Overview of DHHS Investments & Adjustments in FY26-27 Biennial Budget Proposal

The following is a broad overview of some of the General Fund investments outlined in the Governor's FY26-27 biennial budget and the cost-saving measures proposed through the Department of Health and Human Services (DHHS) budget.

In response to current fiscal challenges, the Administration is proposing strategic adjustments designed to preserve the impact of critical programs and services while recalibrating or deferring certain initiatives to save money. These measures involve challenging but necessary decisions to ensure fiscal responsibility while sustaining resources for core services in Maine's continuum of care and providing the critical services that Mainers depend on.

DHHS Cost Savings in Governor Mills' Biennial Budget Proposal: Recognizing that the state is facing significant budget constraints, the Administration is proposing a series of programmatic changes and targeted reductions to ensure that the State meets its Constitutional obligation to produce a balanced budget. To ensure fiscal responsibility while sustaining essential programs and services, DHHS has identified the following cost-saving initiatives that balance immediate financial constraints with a long-term commitment to critical priorities. The Administration has prioritized programmatic changes and cost reductions to programs that have not yet been implemented or that are still in the early stages of implementation in order to minimize the impact of the proposed changes.

- **State SNAP Savings:** The Federal Supplemental Nutrition Assistance Program (SNAP), administered by the states, provides food assistance to eligible low-income individuals. However, Federal law prohibits certain non-citizens, including asylum seekers, from receiving these federally funded benefits. Maine is one of five states that operates a SNAP program with state funding to assist non-citizens. The Mills Administration warned the Legislature in spring 2023 that the program was rapidly growing. Between 2021 and summer 2024, monthly participation increased from approximately 1,000 beneficiaries to 5,000 beneficiaries. The Legislature rejected a proposal by the Mills Administration to sustain program costs by eliminating the so-called "Hardship D" exemption, which authorizes benefits for those who are unemployed but possess work authorization. The FY26-27 budget would eliminate this eligibility criteria for state SNAP, which is projected to save $7.8 million over the biennium.

- **Crisis Receiving Centers:** In her 2024 supplemental budget, Governor Mills proposed adding a crisis receiving center in Lewiston, building on a successful center in Portland and another planned for Kennebec County. The Legislature passed the Governor's proposal but added language requiring the creation of additional centers in Penobscot County and Aroostook County. The Governor's budget proposal will suspend plans for a center in Kennebec and Aroostook counties, instead moving forward with new crisis receiving centers in Lewiston and Penobscot County in an effort to ensure the state can provide adequate resources to expand access to this successful model. This proposal will save $2.9 million in FY25 and $4.1 million over the biennium.

- **Law Enforcement Liaisons:** In the 2024 supplemental budget, the Legislature directed DHHS to hire 24 individuals across the state to serve as liaisons between behavioral health organizations and law enforcement agencies. The Legislature, however, did not provide the necessary funding to launch the program. Recognizing that the Mills Administration has made deep investments to help Maine people in crisis access behavioral health services – including investing in mobile crisis teams and five behavioral health liaisons in the Maine State Police – the Governor's budget would reallocate $1.9 million over the biennium from this inadequately funded program to save costs.

- **Medication Management Incentives:** Saves $3 million by rightsizing the recruitment and retention employment incentives from $2.5 million annually to $1 million annually for staff who provide medication management services and would be distributed to Medication Management providers through an RFP process. This adjustment maintains the program, which is not yet implemented, but moves it forward at a lower funding level.

- **Child Care Worker Stipends:** The Mills Administration has made significant investments to attract and retain high-quality workers in Maine's child care industry. In September 2021, at the Governor's direction, DHHS issued stipends to child care workers using temporary federal funds. In 2022, DHHS continued the program, issuing $200 monthly stipends through a budget provision led by Governor Mills and Speaker Fecteau. Last year, at the Legislature's direction, the Administration overhauled the program, issuing a system that awards tiered stipends based on education and experience. The Governor's FY26-27 budget proposal continues the successful program – bringing it back to 2022 levels before the Legislature doubled funding last year. The adjustment will save $30 million over the biennium.

- **Head Start:** Since taking office in 2019, the Mills Administration has made significant investments to stabilize, strengthen, and grow Maine's child care sector, creating 4,700 new child care slots. Head Start is primarily a federally funded program and Maine is one of a minority of states that provides a state appropriation to supplement federal funding. In FY24, the Legislature included an additional $3.6 million annually for Head Start providers on top of $1.4 million in longstanding, annual funding. The Governor's budget would return Maine's state Head Start appropriation – with no impact to Maine's federal Head Start funding – to $1.4 million per year, saving $3.6 million in FY26 and $3.6 million in FY27.

- **Child Care Employment Award:** The Mills Administration has improved efforts to attract and retain workers employed in Maine's child care sector. The most recent biennial budget created a two-year pilot program that provides scholarships to child care workers to help them defray the cost of child care for their own children. The program has proven to be mostly duplicative, as many workers enrolled in the program already qualify for assistance paying for child care through Maine's Child Care Affordability Program. The Governor's budget proposal would eliminate funding for the program and save $2.5 million per year.

- **Pharmacy Expansion:** In last year's supplemental budget, the Legislature appropriated $4.2 million to support pharmacy infrastructure expansion for Maine's Federally Qualified Health Centers (FQHCs). This initiative did not provide ongoing funding and has not yet been implemented. Given the need to right-size investments by the State, the Governor's budget would reallocate the one-time appropriation, saving $4.2 million.

- **Hospital Professional Fees:** Hospitals have been increasingly expanding or reclassifying their affiliated medical practices. As a result, Medicaid reimbursement rates to these practices are currently the equivalent of 170 percent of Medicare rates. The Governor's budget would save $6.9 million in FY27 by phasing in a transition to 109 percent of Medicare rates, over a five-year transition period, which is in line with other Medicare benchmarks.

- **Home and Community Based Services Efficiencies:** Maine's Home and Community Based Services (HCBS) provides opportunities for MaineCare beneficiaries to receive services in their own home or community rather than institutions or other isolated settings. The Governor's budget proposes to return the program to pre-COVID residential assignment practices – such as shifting from single residential assignment practices — to ensure efficient use of facilities, reduce avoidable costs, and save $3.6 million in each year.

- **Suspending COLA Adjustments for FY26-27:** The budget simplifies and consolidates MaineCare rate reform statutory language and stipulates that rate adjustments are subject to available appropriations. The changes to the MaineCare rate reform language would avoid $132 million in General Fund costs during the biennium.

<u>DHHS Investments in Governor Mills' Biennial Budget Proposal:</u> Strategic investments have been carefully prioritized to maintain critical programs and services, ensuring their long-term sustainability and maximizing their impact for those who rely on them.

- **Support MaineCare:** Invests $122 million in General Fund per year to stabilize the MaineCare program and bridge a gap stemming predominantly from significant MaineCare enrollment increases due to the federal COVID-era continuous enrollment requirement, as well as from increases in health care costs due to high inflation, increasing patient need, returning to pre-pandemic levels of service utilization, and reimbursement practices that do not control sufficiently for cost growth.

- **Federal Medical Assistance Percentage (FMAP):** Invests $27.7 million in FY26 and $35 million in FY27 in General Fund to offset a 0.73 percent reduction in the Federal Medical Assistance Percentage – the share of Medicaid (MaineCare) costs reimbursed by the federal government. Federal reimbursement is decreasing because Maine is performing well on economic indicators.

- **Prior Section 21 COLA:** $23 million in General Fund per year to provide sufficient funding for prior cost-of-living adjustments for providers who serve MaineCare patients with intellectual disabilities or autism spectrum disorders.

- **Medicare Part D Federal Payment:** Invests $8.8 million in FY26 and $9.3 million in FY27 in General Fund to cover Maine's federal contributions for Medicare Drug Coverage, otherwise known as the federal "clawback" payment. Contributions from the states make up 13 percent of the budget for the federal program, and all states' contributions are increasing in Calendar Year 2025. Maine's increase is 10.4 percent this year.

- **Victims' Services**: $3 million per year in ongoing funding to address a Federal funding shortfall from the Victims of Crime Act (VOCA). The State funding will support community-based domestic violence and sexual assault services, civil legal representation for victims, government-based victim witness advocates, and housing and supportive services for elder abuse victims.

- **Center of Excellence Hub:** Invests $1.1 million in FY26 and $1.5 million in FY27 in General Fund to support the Center of Excellence Hub, a training and resource hub for youth behavioral health service providers delivering new evidence-based practices. The Center is a cornerstone of the Children's Behavioral Health Plan and the DOJ settlement agreement.

- **Nursing Facility Rate Reform**: Invests $3.3 million in FY26 and $3.3 million FY27 to fully fund Maine's nursing facility rate reform, which will support the direct care workforce, incentivize permanent staff, and promote quality care and positive health outcomes for Maine residents who live in nursing facilities.

- **Behavioral Health Rates for Needed Children's Services**: Invests $1.5 million in FY26 and $2.5 million in FY27 to provide funding for final rates for two services responsive to the DOJ settlement: Therapeutic Foster Care and a new service called Therapeutic Intensive Homes.

- **Psychiatric Residential Treatment Facility**: $33,000 in FY26 and $1.8 million in FY27 to fully fund rates related to Maine's first high-intensity residential treatment facility of this type for youth with acute emotional and behavioral health diagnoses.

- **Mobile Crisis Rates:** Invests $735,000 in FY26 and $777,000 in FY27 to annualize funding in the investment in new mobile crisis rates. Mobile crisis teams are a safety net service to provide de-escalation and relief to people experiencing a mental health or substance use crisis and to prevent hospitalization and incarceration.

- **Behavioral Health Single Assessment:** Invests $315,000 each year to establish a coordinated and integrated screening system to determine children's behavioral health service needs in the least restrictive setting, in response to the DOJ settlement.

- **Child Welfare Cycle Funding:** Invests $17.1 million in FY26 and $17.2 million in FY27 to support the increased number of children in state custody, covering costs related to room and board, clothing, activities, and other needs. Previous funding was provided on a one-time basis, this initiative transitions to ongoing, stable funding to meet recurring demands.

- **Crisis Receiving Centers:** Invests $900,000 in FY26 and $2.7 million in FY27 to provide full funding to establish two crisis receiving centers, one in Lewiston and one in Penobscot County, ensuring 24/7 access to stabilize individuals in behavioral health crises and connect them with care.

- **Bridging Rental Assistance Program:** Invests $480,000 annually in FY26 and FY27 to support rental assistance for persons with serious mental illness.

- **Fund for Healthy Maine**: Transitions nearly $29 million in funding for public health services to the General Fund in recognition of declining Fund for Healthy Maine revenues in FY26-27, as projected by the Revenue Forecast Committee. These services include tobacco prevention and cessation; oral and dental health; obesity prevention; radon impact; child care affordability program; head start; and substance use disorder residential treatment.

- **Ambulance and Pharmacy Assessment**: Through CMS sanctioned provider taxes, states can earn additional revenue, reinvest a portion of dollars back into provider reimbursement through rate increases, and still benefit from positive net revenue by leveraging federal matching dollars. As such, the Administration is putting forward an ambulance and a pharmacy assessment to generate revenue to support the MaineCare program. The ambulance assessment – a concept considered in the past by EMS in Maine – requires non-municipal ambulance service providers to pay an ambulance assessment. MaineCare will use the funding to support the increased costs of MaineCare-covered services and will reinvest a portion of the new revenue in reimbursement for ambulance service providers to offset in aggregate the cost of the assessment. The costs associated with the pharmacy program have grown due to increases in the number of MaineCare enrollees and are growing due to new and expensive drugs entering the market. The pharmacy assessment would create a revenue stream to help fund MaineCare’s pharmacy benefit, while reinvesting a portion of the new revenue in increased pharmacy dispensing fees to offset in aggregate the cost of this assessment.