Alliance for Addiction and Mental Health Services, Maine

The unified voice for Maine's community behavioral health providers

Testimony Regarding
The Governor's Biennial Budget – LD 210

February 3rd, 2025

Good afternoon, Senator Rotundo, Senator Grohoski, Representative Gattine, and Representative Cloutier, and esteemed members of both the Committees on Appropriations and Financial Affairs and Taxation. My name is Adam Bloom-Paicopolos. I am a resident of Wells and am proud to serve as the Executive Director of the Alliance for Addiction and Mental Health Services, Maine (the Alliance). The Alliance is the statewide association representing Maine's community-based behavioral health agencies who provide much-needed services to over 80,000 children, adults, and families annually. The Alliance advocates for the implementation of sound policies and evidence-based practices that serve to enhance the quality and effectiveness of our behavioral health care system.

On behalf of the Alliance, I am here today to speak neither for nor against in reference to the Governor's Biennial Budget, LD 210, language Part "G" which makes changes to the service provider tax provision.

The Alliance recognizes the challenging fiscal environment we are in and appreciates the Governor's biennial budget proposal to ensure continued funding for MaineCare and behavioral health services. **However, we do have concerns regarding a significant unintended impact the removal of the service provider tax will have on behavioral health providers of Section 97 PNMI Appendix E services, or Adult Mental Health PNMI.**

From the Department of Health and Human Services' (the Department) initial announcement through now, MaineCare providers have been instructed that the service provider tax repeal would be a net-zero impact on their reimbursement rates and revenue. For years, providers that were subject to the 6% service provider tax were given an additional reimbursement to balance out the amount of the tax (equal to 6%), a common practice among Medicaid agencies to help tap into federal funds. With the repeal of the service provider tax, the Department announced it would also be reducing reimbursement rates by the same 6%. **While this indeed does result in a net-zero impact for most providers, it will result in a projected revenue loss of nearly $1 million across Adult PNMI providers**.

This impact occurs as the rate setting process for Adult PNMI not only includes a service provider tax provision, but also a program allowance provision *on the service provider tax*. More specifically, the current process includes reimbursement for approved direct salary and fringe costs plus a 35% program allowance on direct salary and fringe costs. The cost settlement process then settles at the lesser of the actual or approved direct salary and fringe costs plus the 35% program allowance on direct salary and fringe costs. Additionally, providers are reimbursed for the 6%

service provider tax and then a 35% program allowance on the service provider tax that helped to generate stable revenue to cover non-personnel expenses associated with providing these services.

In removing the service provider tax, the department has also eliminated the 35% program allowance on the 6% service provider tax. Because most expenses associated with providing Adult PMNI services are fixed (e.g., rent) – if a provider has lower than expected staffing, but the same overhead costs, there is a revenue gap to cover. This is where the 35% program allowance on the service provider tax plays a vital role in ensuring that Adult PNMI providers, many of whom are already treading water, can keep their doors open and continue providing this critical service.

As this is a technical matter, and we understand it to still be the goal that the service provider tax repeal has a neutral impact on providers, we respectfully ask that language adjustments be made either in collaboration with the Department or through this process to ensure Adult PNMI providers, along with the rest of the MaineCare provider community, are not negatively impacted by the service provider tax repeal. For example, rather than having a 35% program allowance on the *6% service provider tax*, language could instead include a 35% program allowance on *6% of reimbursement generally*. The resulting effect would then be net-zero on Adult PNMI providers, as intended, while allowing for a smooth repeal of the service provider tax.

I would be happy to answer any questions from the Committees. Thank you for the opportunity to provide testimony this afternoon.

Respectfully,

Adam Bloom-Paicopolos, MPP
Executive Director