

Success Story or Missed Opportunity? A Brief History of the Fund for a Healthy Maine

The Tobacco Master Settlement Agreement

In 1998, Maine was one of 46 states that settled a lawsuit with the cigarette manufacturers for illness and death caused by tobacco use. In the [Tobacco Master Settlement Agreement](#) (Tobacco MSA), the states agreed to end their lawsuit in exchange for annual payments in perpetuity from tobacco product manufacturers in order to compensate taxpayers for public costs related to tobacco use. To date, payments from tobacco manufacturers have averaged about [\\$6.3 billion per year](#) (1999-2020) across all states. The payment is calculated as a percentage of smoking-related Medicaid expenditures and smoking-related non-Medicaid health care costs in each state. The State of Maine's share, or "allocation percentage," of the settlement revenue has resulted in payments of about \$51.8 million per year.

Despite the lawsuit's original intent, the final Tobacco MSA imposed no specific restrictions on how states could spend their payments. According to the [US Government Accountability Office \(GAO\)](#), states used these windfall revenues from the beginning for a host of purposes not directly related to tobacco use: filling budget holes, cutting taxes, other spending, increasing reserves, etc.

A [2007 GAO study](#) shows that while states allocated the largest portion of their payments to "health care" (30.0%), they had not necessarily focused on tobacco-related health care costs. The same study shows the second largest portion of payments going to "budget shortfalls" (22.9%), followed by allocations to "general purposes" (7.1%), "infrastructure" (6.0%), "education" (5.5%), and debt service on the securitization (sale) of the Tobacco MSA annuity (5.4%). In fact, "tobacco control" received the smallest percentage of funding (3.5%) of any category in the GAO study.

Maine took a forward-thinking approach

Maine's governor and legislature recognized and honored the intent of the settlement dollars by creating the Fund for a Healthy Maine. The Fund was designed to receive and allocate Maine's approximately \$53.8 million per year to programs to prevent chronic disease, promote good health, reduce adverse experiences, lower health costs, and give Maine children and adults every opportunity to live healthy, productive lives – all without supplanting existing state investments or federal grants in these areas.

When the Maine Legislature created the Fund for a Healthy Maine in 1999 ([Public Law 1999, Chapter 401, Part V](#) – the biennial budget bill), it specified for which types of programs the funds were to be used. Subsequent amendments to the purposes of the Fund (underlined below) were made by the Legislature in full consultation with Maine's public health community.

The current statutory framework for the Fund for a Healthy Maine is as follows:

6. *Health promotion purposes. Allocations are limited to the following prevention and health promotion purposes:*

A. Smoking prevention, cessation and control activities, including, but not limited to, reducing smoking among the children of the State;

A-1. Prevention, education and treatment activities concerning unhealthy weight and obesity;

B. Prenatal and young children's care including home visits and support for parents of children from birth to 6 years of age;

C. Child care for children up to 15 years of age, including after-school care;

D. Health care for children and adults, maximizing to the extent possible federal matching funds;

E. Prescription drugs for adults who are elderly or disabled, maximizing to the extent possible federal matching funds;

F. Dental and oral health care to low-income persons who lack adequate dental coverage;

G. Substance abuse prevention and treatment; and

H. Comprehensive school health and nutrition programs, including school-based health centers.

Maine has long been an outlier among states in the way it has protected Tobacco MSA revenues for the preventive health programs that were originally intended. According to a [2009 review](#) by the Maine Office of Program Evaluation and Government Accountability, “Maine has consistently prioritized preventive health services more than other states receiving [Tobacco MSA] funding.”

While Maine’s leadership in prioritizing preventive health programming is important to acknowledge, it masks the equally important fact that allocations from the Fund for a Healthy Maine have not adhered to Maine lawmakers’ founding vision and intent. The 119th Maine Legislature designed a youth-centered framework to assure that Tobacco MSA funds were used to prevent chronic illness, promote good health, and reduce long-term health costs; however, subsequent legislatures have consistently redirected or rebalanced the focus of these funds in ways that have undermined the Fund’s original and statutory objectives.

The Fund was intended to supplement, not supplant, other funding streams

When the Legislature established the Fund for a Healthy Maine in 1999, among the Fund’s purposes was “Health care for children and adults, maximizing to the extent possible federal matching funds” (see above statutory framework). This is a clear reference to the state’s Medicaid program. Historically, the state’s Medicaid program draws down federal matching funds of approximately \$2 for every \$1 of state appropriated funds.

Given the enormity of Medicaid expenditures – approximately [\\$272 million in 2001](#) (see p. 170) – lawmakers were mindful that tobacco settlement funds could be swallowed-up in their entirety by this one program, leaving nothing for investments in disease prevention and health promotion initiatives. This is why, from the beginning, the legislature included another section in the [Fund for a Healthy Maine law](#) (see subsection 4) that states, “Allocations from the fund must be used to supplement, not supplant, appropriations from the General

Fund.” The legislature clearly intended to prevent the Fund for a Healthy Maine from being used to support programming that was already supported by another funding stream, whether the state’s General Fund or otherwise.

The trend of using the Fund for non-preventive purposes is worsening

The distinct statutory barrier to supplantation notwithstanding, a substantial and growing proportion of the Fund for a Healthy Maine has been spent in ways that have supplanted General Fund investments in health care.

In 2001, the first year of program expenditures, Fund for a Healthy Maine spending on Medicaid was limited to expanding Medicaid eligibility to new populations: [pregnant women, children, and their parents](#) (see Parts PP & OO). Approximately \$4.5 million was budgeted from the Fund for a Healthy Maine specifically to cover these costs. Over time, these expenditures grew to include Medicaid costs beyond expansion to vulnerable populations. In just 10 years (2012), the baseline budget for Fund for a Healthy Maine Medicaid expenditures had grown by \$3 million to [\\$7.5 million](#) (p. 653).

Since 2013, however, there has been an even greater growth in the use of the Fund for a Healthy Maine for Medicaid. By the 2014-2015 biennium, the baseline for annual Medicaid expenditures from the Fund for a Healthy Maine had grown to [\\$18.2 million](#) – a 400% increase since the Fund’s inception.

As of the current biennium (2020-2021), the Medicaid baseline in the Fund for a Healthy Maine has increased to \$31.0 million. This nearly seven-fold increase over the Fund’s 20-year history, combined with a recent reduction in tobacco settlement revenue, which is projected to continue into the foreseeable future, means that 75% of Maine’s tobacco settlement revenue is now being used for Medicaid, despite the 119th Legislature’s youth-focused public health framework, and clear statutory restrictions on the supplantation of General Fund spending.

Diversions and supplantations have taken a tremendous toll on the Fund for a Healthy Maine

[Data from the Office of Fiscal and Program Review](#) show that since the Fund for a Healthy Maine was created, almost \$113 million in Tobacco MSA revenue has supported general state operations – a clear diversion from the Fund’s intended purpose (see Appendix D (budget)).

At the same time, supplantations can be quantified at a minimum of \$181 million, based on Medicaid expenditures just since 2013, which were over and above the historical average of the Fund’s first 12 years (see Appendix D (budget)).

In other words, since the Fund’s inception in 1999, \$294 million (\$113 million in diversions plus \$181 million in supplantations) – more than 23% of total revenue – has been used for purposes other than those enumerated under state law (see Appendix A).

This \$294 million loss to diversions and supplantations has meant drastic spending cuts for chronic disease prevention programming, including:¹

- 43% decrease in anti-tobacco programming;
- 66% decrease in childcare and child development programs;
- 59% decrease in low-cost prescription drug programs; and
- 32% decrease in substance use disorder programs.

With supplantation reaching this scale, the Fund for a Healthy Maine has become a de facto General Fund reserve account. In fact, while the Fund for a Healthy Maine has seen its balances used to support General Fund programs for [19 of its 20 years](#),² the Budget Stabilization Fund (the state's actual rainy-day fund) has seen its balances grow in [all but 5 of those years](#) (see p.117). In other words, the Fund for a Healthy Maine is serving as a buffer to protect the Budget Stabilization Fund – it is the rainy-day fund of the rainy-day fund.

The Fund's public health purpose is continually threatened by its political environment

The Fund no longer has the constituency of elected officials it once had and in recent years, it has become a source of extreme partisan division. This divide obscures the true narrative: independent, Democratic and Republican governors have all presented budgets that used the Fund for a Healthy Maine for outside purposes, and these budgets have been supported by legislatures with Democratic majorities and Republican majorities. The vulnerability of the Fund for a Healthy Maine to budget pressures transcends partisanship.

Over the years, there have been many attempts to protect the Fund

No legislature can bind a subsequent one. This is a simple but important concept. Acts of legislatures are statute, and statute can be changed or negated by successive legislatures. This explains how, despite the law that establishes the purposes of the Fund for a Healthy Maine, every legislature since the Fund's inception, has looked past the limits of the law and used the Fund for alternate purposes. Restricting the legislature's use of the Fund requires an amendment to the Constitution of Maine.

Early in the history of the Fund, supporters recognized the dangerous pattern of diversions and supplantations that had already started to happen. Determined to prevent further loss of the Fund's allocations, advocates undertook a legislative campaign in 2003 designed to protect the Fund permanently through a constitutional amendment. [LD 1612](#) was introduced by Governor John Baldacci, sponsored by House Speaker Patrick Colwell, co-sponsored by Senate President Beth Edmonds, and had significant implied support of more than two thirds of the Maine Legislature who had formally pledged to protect the Fund (Democrats and Republicans alike). Despite this strong bipartisan expression of support, LD 1612 failed to achieve the supermajority needed to forward it for ratification by Maine voters.

The Maine Public Health Association and its partners have made various other attempts to protect the public health mission of the Fund. Other legislative proposals included a bill to revise the budget process whereby allocations from the Fund for a Healthy Maine would require legislative approval separate from votes on the

¹Comparison between allocations in 2002 and 2019.

²Dudley B. 2021. FHM Accounting Spreadsheet. Moose Ridge Associates

General Fund budget. Another activity, mentioned above, was a pledge signed by more than 115 legislators to protect the Fund. In addition to these specific and proactive efforts, public health advocates must vigilantly defend against proposals seeking to divert or supplant the Fund for a Healthy Maine, rather than advise policymakers on the most effective investments to address Maine’s highest public health priorities.

In the spring of 2019, Maine Public Health Association received funding from the Maine Cancer Foundation to conduct a public opinion poll about a range of tobacco-related issues.³ The data show that among Maine voters:

- 71% believe that Maine’s lawmakers should honor the original intended use of Maine’s tobacco settlement funds to prevent chronic diseases – including tobacco-related illnesses – and promote good health among Maine people;
- 91% believe tobacco settlement funds should be used to prevent young people from starting to smoke and to help current tobacco users to quit; and
- 82% support the creation of a Trust in order to assure that tobacco settlement funds are used primarily to support public health efforts, including programs that prevent youth tobacco use.

Informed by these data, in the 129th legislature, the Maine Public Health Association, with support from the American Heart Association, American Lung Association, and several other leading public health partners, introduced a bill: [LD 1961](#) – “An Act to Establish the Trust for a Healthy Maine,” which would create a Trust, comprised of public health experts, to oversee the use of tobacco settlement revenue, including ensuring all the funds were directed to the Maine Center for Disease Control and Prevention or its designated agents and/or departments to promote disease prevention and the advancement of health equity through investments in data collection, analysis and reporting, local community partnerships, and funding for the state health plan. Due to the pandemic, this bill did not advance for a floor vote, and it has been reintroduced in the 130th legislature.

The Fund has delivered a host of significant public health advances in Maine

Despite diversions and supplantations, Fund for a Healthy Maine investments have resulted in impressive health outcomes, including cutting youth smoking rates by more than 75% (24.8% in 2001 to 6.8% in 2019),⁴ helping more than 100,000 smokers who wanted to quit, stabilizing youth obesity rates, driving down Maine’s teen pregnancy rate, increasing immunization rates, and reducing youth alcohol consumption. The Fund for a Healthy Maine has made it possible for students to get health care in their schools; created more childcare options for parents; and provided preventive oral health programs in 180 elementary schools across the state (see Appendix B for a more complete list of Fund-related outcomes).

The Fund has also supported a statewide network of community coalitions, branded in statute as Healthy Maine Partnerships (HMPs), which during their existence, helped fill the void in Maine’s public health infrastructure at the county and municipal levels. The HMPs informed, educated, empowered, and mobilized

³ Maine Public Health Association. 2019. Voter poll – public health issues. Critical Insights. https://mainepublichealth.org/wp-content/uploads/2019/09/Polling.Results-for-public-release_CTI-Presentation.pdf.

⁴ U.S. CDC. Youth Risk Behavior Surveillance System: 2001 & 2019 Surveys. <https://nccd.cdc.gov/Youthonline/App/Default.aspx>

individuals, families, businesses, schools, municipalities, healthcare and social service organizations, and policymakers since the earliest days of the Fund for a Healthy Maine. They helped prevent tobacco use, improve nutrition, increase access to physical activity, and prevent substance use disorder among youth and young adults. They also provided platforms for communities to draw-down private, state, and federal resources for best-practice education, prevention programming, environmental change, emerging health threats, local policy change, and other traditional public health department services.

Unfortunately, the LePage administration [redirected the funding](#) that supported the Healthy Maine Partnerships, thereby recreating a gap in Maine's community health system.

The Fund for a Healthy Maine has been well-assessed for use and effectiveness. Since the Fund was created, there have been three separate legislative-initiated analyses conducted by Maine's Office of Program Evaluation and Government Accountability (OPEGA) — in 2009, 2011 and 2015. While each report was unique (see Appendix C), all three reached the common conclusion that Maine's tobacco settlement funds should continue to prioritize funding for disease prevention and health promotion programs, especially to reduce the number of youth and adults who use tobacco products.

What will become of the Fund for a Healthy Maine?

The history of the Fund for a Healthy Maine can be described as both a forward-thinking investment and a missed opportunity to improve lives, increase productivity, and reinvigorate Maine's economy. Maine did manage to do what most other states could not: invest a significant portion of its tobacco settlement funds in preventing tobacco-related illness and other chronic disease. Those investments deliver an impressive Return on Investment (ROI). [Research conducted by the Trust for America's Health](#) has demonstrated that the ROI for chronic disease prevention programs in Maine is \$7.52 in economic output and \$5.60 in health care savings for every \$1.00 invested.

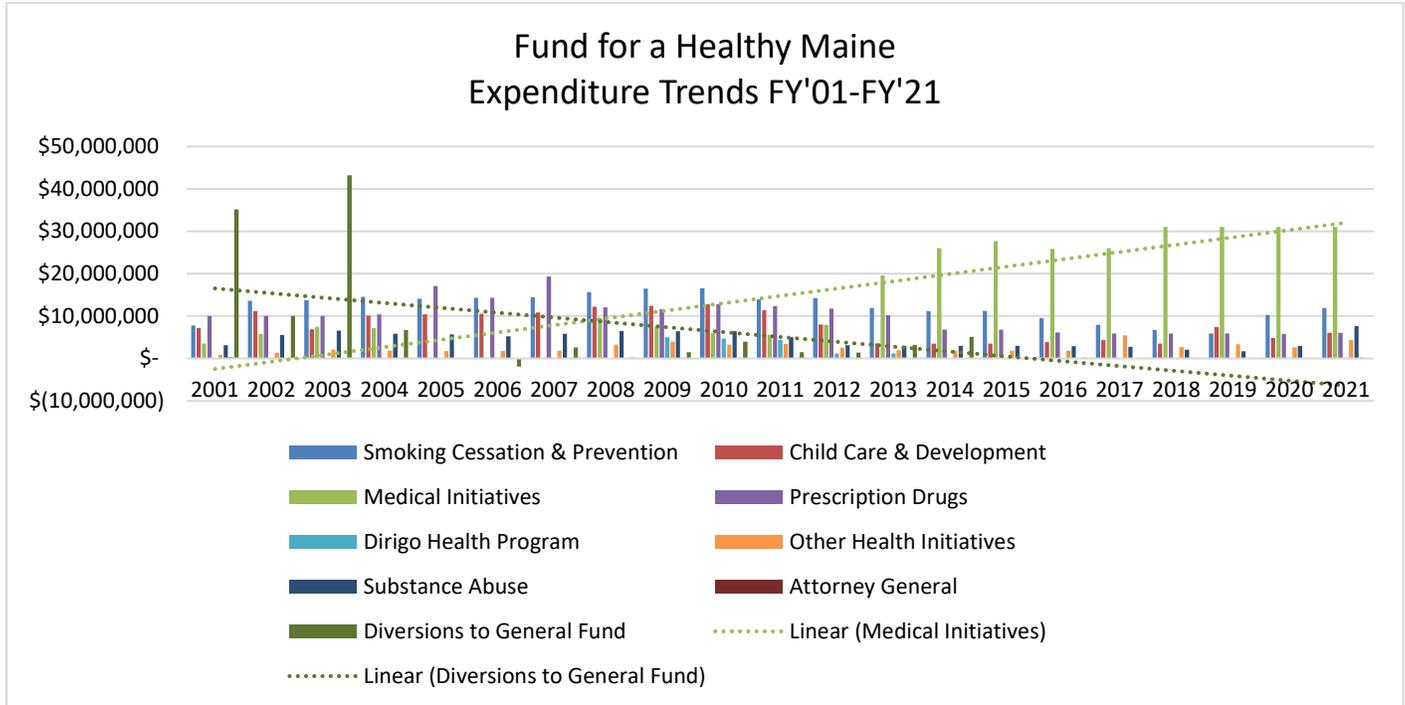
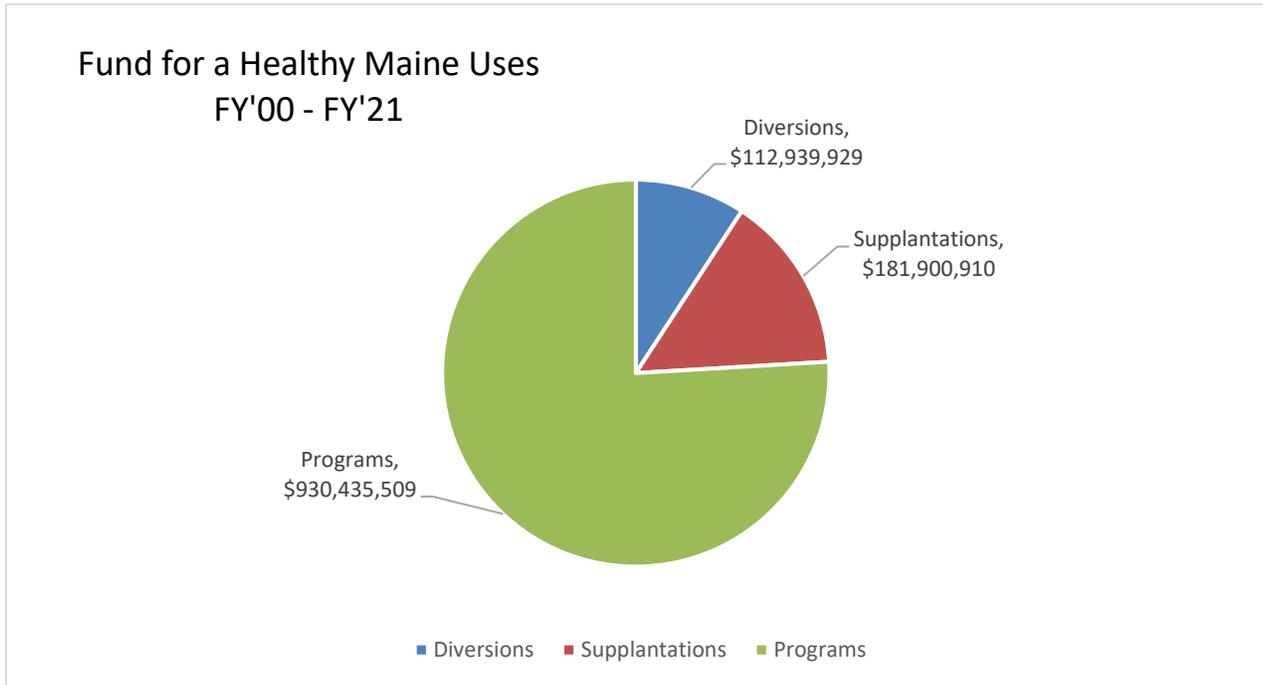
In other words, had the \$294 million that was diverted or supplanted from the Fund been invested in the prevention of chronic disease, it could have returned \$2.2 billion in productive economic value for Maine.

Is the Fund for a Healthy Maine a success story or a missed opportunity? The answer today is "both," but the Fund is at a crossroads. The Fund for a Healthy Maine budget is no longer sustainable and its use for preventing disease and promoting public health has been diminished. Significantly lower revenue projections for the FHM (\$41 million/year), combined with a decade-long pattern of supplanting General Fund expenditures with FHM dollars, have made the Fund's FY 2021 budget for public health and medical care (\$67 million total) impossible to maintain. Both the prevention of disease and assurance of affordable health care access are essential for protecting public health. In consideration of the Trust for America's Health analysis — that for every \$1.00 invested in disease prevention, we gain \$7.50 in economic output and \$5.65 in health care savings, so investing these funds up front in the prevention of disease reaps significant gains for Maine people.

We have the benefit of 20 years of experience managing the Fund — it's time for a reconsideration of how the funds are used so that we can continue to invest in disease prevention, health promotion and the advancement of health equity for all people in Maine.

APPENDICES

APPENDIX A: Fund for a Healthy Maine diversions, supplantations, and trends: 2000 - 2017



APPENDIX B: Indicators of public health improvements in Maine since the establishment of the Fund for a Health Maine

TOBACCO

- Youth smoking rates have been cut by more than 75% from 24.8% to 6.8% (2001-2019).¹
- Adult cigarette use has decreased by 23.9% to 17.6% (2001-2019).²
- Since inception, the Tobacco Helpline has helped 138,441+ clients quit smoking, fielding ~10,000 calls annually.³

YOUTH SUBSTANCE USE⁴

- Alcohol use among youth decreased from 64.1% in 2009 to 48.7% in 2019.
- The proportion of high school students who report consuming alcohol in the past month decreased from 31.7% in 2009 to 22.9% in 2019.
- The percentage of high school students who report using a prescription drug without a doctor's prescription decreased from 17.7% in 2009 to 5.0% in 2019.

OBESITY

- The obesity rate among high school has increased from 10.2% (14.3% overweight) in 2001 to 14.9% (14.8% overweight) in 2019.¹
- The percentage of high school youth who report being physically active (5+ days/week) decreased from 56.9% in 2007 to 42.2% in 2019.⁵
- The percentage of high school students reporting not participating in Physical Education at least one day in a school week increased from 58.1% in 2001 to 61.5% in 2019.¹
- The percentage of high school students reporting playing video or computer games, or using a computer for more than 3 hours per day more than doubled from 21.4% in 2007 to 43.5% in 2019.⁵
- The adult obesity rate has steadily increased from 27.8% (37.2% overweight) in 2011 to 31.7% (33.8% overweight) in 2019.⁶
- The number of adults who report participating in physical activities decreased from 76.8% to 69.9% (2011-2019).⁶

SCHOOL-BASED HEALTH CENTERS (SBHCs)⁷

- 15 SBHCs provide access to care for ~10,700+ students, allowing parents to stay at work instead of taking children to appointments, decreasing absenteeism and drop-out rates among students, and improving worktime for parents.
- Nearly a third (31%) of students in a school with a SBHC were enrolled with the center.
- 55% of SBHC users received a health risk assessment (those with risk identified received follow-up counseling).
- Nearly half (48%) of medical visits were for preventive screenings, such as immunization or well-child visits.
- ME SBHCs provided 6,700+ behavioral and mental health counseling visits, including 1,600+ after the pandemic struck through telehealth services.
- 92% of SBHC enrollees identified as needing mental health services received them at a SBHC.
- 53% of all SBHC users were screened for physical activity, nutrition, and sexual activity and 54% of users were screened for tobacco use, alcohol use and drug use.

ORAL HEALTH⁸

- 28% of Maine dentists participate in the Donated Dental Services (DDS) Program (national average is 19%), providing free comprehensive dental services to qualified disabled and elderly individuals through a part-time, DDS-paid coordinator. The average value of these services per individual was \$5,306 in SFY 20, and the total donated treatment was more than \$250,000.
- Last fiscal year, for every \$1 received from FHM, \$5.76 worth of care was donated through the DDS Program. Since the program's inception, 1,525+ vulnerable patients have received over \$5.3 million in free dental services.

- Statewide, ~180 elementary schools, mostly in rural areas, offer classroom-based education, and about 50% also provide dental sealants and fluoride for second-graders. Between the 2018 and 2019 school years, 94 schools provided sealants to Maine’s second graders, who received an average of 3.0 sealants each.
- 11 members of the [National Health Service Corps](#) provide dental care in underserved areas in Maine.
- As of March 2019, [FAME’s Dental Education & Loan Repayment Program](#) has been awarded to more than 110 loan recipients (up to \$20,000/year); 27 of which are still practicing in Maine.
- In 2019, the Maine Rural Health Program reinstated the Dental Tax Credit Program, which allows 5 recipients to receive a tax credit for up to 5 years.

TEEN PREGNANCY PREVENTION

- Maine’s teen pregnancy rate has decreased from 42.8 pregnancies per 1,000 females (ages 15-19 years) to 22.9 per 1,000 females (2005-2017).⁹
- The percentage of high school students who have ever had sexual intercourse declined from 44.8% to 38.5% (2005-2019) – an all-time low.¹⁰

APPENDIX C: Fund for a Healthy Maine Reports by Maine’s Office of Program Evaluation and Government Accountability (OPEGA)

- The 123rd Legislature authorized OPEGA to review the programs funded by FHM. [OPEGA issued an information brief](#) in March 2009, and a [final report in October 2009](#).
- The 125th First Regular Session of the Legislature, passed *Resolve 2011, chapter 112* based on a recommendation from the Government Oversight Committee. This resolve created The Commission To Study Allocations of The Fund For A Healthy Maine. The Commission was a combination of Legislators, the Maine CDC Director, representing the LePage Administration, and public health experts. The Commission met 3 times in November of 2011 and [issued their final report in December 2011](#).
- During the 127th Legislature, the Joint Standing Committee on Health and Human Services asked for permission to meet “off-session” to discuss FHM (*Resolve 2015, chapter 47*). [In December 2015, they issued the following report](#).

This historical review of the Fund for a Healthy Maine was generously supported by the Bingham Program.

¹U.S. Centers for Disease Control and Prevention (US CDC). 2001 & 2019 Youth Risk Behavior Survey Data. www.cdc.gov/yrbs. Accessed 3/11/2021.

²U.S. CDC. 2001 & 2019 Behavioral Risk Factor Surveillance System. www.cdc.gov/brfss/brfssprevalence. Accessed 3/11/2021.

³MaineHealth Center for Tobacco Independence. Tobacco Treatment and Prevention Reports. <https://ctimaine.org/facts/tobacco-reports/>. Accessed 3/11/2021.

⁴Maine Center for Disease Control and Prevention (Maine CDC) & Maine Department of Education (Maine DoEd). 2009 & 2019 Maine Integrated Youth Health Survey. <https://data.mainepublichealth.gov/miyhs>. Accessed 3/11/2021.

⁵Maine CDC & Maine DoEd. 2007 & 2019 Maine Integrated Youth Health Survey. <https://data.mainepublichealth.gov/miyhs>. Accessed 3/11/2021.

⁶U.S. CDC. 2011 & 2019 Behavioral Risk Factor Surveillance System. www.cdc.gov/brfss/brfssprevalence. Accessed 3/11/2021.

⁷Wheeler T, Baker M, Dumont R & Shaler G. (2020). All schools summary: School-based health center - 2019-20 year-end report. Muskie School of Public Service. University of Southern Maine.

⁸Maine CDC’s Rural Health & Primary Care Program, Maine Dental Association, and Finance Authority of Maine. 2021

⁹Maddow-Zimet I & Kost K. (2021). Pregnancies, births, and abortions in the United States, 1973–2017: National and state trends by age. New York: Guttmacher Institute. Appendix Tables. www.guttmacher.org/report/pregnancies-births-abortion-in-united-states-1973-2017#. Accessed 3/11/2021.

¹⁰U.S. CDC. 2005 & 2019 Youth Risk Behavior Survey Data. www.cdc.gov/yrbs. Accessed 3/11/2021.