

**2025-26 Appropriations Hearing Testimony
Pennsylvania Department of Human Services
Secretary Val Arkoosh**

Chairman Harris, Chairman Struzzi, and members of the House Appropriations Committee, thank you for the opportunity to discuss Governor Josh Shapiro's proposed budget for state fiscal year 2025-26 and how it will support the Pennsylvania Department of Human Services (DHS) and our work to serve citizens in every community and county of our Commonwealth.

In the two years since Governor Shapiro took office and I was appointed to this role, we have worked together both through the budgetary process and through time spent personally visiting communities to solve problems and improve the lives of Pennsylvanians. DHS exists to help Pennsylvanians live healthy, safe, and fulfilling lives. Our work is deliberately designed to give people assistance and tools that can help them navigate and overcome difficult situations to achieve success. What that success looks like can vary – being able to live independently among peers and work in your community, managing a chronic health condition so you feel well enough to prioritize a career goal, getting the treatment and supports to achieve and maintain recovery from a substance use disorder and using your experiences to help others, or finding a great affordable child care program so your child can learn and you're able to work are just some of the ways that DHS' work solves real problems for people every single day. DHS is the agency that is there for Pennsylvanians when they need us.

I'm proud of the work we have accomplished together during the past two years, including:

- Finishing the Medicaid unwinding on time, under budget, with one of the lowest procedural termination rates in the country;
- Following through on a historic commitment to Pennsylvanians with intellectual disabilities and autism to begin the work of ending the adult emergency waiting list. In the first year of this multi-year growth strategy alone, our emergency waiting list has dropped by nearly 20 percent and our overall capacity has increased to be able to serve 1,300 more people. We expect to continue this momentum by annualizing last year's rate increases in the 2025-26 budget;
- Reaching, for the first time ever, the federal best-practice of the 75th percentile of private pay rates for Child Care Works, our subsidized child care program that helps children access the social and educational benefits of child care that extend throughout their lives and allows parents to go to work and afford to invest in their family's future and our Commonwealth's economy;
- Developing and publishing our Blueprint Report, a roadmap to a better care infrastructure for children and youth with complex health needs and launching a capacity building institute for individuals doing this work at the local level;
- Launching the new federal SunBucks program in six months, which helps children who receive free and reduced-price school meals stay fed during the summer and served 1.2 million kids in its first year;
- Expanding access to doula services in Medicaid;
- Increasing capacity at our state-operated juvenile justice facilities to expand treatment and care options while reducing wait times. In January there were 30 youth who had been adjudicated to state secure treatment on the statewide waiting list, down from 171 in July 2023;

- Preventing and detecting fraud and recovering and avoiding related costs for our Medicaid program through our Bureau of Program integrity. SFY 2023-24 recoveries and avoidances totaled more than \$490.2 million of Medicaid funds – an increase of more than \$27.4 million over SFY 2022-23.
- Leveraging technology to improve efficiency, customer service, and client outcomes including:
 - Implementing electronic health records at our state hospitals;
 - Launching PA Navigate – a resource navigator and referral system connecting health care, social services, and the public sector to better serve Pennsylvanians;
 - Offsetting almost \$112 million in potential Medicaid spending through our Health Insurance Premium Payment Program, which helps Medicaid-covered Pennsylvanians pay for employer-sponsored insurance, when it is available and more cost-efficient option than Medicaid coverage;
 - Utilizing technology in our Office of Developmental Programs to analyze data stored across multiple licensing and case management systems to reduce manual tasks and accelerate task completion time by 92 percent;
 - Increasing the number of automated renewals in our Medicaid program to 30 percent, reducing administrative work and mailing costs;
 - Launching a new COMPASS interface which has created a more user-friendly self-service option for Pennsylvanians to apply for and manage benefits; and,
 - Implementing Fraud Capture – an AI-driven system that analyzes Medicaid program data to identify potential outliers for further investigation and additional safeguards.
- Recognizing and covering street medicine in Medicaid so people experiencing homelessness receive quality care and services;
- Launching the Women’s Health Services Program Grant which funds six regional leads who are providing a range of services that can include: nutritional support and education, mental health, and emotional support services, safe and stable housing, pregnancy and parenting education, transportation services, menstrual hygiene products, and more;
- Improving quality of care in our Community HealthChoices program and serving more people in the community rather than in a facility; and,
- Working together to help stabilize rural hospitals, the SFY 24-25 investment of \$10 million in state funding allowed us to draw on additional federal funding for a total of \$35.9 million to support rural hospitals – providers that are a cornerstone for rural communities but often operate on limited margins. Additionally, DHS initiated increased payments to Critical Access Hospitals by transitioning them from a disproportionate share hospital payment to a state-directed payment beginning January 1, 2025. This transition is still pending federal approval but will result, when coupled with the \$10 million state investment, in rural hospitals receiving approximately \$60 million more annually. These targeted resources, recognize the essential role rural hospitals have in communities across the Commonwealth and acknowledge the financial challenges so many of them are facing. This funding also demonstrates the tangible impact we can have by prioritizing our common goals.

While my goal and the goal of the entire DHS team is to continue to build upon this success, as we look toward the 2025-26 Fiscal Year, we are facing an atypical fiscal challenge in programs that serve our most vulnerable Pennsylvanians. Historically, the rate of increase in Pennsylvania’s physical health

Medicaid program has largely stayed in line with or below the consumer price index for health care spending. This year, all three of our Medicaid managed care programs (HealthChoices for physical health, Behavioral HealthChoices for behavioral health, and Community HealthChoices for long-term services and supports for older Pennsylvanians and adults with physical disabilities) are seeing atypical increases. These increases reflect ongoing cost impacts of the COVID-19 pandemic and are largely driven by patient needs, and the increased cost of care delivery, including medications, that is not unlike what the rest of the country is seeing in their Medicaid programs.

Some specific examples of cost drivers in HealthChoices and Community HealthChoices, which is seeing the largest year over year increase, include:

- The compounded impact of the Nursing Facility rate increase directed by the General Assembly in SFY 2022-2023 and SFY 2024-2025;
- Higher acuity of participants which has resulted in increased utilization of Personal Assistance Services; and,
- Increased utilization of GLP-1 medications.

At the same time, we are monitoring these areas of growth and actively implementing strategies to shift these trends. We are evaluating changes to the current medical necessity guidelines for GLP-1s to ensure the medications are used appropriately by those who need it most, while considering cost effectiveness by limiting access based on body mass index or other health factors. We are also working with stakeholders to continue to improve the relatively new CHC program to ensure that older adults can continue to live in their community of choice. For 2025, we are adding beneficiary support services, chore services, and expanded tele-service options – services that can make living in the community a more feasible option for people.

We must also acknowledge uncertainty in federal funding for a number of programs that help create stability and bridges to success for millions of Pennsylvanians. Loss of funding or substantial programmatic changes will have significant ramifications for partners in local government, our provider community, and our fellow Pennsylvanians. Today nearly 3 million Pennsylvanians, 23 percent of our population, access health care through Medicaid, including 750,000 who are covered through Medicaid expansion.

In 2010, Pennsylvania's uninsured rate was 10 percent. As of 2023, that number was down to 5.4 percent. Also, as of 2023, uncompensated care at Pennsylvania's hospitals is 27.7 percent *less* than it was prior to Medicaid expansion, despite increases in costs of care. Coverage like Medicaid expansion helps ensure providers are paid and supports continued, stable operations. This is especially true for rural communities, where more than 26 percent of our Medicaid population reside, including nearly 330,000 children and more than 80,000 older Pennsylvanians. Funding we commit from the state allows us to leverage federal funding, approximately \$18 billion for SFY 2025-2026, that supports access to care and better health for millions in every community of our Commonwealth and supports the viability of our health care system, contributes to healthy children and a healthy workforce, and significantly contributes to our overall economy.

Additional DHS programs facing federal uncertainty include workforce development, early learning programs, refugee resettlement programs, and the Supplemental Nutrition Assistance Program (SNAP). SNAP is a federal program that helps more than 2 million Pennsylvanians pay for food each month, bringing nearly \$367 million in federally funded food assistance dollars *each month* to help people buy food and boost Pennsylvania's economy, supporting 10,000 grocers and retailers, food producers, and others in our agricultural economy.

Potential changes at the federal level to Medicaid, SNAP and any other federally funded programs would undoubtedly impact Pennsylvania in significant ways, and any loss of funds would have ramifications to the DHS system, other programs we run or support, businesses and non-profits in your community, and your constituents. My team has shared one-pagers with data on some of these programs for your committees to review, and I encourage you to visit www.dhs.pa.gov/data for more information about our programs and their impact on your districts and communities.

Regardless of any uncertainty swirling around us, Governor Shapiro, this administration, and all of us at DHS remain laser focused on the everyday issues facing Pennsylvanians. Our Commonwealth budget reflects this commitment, and we look forward to working with you to solve problems and bring stability and support paths to success for every Pennsylvanian.

Helping More Pennsylvanians Access Quality, Affordable Health Care

Creating Safer and Healthier Communities

As discussed earlier in this testimony, our Medicaid program has a significant reach. Because of the large reach and overall investment in this program, we have a responsibility to pursue interventions, care, and supports that are proven to make an impact. Section 1115 of the Social Security Act gives the federal government the ability to waive certain federal rules that govern Medicaid to allow states to design and evaluate new state driven pilot projects that promote the general goals of the Medicaid program – helping people live healthier lives. These 1115 Waivers can serve as laboratories for innovation, and Pennsylvania is hoping to build on successes experienced by other states to embed new supports targeted towards vulnerable populations covered through our Medicaid program both to improve their health and lower other societal and programmatic costs.

Bridges to Success: Keystones of Health, Pennsylvania's 1115 Waiver, was fully approved in December 2024. The proposal spans four areas of focus designed to assist with four problems that contribute to public and health care spending and limit a person's ability to live well and succeed in education and the workforce: housing instability and homelessness, food and nutrition insecurity and food as medicine, reentry supports, and multi-year continuous eligibility for Medicaid eligibility up to age 6.

For State Fiscal Year 2025-26, the Shapiro Administration is proposing to implement the reentry supports initiative of the waiver. The concept for reentry supports was built on the foundation of the bipartisan SUPPORT Act passed in 2018 under the first Trump Administration. Through this Act, Congress directed the Centers for Medicare and Medicaid Services to develop demonstration projects to improve care transitions out of correctional institutions to improve outcomes for reentrants. Overdose death is 12 times more likely following reentry, and nearly two-thirds of reentrants in Pennsylvania recidivate, with the highest rates in Central and Western Pennsylvania.

Reentry supports would create a bridge between supports offered at a State Correctional Institution and the community by providing pre-release Medicaid coverage to a specified group of individuals beginning up to 90 days prior to release. This coverage will allow transitions to community-based substance use disorder (SUD) care and intensive case management that facilitates warm hand-offs to post-release clinical and social services. Reentrants would also be eligible for one year of continuous Medicaid coverage following release to encourage continuity of care. We also know that the Department of Corrections is seeing SUD treatment costs rising each year – some of the recent increases are due to new requirements from federal court rulings establishing a right to treatment. This reentry program will diversify funding for SUD treatment costs and leverage federal dollars for a portion of these costs to create better fiscal sustainability. The initiative would start in State Correctional Institutions in 2026 and focus on justice-involved adults with serious mental illnesses, substance use disorders, serious chronic illnesses, autism, and/or who are pregnant.

Similar approaches utilized in other states have led to improved health and reduced recidivism. We have seen smaller reentry efforts in other states focused just on primary care after release that have had impact including a 45 percent reduction in the number of reincarceration days and more than 50 percent reduction in hospitalizations. This reentry effort would not just focus on primary care but would also ensure strong connections to behavioral health, SUD treatment, and other community supports which should further increase the impact. It would allow us to better engage individuals prior to release and ensure coverage and access to care for a full 12 months after release. In 2022, just 28 percent (2,694) of re-entrants on Medicaid had a Primary Care Visit during the year and 18 percent (1,735) of re-entrants on Medicaid had three or more visits to the ER. We will monitor and study program outcomes to evaluate the impact and make changes as needed. To implement this program, we are seeking to invest \$4.8 million in state funds that will enable additional federal funds for a total for \$15.8 million.

Continuing Investments in County Behavioral Health Programs

As a former County Commissioner, I saw first-hand the limitations stagnant behavioral health funding created for my county and my colleagues around the Commonwealth – something I would think is familiar from your conversations with your local leadership. Every county and community continue to grapple with the impacts of what can be overlapping behavioral health crises; the continued effects of the opioid epidemic or other substance use disorders; the need to make sure those who need and seek treatment for a mental illness or other mental health challenges can find a provider or program that fits their needs without undue barriers; availability of appropriate long-term placement for individuals with chronic behavioral health needs; the need for comprehensive crisis response and emergency behavioral health solutions; and ensuring we are supporting our behavioral health workforce are ever-present challenges that we must continue to address.

County behavioral health programs alone cannot solve all of these problems, but county base funds help enable uninsured and under insured Pennsylvanians get the care and support they need. We cannot make meaningful progress without our county partners. Governor Shapiro's 2025-26 budget recognizes this and builds on our investments in the first two years, proposing an additional \$20 million to reach \$60 million in new state funding for county behavioral health programs since 2023.

Building a Robust Crisis Response System of Care

Governor Shapiro's budget also seeks to invest in the life-saving, essential crisis response system that supports Pennsylvanians during their most urgent times of need. The shift to the three-digit 988 Suicide & Crisis Lifeline in 2022 was a tremendous step forward in breaking barriers to support for people experiencing a crisis or those looking to help a loved one, a neighbor, or someone in their community. These emergencies are incredibly time-sensitive, and 988 has eased connections to trained, empathetic behavioral health supports. The dedicated workforce that staff these centers works 24 hours a day, 7 days a week, 365 days a year and are able to provide the life-saving support that callers need. Pennsylvania's 988 call centers collectively triage more than 10,000 calls each month (up 32 percent since the end of 2023) and 5,000 texts or chats per month (up 188 percent since the end of 2023). 988 staff are handling the majority of calls, texts, and chats fully without needing to dispatch emergency or crisis response services. This work saves lives and offsets potential impacts on other first responders, including law enforcement, emergency medical services, and emergency departments. We are seeking to support this critical work with a \$10 million investment to support 24/7 staffing at call centers, including adequate support for staff assigned to calls and staff assigned to text and chat, which are staffed separately to ensure outreach does not go unanswered. Funding will allow call centers to hire additional supervisory staff to support the growing use of this lifeline. This investment will also support interoperability between the 988 and 911 systems by helping establish MOUs and mitigate liability concerns to allow for a warm hand-off from 911 to 988 for callers who are in crisis but are not at imminent risk. This interoperability will ease strain on the 911 system.

When additional help is needed, we must be sure that in-person behavioral health crisis response is able to be deployed and if needed, the individual in crisis has somewhere to go to help them stabilize safely. Emergency rooms or county jails are often the only option for people in crisis, and investing in a comprehensive crisis response will help people get appropriate, timely care and ease strain on other systems less equipped to stabilize a behavioral health crisis. Crisis walk-in centers are an essential component of addressing a behavioral health emergency in a way that is trauma-informed, empathetic, and prioritizes safe and appropriate care for the individual's circumstances. DHS utilized \$5 million in FY 2024-25 to help establish or maintain behavioral health crisis walk-in centers for Lycoming/Clinton Counties, Bedford/Sullivan Counties, Westmoreland County, Lehigh County, and McKean County, and the 2025-26 budget seeks to continue this system expansion.

Establishing More Options for Long-Term, Community-Based Behavioral Health Treatment

We are also looking to continue our work to increase our support to long-term, community-based placements for people currently treated at one of DHS' state hospitals. If a person with a behavioral health condition becomes involved in the justice system, they may be unable or not ready to stand trial upon arrest. Those cases require diagnosis and treatment to help the person stabilize and determine next steps. A state hospital is often the first placement for these individuals due to a lack of community-based options. However, not all individuals require the level of care provided at a state hospital. This can create a backlog for necessary forensic admissions and may cause justice-involved people to remain incarcerated in county jails. In recent years, DHS has invested in county initiatives to establish long-term treatment options that can either divert justice-involved people from a state hospital or serve as a stepdown option when someone is able to transition to a less restrictive setting. We are seeking to invest \$5.75 million to support at least another five county-based forensic initiatives that can ease admission challenges to

forensic units at our state hospitals and help justice-involved people get the care and support they need. This budget also proposes \$1.6 million to support an expansion of 20 community-based placements for people receiving care at one of DHS' state hospitals through the Community Hospital Integration Project Programs.

Supporting our Direct Care Workforce

Following last year's investments in the direct support workforce, the 2025-26 Budget seeks to continue our support for the essential caring workforce – a backbone for all other parts of our economy. Just as we are seeking to support child care workers, Governor Shapiro is also looking to increase wages and support personal time off and increased health insurance affordability for direct care workers working in the participant-directed service model of our Community HealthChoices (CHC) program. These individuals work directly with older Pennsylvanians and adults with physical disabilities, helping them with tasks of daily living and care such as medication management, chore services, bathing and self-care, meal preparation, and more that contribute to CHC's goal of allowing people to live safely with greater independence. This workforce, however, experiences high turnover due to low wages. A \$21 million investment will allow DHS to leverage federal funding for a total of \$47.8 million that will increase wages and improve benefits for approximately 8,500 direct care workers working in the participant-directed services model.

Strengthening Pennsylvania's Hospitals

As I mentioned earlier, last year we were able to make a significant and necessary investment in stability for our rural hospitals. We hope to continue this funding while we work collaboratively with our rural hospitals and their communities to find long-term solutions to their fiscal and workforce challenges. The 2025-26 Budget seeks to support this work by maintaining \$10 million in state funds to leverage additional federal funding for a total of \$35.1 million exclusively for rural hospitals. Additionally, we are looking to expand this work by investing \$10 million in state funds, leading to a total \$35.1 million in state and federal funds to support additional hospitals. Beyond these direct funds for hospitals, the 2025-26 Budget invests \$20 million in state funds to support patient safety for hospitals in difficult operating circumstances. These funds will promote continuity of care for hospital patients in the event the hospital experiences an operational crisis – an investment that seeks to prevent turbulent operating conditions from jeopardizing patient health and safety.

Ensuring All Pennsylvanians Have the Freedom to Chart their own Course

Building on the work I mentioned earlier to bolster our Child Care Works program and support access to subsidized care across our Commonwealth, Governor Shapiro is continuing his support to child care providers and the dedicated child care workforce in the 2025-26 Budget. While we work to maintain access to affordable care through subsidized care and tax credits for parents paying for child care and for businesses assisting with costs of employees' care, access to child care still relies on a robust child care workforce. For the past five years, workforce shortages in child care have created serious operational barriers for these businesses resulting in providers operating under capacity and having to close or consolidate classrooms. The Pennsylvania Chamber of Commerce has estimated that a lack of child care options in our state can collectively lead to \$3.5 billion in lost wages, revenue, and economic activity for the Commonwealth. To support the child care workforce and help keep this field an attractive option for the dedicated early learning professionals who care for children, the 2025-26 Budget proposes a \$55

million investment for child care providers who participate in Child Care Works to give teachers recruitment and/or retention bonuses of roughly \$1,000. Parents cannot go to work and invest in their future and their family if they cannot afford or find care for their children, and this investment supports the vitality of this workforce and availability of care.

The 2025-26 Budget also calls on Pennsylvania to address our stagnant minimum wage. The state last took independent action to increase its minimum wage in 2006, when it was tied to the federal minimum wage, which was last increased to \$7.25 in July 2009. Nearly 16 years later, Pennsylvania still lags behind every neighboring state and most of the country. Twenty-one states increased their minimum wage in 2025, including our neighbors Delaware, New Jersey, New York, and Ohio. More than 869,000 workers in Pennsylvania stand to benefit from a minimum wage increase to \$15 an hour. The Department of Labor and Industry [data shows](#) that more than 66 percent of these workers are aged 20-65 and over. This report also shows that women are nearly twice as likely than men to work at or below minimum wage jobs. A person working full-time at a \$7.25 wage, meets the federal guidelines for poverty and participation in DHS' assistance programs. If this individual has children, the barriers and costs of poverty only continue to grow. Pennsylvania cannot afford to continue to fall behind if our goal is to remain an attractive state for people to live, work, and build their future. Investments in our minimum wage are investments in the value the lower earning roles like our caring infrastructure play in our broader economy, our ability to competitively attract and retain a skilled workforce, and, most importantly, the basic dignity and value of every worker and person in our Commonwealth.

Creating Opportunity for Our Children and Our Students to Succeed

Early intervention services ensure that children are getting necessary developmental and social-emotional supports that can correct or improve potential learning and social delays as they are identified. These services are designed to quickly get children connected to physical, occupation, and speech-language therapies and social work services as needed to help reduce the impact of delays or developmental challenges – helping children reach milestones and succeed in learning environments from early learning programs, into kindergarten, and through adulthood. To avoid delays and barriers to services, the Early Intervention workforce must be able to recruit and retain a qualified workforce. The 2025-26 Budget includes \$10 million in state funds that will draw additional federal funding to invest a total of \$22.6 million to support Early Intervention rates.

Each of these initiatives are examples of how we come together to solve big problems for people – problems that impact their lives, health, and livelihoods. We focus on solutions that bring a positive impact for our entire Commonwealth: access to health care, safe and enriching child care, and assistance that enables a successful step forward. The work must and will continue.

Governor Shapiro's proposed 2025-26 Budget and its investments in the Department of Human Services and our partners across the Commonwealth continues the progress we have made together while meeting current challenges and needs, pursuing efficiency and program integrity work to responsibly and productively manage our work, and continuing our shared goals to invest in stability and paths to success. By investing in this system and this work, we invest in the people of Pennsylvania and their ability to live with dignity. The human services system exists to help when people need it – be it as they age, because of a disability, to help their children grow and learn, to achieve stability in the face of an unanticipated job

loss or other crisis, or any other reason. We have a responsibility to help in these situations, and we seek to do so in a way that puts people on a more stable path where they are then able to invest in their own future, chart their own course, and be a part of a vibrant economy and future for Pennsylvania. This budget implements this vision by addressing challenges that threaten our individual and collective future.

I look forward to working with each of you, your committees, and the rest of the Pennsylvania General Assembly to help make this future possible.