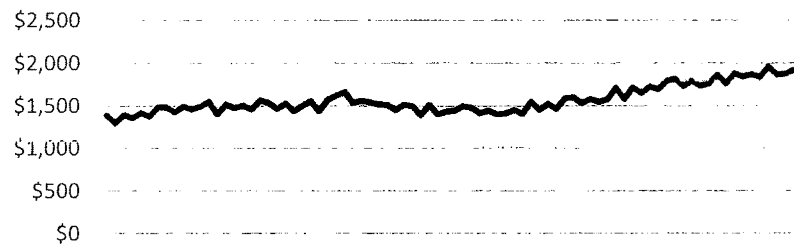
55 0%

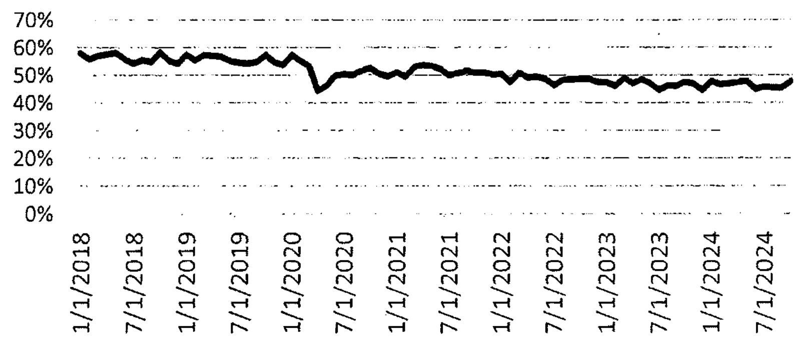
Numbers reflect section of MaineCare policy. *Does not include supplemental payments, cost settlement, or other non claims-based payments.

Health Care Costs, Simplified

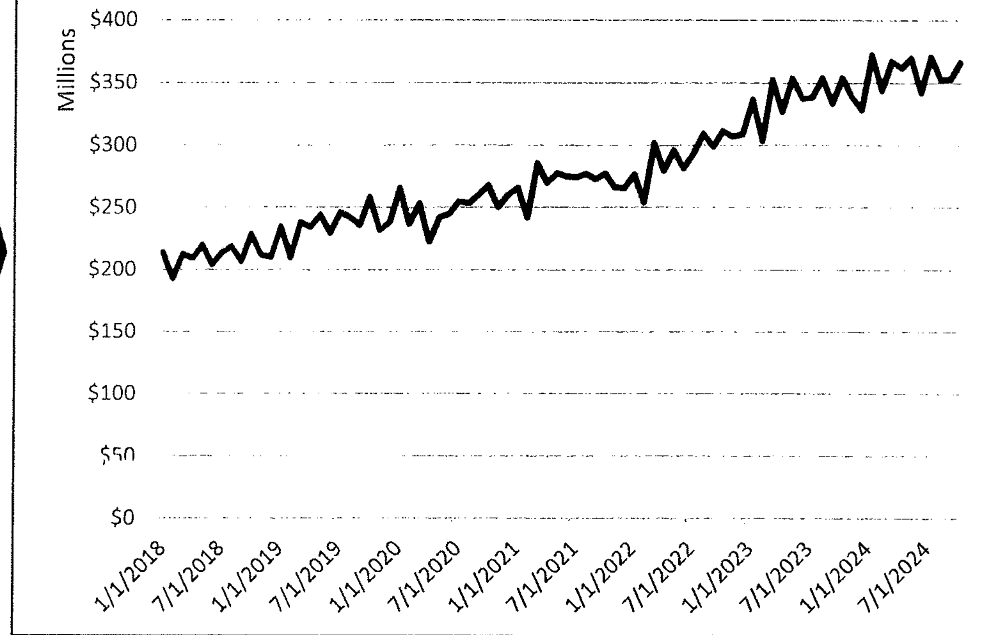








Enrollment x Price x Utilization = Expenditures



Health Care Costs, Simplified

- MaineCare Members Enrolled

- Reimbursement Rates
- Cost settlement

- What services
- How much of each service

Update on “Unwinding”: End of COVID-19 Medicaid Continuous Coverage Requirement

- States were required to maintain enrollment of nearly all Medicaid enrollees during the COVID-19 Public Health Emergency (PHE), in return for a temporary increase in federal Medicaid matching payments.
- Resumption of the regular renewal process, known as the “Unwinding,” started in April 2023.
- In August 2023, Maine began implementing passive, "ex parte“ renewals. CMS’ guidance evolved at this same time, newly requiring states to process ex parte on an individual vs household level. CMS required Maine to delay procedural denials until it was able to meet this system requirement in July 2024.
- As a result, terminations from Unwinding were largely concentrated in the period from August through October 2024.
- At the conclusion of the 15-month unwinding period, the Department's efforts resulted in over 345,000 MaineCare members successfully renewing and retaining coverage.

MaineCare Enrollment has seen a net increase of about 100K since pre-COVID, with most disenrollment from Unwinding occurring in the past 6 mo.

Total Monthly MaineCare Enrollment (June 2018 - November 2024)

Monthly Enrollment

450,000
400,000
350,000
300,000
250,000

Expansion Starts

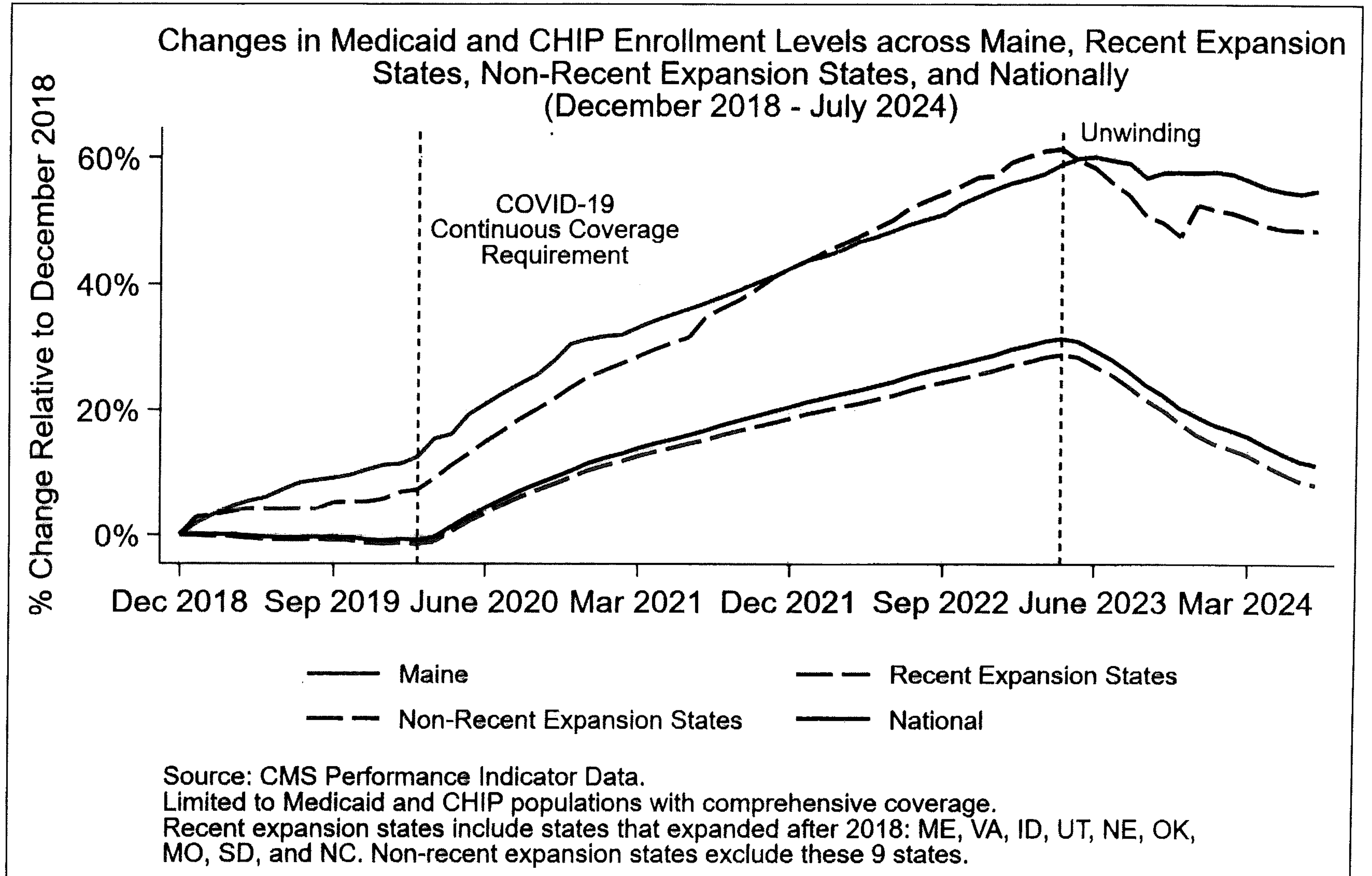
COVID-19 Continuous Coverage Requirement

Unwinding

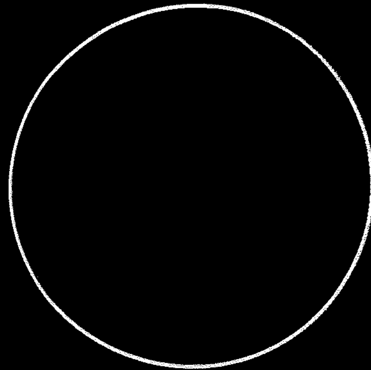
June 2018 June 2019 June 2020 June 2021 June 2022 June 2023 June 2024

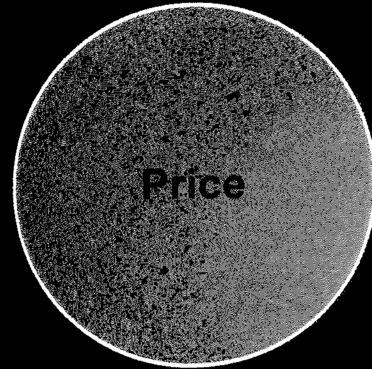
*Includes members with all full and limited benefits, including state-funded services. Excludes MaineRx, DEL, and CDC enrollment.

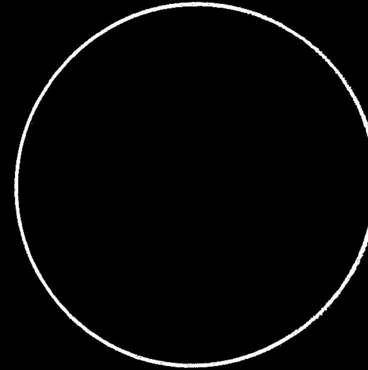
Maine has experienced significantly higher enrollment growth since pre-COVID than the national average, similar to other recent expansion states

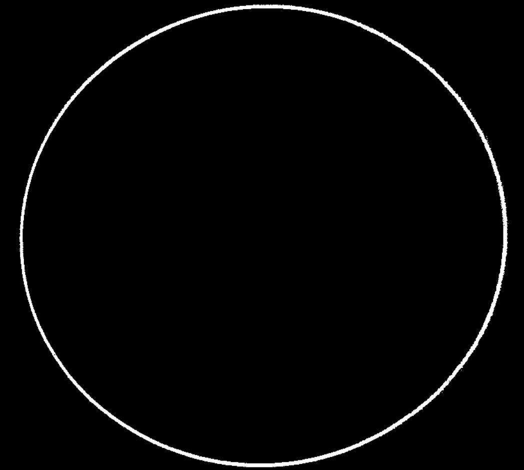


Health Care Costs, Simplified







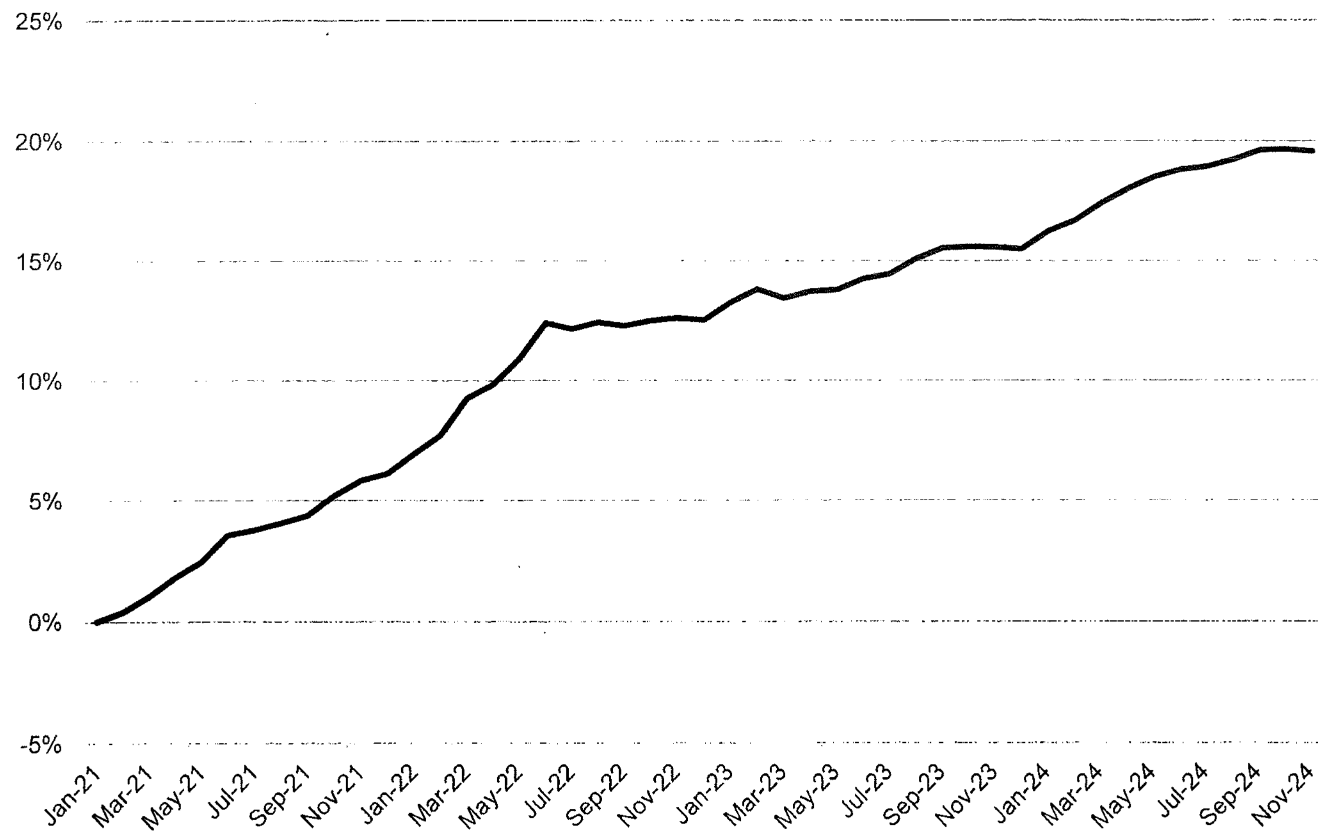


- MaineCare Members Enrolled

- Reimbursement Rates
- Cost settlement

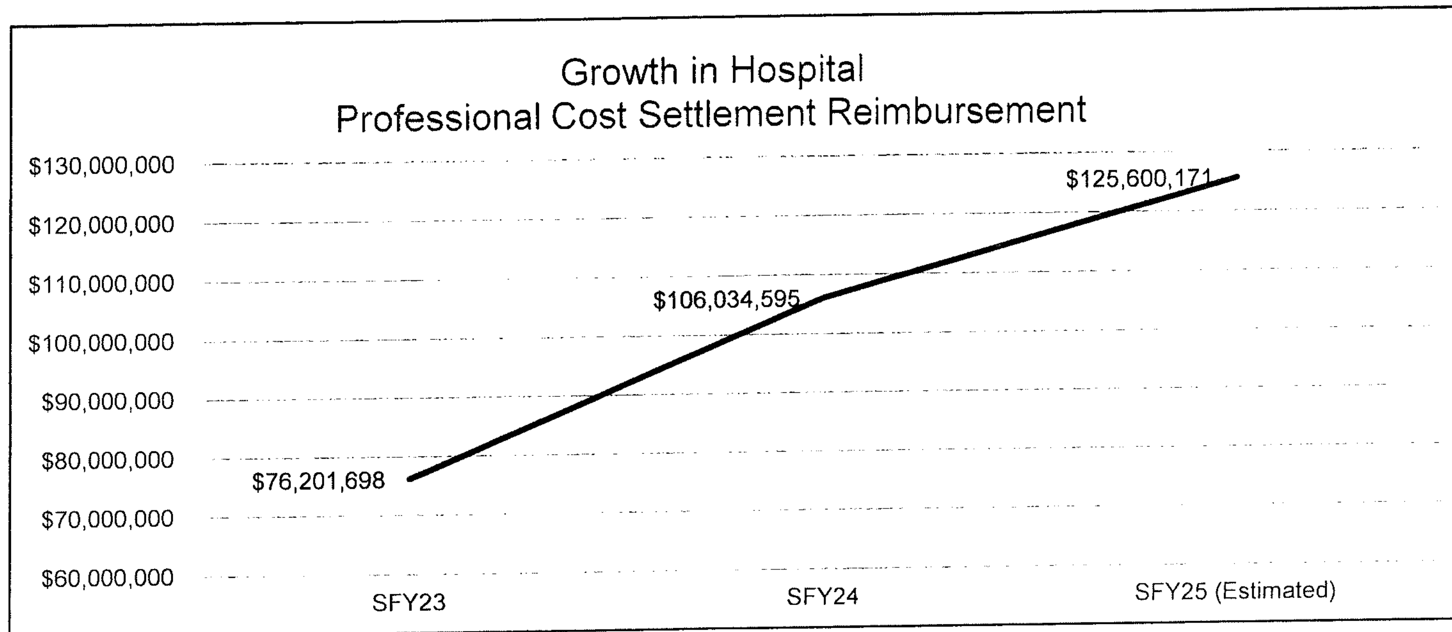
- What services
- How much of each service

CPI-W, used to increase Maine Minimum Wage and for many MaineCare COLAs, has increased 16.5% since 2021



- "Part AAAA," 22 MRSA §740.2 requires rates for many services to have labor components equal to at least 125% of minimum wage, and to be adjusted annually in alignment with Maine minimum wage.
- Maine minimum wage increased 16.5% from 2021 to 2024.
- Services subject to AAAA received initial rate increases then MaineCare COLAs proportional to these increases.

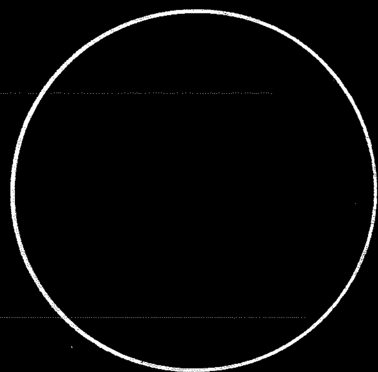
Cost Settlement for Hospital Professional Services: currently equivalent to ~170% of Medicare

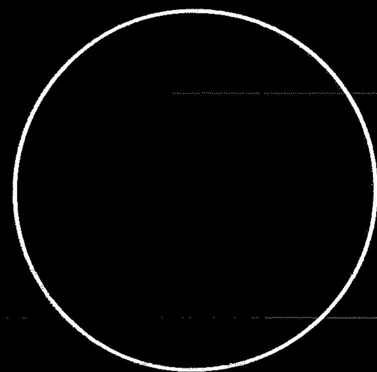


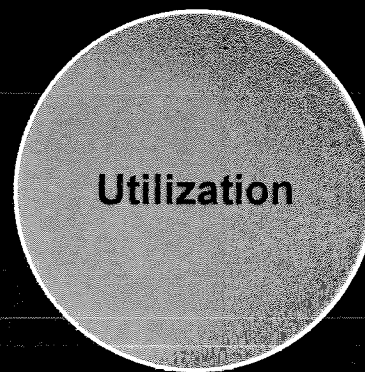
SFY of Settlement Payment	Hospital FYE	% YOY Growth in Hosp Prof Settlement	Growth in Nat'l Health Expenditures for Years Svcs Incurred
2023	2021		
2024	2022	39.1%	4.1%
2025	2023	18.5%	7.5%

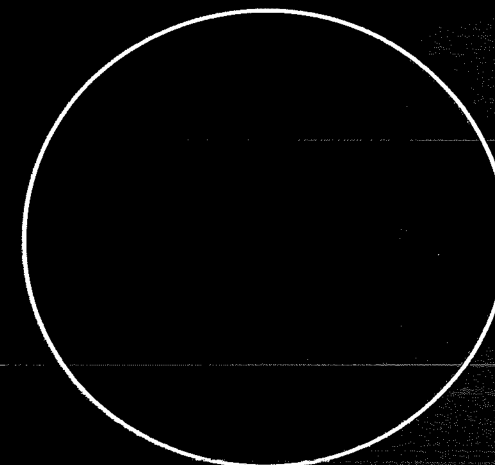
- Cost reimbursement for hospital professional services grew at ten times the rate of national healthcare cost growth from 2021 to 2022, at 39.1%
- The number of hospital professional service locations increased by 174, over 44%, from 2021 to 2023

Health Care Costs, Simplified







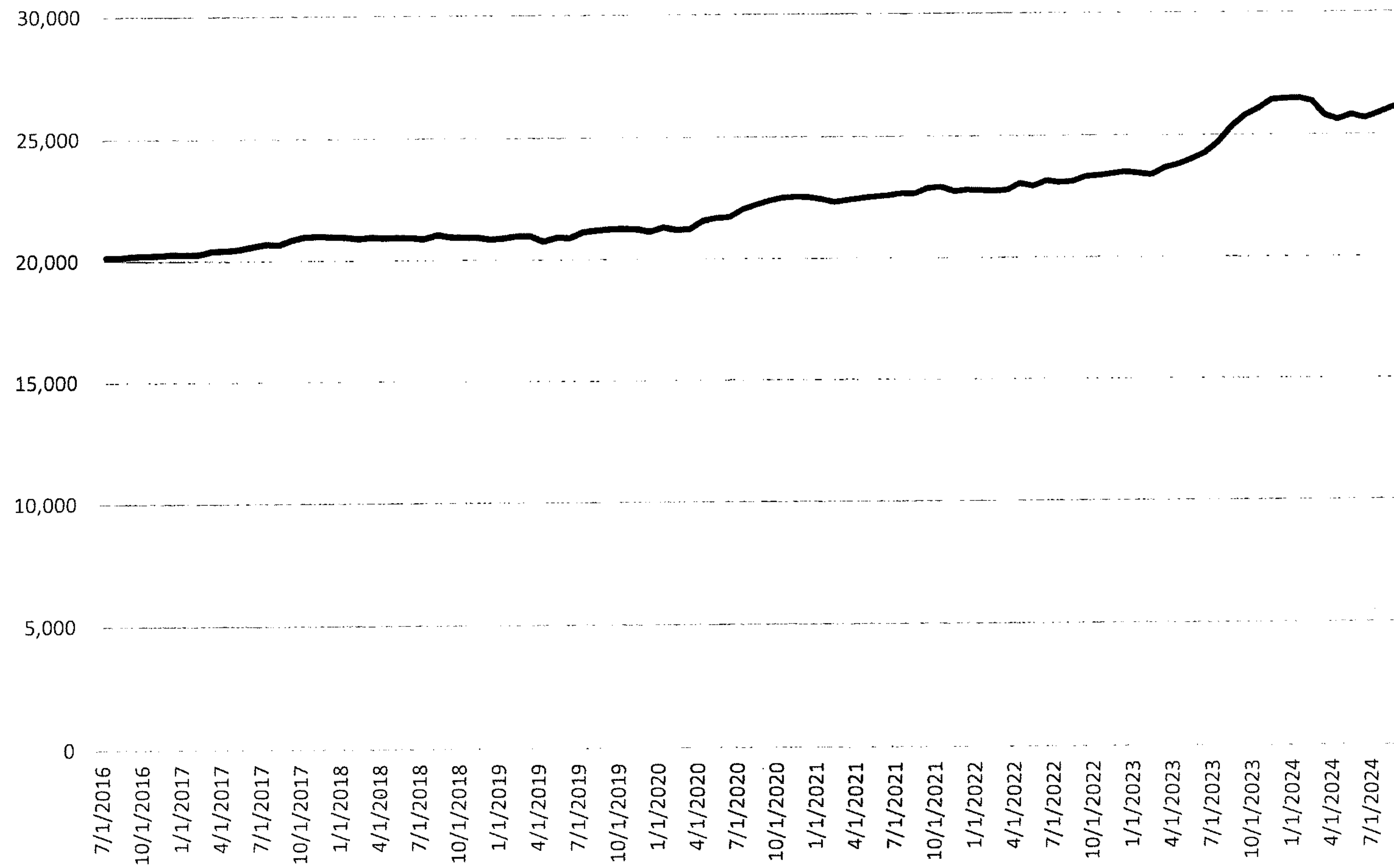


- MaineCare Members Enrolled

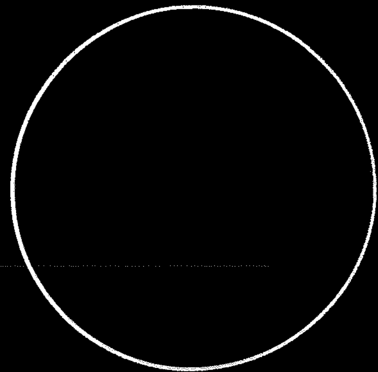
- Reimbursement Rates
- Cost settlement

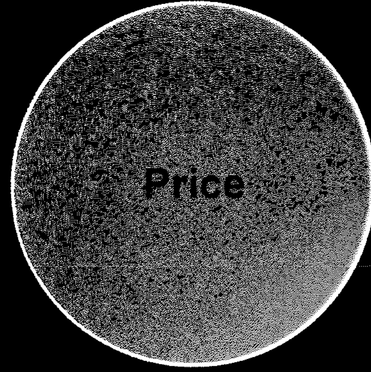
- What services
- How much of each service

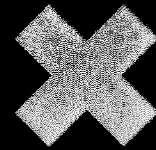
Utilization often relates to member acuity – MaineCare enrollment of higher acuity older adults continues to climb

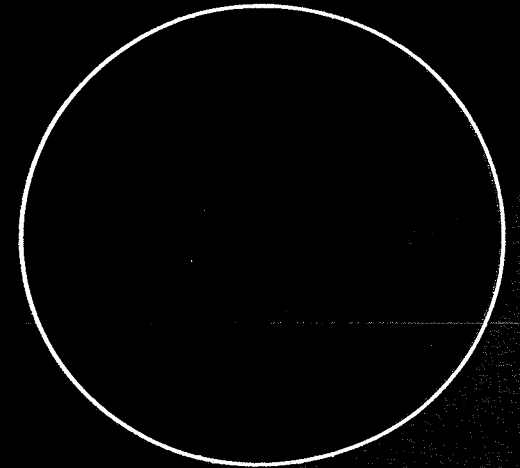


Health Care Costs, Simplified









- MaineCare Members Enrolled

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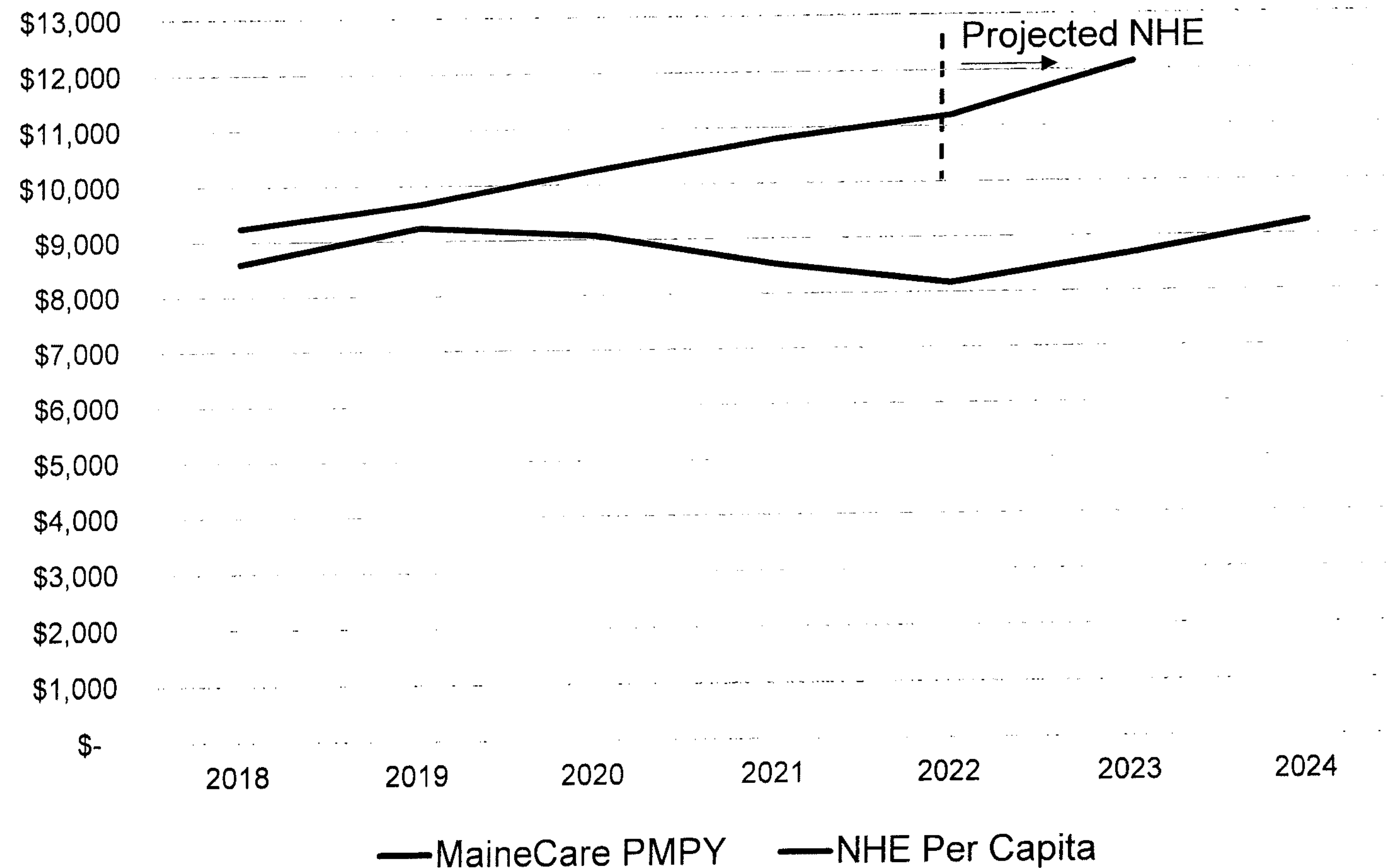
Price x Utilization is often reflected as a **per member cost** (e.g. PMPM or PMPY), to show what is happening with cost when you control for enrollment/ the number of members.

MaineCare Recent History

- The relatively flat trend in per capita spending shows that increased MaineCare expenditures are primarily driven by enrollment increases.
- MaineCare per capita trend has been consistently lower than National Health Expenditure (NHE) trend since 2019



Excludes supplemental payments, settlement payments, or other non-claims payments National Healthcare Expenditure data from CMS

MaineCare spending per member per month varies significantly by enrollment category