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Testimony of the Office of MaineCare Services
Maine Department of Health and Human Services

Before the Joint Standing Committee on Health and Human Services

In support of LD 2177, An Act to Update and Improve the MaineCare Reimbursement System

Sponsor: Representative Gattine
Hearing Date: February 11, 2026

Senator Ingwersen, Representative Meyer, and members of the Joint Standing Committee on Health and Human Services. My name is Olivia Alford, and I serve as the Deputy Director of Policy and Programs at the Office of MaineCare Services in the Maine Department of Health and Human Services. I am here today to testify in support of LD 2177, *An Act to Update and Improve the MaineCare Reimbursement System*. I also want to extend my gratitude to the sponsor, Rep. Gattine, for providing the Department the opportunity to bring this important conversation to this committee for discussion.

Maine's rate reform statute, 22 MRS 3173-J, passed unanimously in 2022 and ensures that MaineCare reimbursement is developed and updated through a systematic approach that is transparent and includes public input, is data-driven and equitable across provider types, and supports access to services for MaineCare members and value for Maine taxpayers.

Together, we have made great strides in these efforts. As of early January 2026, rate reform initiatives have been completed or are in progress for 48 sections of policy or service areas. This system has been a monumental shift for the MaineCare program and we thank everyone involved from providers submitting relevant cost data, to vendors that support our complex projects, to the Legislature for acknowledging time and again that effective and fair reimbursement systems require the ability to plan and engage substantively with partners and must be informed by meaningful data and analysis. Now that we have a few years of this work and additional learnings under our belt, we are glad to present some amendments through this bill that are critical to strengthening the legacy of this shared work.

These amendments reflect our shared responsibility to support long-term sustainability and strong fiscal stewardship of the MaineCare program. This proposal has four main goals for rate setting and rulemaking:

The first goal is to **protect the ongoing sustainability of this process and enshrine the roles of both the Executive and Legislative branch** that must be completed to make this system work. Many states' similar efforts at rate reform, institutionalizing review and adjustment, have been dismantled in times of economic and budget challenges. This bill would clarify that rate adjustments, including cost of living adjustments (COLAs), are subject to appropriation so that the State cannot be required to implement increases without sufficient funds. Proposed provisions introduce a prioritization framework to guide implementation of rate changes when sufficient funding is not available: the framework considers rate adjustments from rate determinations for MaineCare services that do not yet have a reimbursement established through 3173-J and services for which there is evidence of issues related to member access. This bill also clarifies that use of the MaineCare Stabilization Fund for reimbursement adjustments is not a permanent solution and sustainable adjustments require ongoing appropriations.

The second goal is to **address budgetary inefficiency and confusion specifically related to COLAs**. Before explaining these items, I want to say clearly that this bill does not change the requirement that rates must support 125% of minimum wage for essential health workers (22 MRSA §7402). This bill does seek to adjust the timing of when COLAs that are tied to minimum wage increases are applied in order to ensure the state has the required time to conduct appropriate budget planning and to operationalize the rate changes. Under this LD, the COLA adjustment will be applied to the reimbursement rate 6 to 12 months after the minimum wage increase goes into effect. This lag allows for the state budget process to consider the budgetary impact related to the released minimum wage increases. Upon legislative appropriation of necessary funds, the COLAs will be applied according to a service's July or January COLA schedule. This process change removes the impossible task of accurately predicting minimum wage increases and the subsequent need to make administratively burdensome retroactive COLA updates. If needed, the Department seeks to work with the Committee to address any conflicting or confusing statutory language regarding this interaction.

The first two goals seek to directly address the reality of State budget making processes. MaineCare cannot pay out funds it does not have, so by default, making rate adjustments subject to appropriation, allowing for increases proportional to available funding, and arranging COLA schedules to facilitate budget planning and reduce rework helps set realistic expectations and shared responsibility between the Executive and Legislative branches to identify this funding. As you may recall, the concepts of an allowance for proportional increases and the need for a delay between minimum wage increases and implementation of related rate adjustments are shared with LD 1932, *An Act to Support Essential Support Workers and Enhance Workforce Development* as presented to the Committee a few weeks ago.



The third goal is to **ensure that MaineCare is more efficiently able to implement recommended rate changes** and navigate this statute. Specifically, the LD allows more flexibility for the rulemaking process by explicitly permitting “incorporation by reference” of sources in addition to those currently permitted under the Administrative Procedures Act (APA). It amends several definitions to support clarity of rule reviews and proposes that rate changes required by the federal government due to emergency or extraordinary circumstances or rate reductions required by the Legislature in response to projected MaineCare budget shortfalls are not subject to the process outlined in 3173-J.

Lastly, there are several clarifications in this bill which are important to ensure **statutory language is streamlined, accurate and up to date, and to facilitate efficient related rulemakings going forward**. These changes include language to reflect nursing facility rate reforms that are now in place, and consolidation of MaineCare reimbursement-related statute under 3173-J. The bill updates also removes one of two representatives from the Department of Professional and Financial Regulation (DPFR) from the Technical Advisory Panel based on feedback from DPFR and changes meeting frequency required to once per year.

We know that MaineCare services are, in many ways, the lifeblood of our healthcare system and that making significant changes in the rates themselves or the system that governs them can create skepticism and anxiety. We would all like to do our work in a vacuum of the financial realities but, as we’ve seen over the last few years, systems will always be limited by reality and practicality. Subjecting COLAs and increases to appropriations adds another step in the process, but that step is already there. Reflecting it in statute sets the clear expectation that the Executive and Legislative branches will work together – the bureaucracy and the purse strings – to determine what is possible within the principle that cost of living adjustments are good government and keep systems healthy and growing.

There is an alternative here – that some day there are people in both branches who do not see the value in keeping reimbursements as close to pace as possible. By not making this statute flexible for the realities of a state budget, we make the whole system much more vulnerable to repeal. We need to fix the current conflicts now so that rate reform will be sustained long into the future and ensure the transparent and data-driven process is as much an institution as the program itself.

Thank you for your time and attention. I would be happy to answer any questions you may have and to make myself available for questions at the work session.

