

To: Interested parties

Date: December 18, 2025

RE: Budget and safety net impacts of HR1

The federal Budget legislation, HR 1 (sometimes known as the One Big Beautiful Bill Act), has important repercussions for states. This memo outlines the impact of the bill's health and human services provisions on the state budget and options for lawmakers to reverse these cuts.

Impact on the State Budget

In general, HR1 creates new expenses for states by shifting costs from federal to state government. There are also some savings to the state general fund created by cuts to the Medicaid program.

There are a series of mandatory changes in the bill which impose budget costs, as well as additional potential costs from new penalties which could be levied against the state

Budget impacts from mandatory changes:

- **Increased state share of SNAP administration.** Beginning October 2026, states will go from paying 50% to 75% of the costs to administer SNAP. At current rates, this will be an additional general fund cost of **\$5 million** in state fiscal year 2027 and almost **\$7 million** in each of the following fiscal years.
- **Increased administrative costs for Medicaid.** Beginning December 31, 2026, the state must administer a “community engagement” requirement for adults in the Medicaid expansion population. Maine DHHS estimates this will require an additional **\$8 million** in fiscal year 2027 and an additional **\$5 million** in future years.
- **Changes to emergency Medicaid reimbursement.** Beginning October 2026, the federal government will reduce its matching rate for costs in the emergency Medicaid program for adults in the expansion population. The state will go from paying 10% to 20% of the cost. Maine DHHS estimates this will cost an additional **\$450,000** of general fund money in SFY 2027 and **\$600,000** in each of the next SFYs.
- **Reduced MaineCare costs from disenrollment.** Maine DHHS estimates the imposition of the work reporting requirements will cause 31,000 Mainers to lose MaineCare coverage. Changes to eligibility for certain groups of lawfully present immigrants will cause another 3,000 adults to lose coverage. While

the state currently only pays 10% of the cost for these individuals, it nonetheless results in savings to the general fund. MECEP estimates the state will save **\$20 million** in fiscal year 2027 and just over **\$38 million** per year in future fiscal years. **The state should view these “savings” as room to continue to cover a share of the affected population without a net increase to general fund spending.** Options for doing so are outlined later in this memo.

- **Additional SNAP administrative costs.** Maine DHHS has not released a public estimate of the additional cost of administering expanded work reporting requirements in SNAP, which have already begun, but it is possible additional general fund spending will be needed here.

Potential costs due to penalties

HR1 also creates two substantial new penalties states could face based on their administration of the SNAP and Medicaid programs:

- **SNAP error rate penalty.** Beginning October 1, 2027, states will be required to pay a portion of SNAP benefit costs for the first time in the program’s history, if their “payment error rate” exceeds 6%. The payment error rate includes both over- and under-payment of benefits and can be the result of state error or client misreporting. The addition of new administrative requirements in the program under HR1 will make errors more likely.
 - The required cost share in federal fiscal year 2028 will be based on the error rate for FFY 2026, which is currently underway. Maine’s error rate for 2024 was 10.93%. If maintained at this level, this would trigger a cost-sharing requirement of 15%, which MECEP estimates would be **\$37 million** in state fiscal year 2028 and **\$49 million** in future years (this accounts for some disenrollment from the program due to the expanded work reporting requirements).
 - Investing in benefit administration is critical to reduce the error rate and reduce Maine’s exposure to the cost-sharing requirement. Reducing the error rate below 10% will reduce the cost to the state to 10% of benefits, which would be **\$24 million** in state fiscal year 2028 and **\$33 million** in future fiscal years
- **Medicaid error rate penalty.** HR1 also made changes to the existing penalty for errors in Medicaid payments. Beginning October 1, 2029, the Secretary of Health and Human Services will no longer have as much discretion to waive the statutory penalty for payments made above an error rate of 3%. Maine currently has a low payment error rate in the Medicaid program (2.4% in 2024) but the imposition of new administrative requirements like work reporting makes errors more likely. This new provision means the state could be liable

for any payments made above the 3% threshold. A 5% error rate (the national average) could mean an additional cost of \$64 million per year.ⁱ

Summary of budgetary effects of HR 1

Initiative	FY 26	FY 27	FY 28	FY 29	FY 30
Share of SNAP admin costs	\$0	\$5.2 million	\$6.9 million	\$6.9 million	\$6.9 million
MaineCare work requirement caseload reduction	\$0	-\$17 million	-\$35 million	-\$35 million	-\$35 million
MaineCare immigrant changes caseload reduction	\$0	-\$2.5 million	-\$3.4 million	-\$3.4 million	-\$3.4 million
MaineCare extra admin needs	\$0	\$8 million	\$5.5 million	\$5.5 million	\$5.5 million
Emergency MaineCare	\$0	\$0.5 million	\$0.6 million	\$0.6 million	\$0.6 million
SNAP extra admin needs	Unknown				
Subtotal, mandatory	\$0	-\$6.4 million	-\$25 million	-\$25 million	-\$25 million
SNAP error penalty	\$0	\$0	\$37 million	\$49 million	\$49 million
Medicaid error penalty	\$0	\$0	\$0	\$0	\$48 million
Subtotal, possible penalties	\$0	\$0	\$37 million	\$49 million	\$97 million
Total	\$0	-\$6.4 million	\$12 million	\$24 million	\$79 million

Note: Maine is currently on track to be subject to the SNAP error rate penalty based on the error rate in federal fiscal year 2024. It is possible Maine DHHS will be successful in bringing down the error rate in FFY 2026 to a level which will reduce the required level of state cost-sharing. Maine is currently below the payment error rate for MaineCare which would trigger the penalty. This table shows a hypothetical 5% payment error rate.

Addressing the Impact on Mainers

HR1 will put tens of thousands of Mainers at risk of losing their health care or food assistance through Medicaid and SNAP. Maine DHHS estimates 31,000 people stand to lose access to Medicaid through the work reporting requirement, and 19,000 could lose SNAP.

State lawmakers have tools to reduce the harm caused by HR1:

- **Support family planning providers.** HR 1 imposes a one-year moratorium on Medicaid funds being given to groups that provide abortion services, even for non-abortion services. The Trump Administration is further expected to end Title X family planning funding to these providers. Together, these put dozens of clinics and thousands of patients in Maine at risk. Both Maine Family Planning and Planned Parenthood are subject to the Medicaid payment moratorium. Filling the hole caused by the one-year moratorium in Medicaid funding would cost approximately **\$2.6 million** in one-time funds. Replacing federal grants for Title X services would cost around **\$2 million** annually, though the timing of that cut is not yet known. Finally, lawmakers need to build on the one-time funding they provided this year, and provide **\$6 million** on an ongoing basis, beginning in fiscal year 2027.
- **Invest in personnel and information technology** at the Department of Health and Human Services. Updating the state's capacity can both reduce the state's exposure to penalties for improper payments and also make it less likely Mainers lose benefits due to administrative burdens.
- **Help Mainers meet the "community engagement" requirements.** Mainers can retain their Medicaid and SNAP eligibility if they are earning at least \$580 a month through work, or if they are engaged in at least 80 hours of education or community activities (such as volunteering) each month. To help Mainers meet these goals, the state can invest in workforce navigators (building on the success of a similar program for unemployment insurance) as well as training programs.
- **Extend and expand the free community college program.** Renewing Maine's free community college program and opening it up to Mainers with low incomes would allow these adults to increase their levels of education and bolster Maine's workforce while retaining their health care and food assistance. MECEP has not estimated how many Mainers would use this option if it were available, but it is worth noting the cost of providing community college tuition at half-time is about one third that of providing Medicaid at 100% state cost.
- **Provide state-funded SNAP through rulemaking.** Maine law already provides for state-funded SNAP payments to certain immigrants who are ineligible for

federal assistance (22 MRSA §3104-A). HR1 ends eligibility for additional groups of immigrants, including those granted asylum, victims of severe forms of human trafficking, and victims of domestic violence. Eligibility for state benefits can be expanded through rulemaking and the definition of “hardship.” MECEP would encourage Maine DHHS to ensure at least some of the 2,000 New Mainers losing access to food assistance remain eligible. If all 2,000 were covered, MECEP estimates the additional cost to the state would be **\$4.2 million** per year.

- **Provide state-funded SNAP and Medicaid through legislation to certain groups.** HR1 imposed new work reporting requirements in Medicaid and expanded existing requirements in SNAP. States retain the option to fund benefits for these individuals using state dollars without a federal match.

MECEP estimates the cost of covering all 31,000 Mainers who would lose Medicaid coverage through the work reporting requirement would be very expensive – up to **\$350 million** per year. In SNAP, an estimated 10,000 could lose access to food assistance, which would cost the state up to **\$25 million** per year to fully replace. Alternatively, lawmakers may wish to consider targeting replacement benefits to certain groups.

HR 1 expanded SNAP work requirements to several groups who had previously been exempt:

- 25,203 Mainers who are homeless or housing insecureⁱⁱ
- 5,669 veteransⁱⁱⁱ
- 505 former foster youth^{iv}
- 10,195 adults aged 55-64 without school aged children^v
- Around 3,900 adults with children aged 14 and older.^{vi}

The Department estimates one third of Medicaid enrollees would fail the work reporting requirement. Following this assumption for most SNAP groups, with a higher 50% failure rate for those suffering housing insecurity produces the following estimates of costs to cover benefits with state funds:

Category of SNAP recipients	Number impacted	Number failing work reporting requirement	Annual cost for state benefits
Housing insecure	25,203	12,602	\$26 million
Veterans	5,669	1,890	\$3.9 million
Former foster youth	505	168	\$0.4 million
Adults 55-64 without kids	10,195	3,398	\$7.1 million
Adults with kids 14 and older	3,900	1,300	\$2.7 million

Note: There may be overlap between some of these categories, for example an individual could be homeless veteran aged 55-64 and potentially be counted in all three groups, depending on Maine DHHS's methodology.

The new work-reporting requirements in Medicaid will apply to all adults in the expansion population, which in Maine includes all childless adults aged 19-64 with incomes below 138 percent of the federal poverty level as well as parents with incomes between 100 and 139 percent of the federal poverty level. Maine DHHS estimates this new requirement will apply to 90,000 individuals, of whom just over one third (31,000) will lose coverage.^{vii}

Maine DHHS would be able to provide the most accurate estimates of impacted vulnerable populations, but MECEP's rough estimates from publicly available data and the cost to provide state-funded benefits are as follows:

Category of Medicaid recipients	Number impacted	Number failing work reporting requirement	Cost to cover
Housing insecure	13,400 ^{viii}	6,700	\$64 million
Veterans without a disability rating	650 ^{ix}	215	\$2.1 million
Adults 55-64 without kids	8,300 ^x	2,739	\$26 million
Adults with kids 14 and older	200 ^{xi}	66	\$0.6 million

Note: Former foster youth are exempt from the Medicaid work requirements.

Changes to federal Medicaid eligibility for certain immigrants. Beginning October 1, 2026 the federal government will no longer cover Medicaid for certain groups of immigrants (including refugees, humanitarian parolees, asylum grantees, certain abused spouses, trafficking victims), though it will still provide funding to children and pregnant people in these categories. Maine DHHS estimates 3,000 people will lose MaineCare coverage as a result. MECEP estimates continuing to provide state-funded benefits to this group would cost an additional **\$29 million** per year.

Summary of costs of covering lost benefits

Initiative	FY 26	FY 27	FY 28	FY 29	FY 30
SNAP housing insecure	\$26 million	\$26 million	\$26 million	\$26 million	\$26 million
SNAP, veterans	\$3.9 million	\$3.9 million	\$3.9 million	\$3.9 million	\$3.9 million
SNAP, former foster youth	\$0.4 million	\$0.4 million	\$0.4 million	\$0.4 million	\$0.4 million
SNAP, older adults without kids	\$7.1 million	\$7.1 million	\$7.1 million	\$7.1 million	\$7.1 million
SNAP, parents of older kids	\$2.7 million	\$2.7 million	\$2.7 million	\$2.7 million	\$2.7 million

SNAP, immigrants	\$4.2 million	\$4.2 million	\$4.2 million	\$4.2 million	\$4.2 million
Medicaid, housing insecure	\$0	\$32 million	\$64 million	\$64 million	\$64 million
Medicaid, veterans	\$0	\$1 million	\$2.1 million	\$2.1 million	\$2.1 million
Medicaid, older adults without kids	\$0	\$13 million	\$26 million	\$26 million	\$26 million
Medicaid, parents of older kids	\$0	\$0.3 million	\$0.6 million	\$0.6 million	\$0.6 million
Medicaid, immigrants	\$0	\$22 million	\$29 million	\$29 million	\$29 million
Total state-funded benefits	\$44 million	\$113 million	\$166 million	\$166 million	\$166 million

Raising revenue can offset harms

The Trump administration imposed HR1's costs on Mainers and our state budget to help pay for massive tax cuts for the richest Americans. Maine doesn't have to follow this immoral path. We can choose to support vulnerable Mainers and maintain our strong economy using general fund dollars. The Revenue Forecasting Commission predicts the state will have an additional \$250 million in general fund revenue this biennium, and the legislature has already approved several bills to recoup some of the money the Trump Administration has given to the wealthiest Mainers:

- **LD 1089:** A2% income tax surcharge on incomes over \$1 million. **Raises \$143 million** in the next biennium. Passed the Senate, in the House
- **LD 1879:** increases Maine's top corporate tax rate on profits over \$3.5 million from 8.93% to 10%. Raises \$100 million over the biennium, of which the general fund would retain \$40 million. Passed House and Senate.
- **LD 229:** Restructures Maine's income tax brackets to ask more of higher-earning individuals and give a tax cut to lower-middle class Mainers. The current version of the bill would raise **\$176 million** in the next biennium. This version passed the House and the Senate but has been referred back to the taxation committee for revision.

Notes

ⁱ Maine Department of Health and Human Services, “Summary of Proposed Federal Changes and Impact on Maine,” Oct 24, 2025. https://www.maine.gov/dhhs/sites/maine.gov.dhhs/files/inline-files/ImpactSummary_Medicaid-SNAP-Marketplace_Oct2025.pdf

ⁱⁱ ME DHHS estimate https://www.maine.gov/dhhs/sites/maine.gov.dhhs/files/inline-files/ImpactSummary_Medicaid-SNAP-Marketplace_Oct2025.pdf

ⁱⁱⁱ ME DHHS estimate https://www.maine.gov/dhhs/sites/maine.gov.dhhs/files/inline-files/ImpactSummary_Medicaid-SNAP-Marketplace_Oct2025.pdf

^{iv} ME DHHS estimate https://www.maine.gov/dhhs/sites/maine.gov.dhhs/files/inline-files/ImpactSummary_Medicaid-SNAP-Marketplace_Oct2025.pdf

^v ME DHHS estimate https://www.maine.gov/dhhs/sites/maine.gov.dhhs/files/inline-files/ImpactSummary_Medicaid-SNAP-Marketplace_Oct2025.pdf

^{vi} MECEP estimate from US Census Bureau, American Community Survey 2023 data.

^{vii} ME DHHS estimate https://www.maine.gov/dhhs/sites/maine.gov.dhhs/files/inline-files/ImpactSummary_Medicaid-SNAP-Marketplace_Oct2025.pdf

^{viii} Assumption based on the ratio of MaineCare expansion enrollment (90,000) to that of Maine SNAP (approximately 170,000)

^{ix} MECEP estimate from US Census Bureau, American Community Survey 2023 data.

^x MECEP estimate from US Census Bureau, American Community Survey 2023 data.

^{xi} MECEP estimate from US Census Bureau, American Community Survey 2023 data.