

## **Testimony of David Jolly on LD 2197: An Act to Prohibit the Sale and Leaseback of a Health Care Entity's Main Campus to a Real Estate Investment Trust**

Sen. Donna Bailey, Senate Chair, Rep. Kristi Mathieson, House Chair, and Members of the Committee on Health Coverage, Insurance and Financial Services:

My name is David Jolly, I live in Penobscot, and I am Co-Chair of Maine AllCare, a state-wide organization advocating universal health care for Maine. I would like to offer testimony in support of LD 2197.

First, I'd like to say that if, as Maine AllCare recommends, LD 2201 were amended to prohibit private equity acquisition of hospitals, LD 2197 would be unnecessary.

Short of that, however, we believe that banning sale-leaseback transactions involving a health care entity's main campus and a real estate investment trust (REIT) would prevent one of the most egregious practices that private equity firms engage in to reap short-term profits from hospitals. When a private equity firm sells the land on which a hospital stands to a Real Estate Investment Trust (REIT), the REIT then leases the land back to the hospital, forcing the hospital (and not the private equity firm) to pay rent, and the REIT is often owned by or closely associated with the private equity firm itself!

Hospitals are not ordinary commercial properties. They are essential community assets that provide life-saving care, support local economies, and serve as anchors of stability in rural and urban areas alike. When a hospital sells its main campus to a REIT and then leases it back, ownership and control over vital infrastructure shifts away from communities and into investment structures primarily designed to maximize returns. These arrangements introduce financial pressures that prioritize rent payments over patient care, staffing, and long-term investment in services.

Evidence from across the country suggests that sale-leaseback deals can increase financial risk for health care entities, especially during times of economic strain.<sup>1</sup> For instance, before Steward Health Care went bankrupt, it sold much of its hospital real estate in Massachusetts, Texas, Florida, and Arizona to Medical Properties Trust. Analysts later noted that large rent obligations became a major pressure point for those hospitals when their profit margins tightened. In addition, credit rating agencies such as Moody's and Fitch have repeatedly flagged high lease burdens as a problem for hospitals because rent reduces operating flexibility.

The people of Maine rely on hospitals to be focused on care first—not on complex real estate financing structures that weaken long-term sustainability. Protecting the ownership and control of hospitals' main campuses is a reasonable, preventative approach that supports the long-term resilience of healthcare delivery in our state.

I urge you to support LD 2197. Thank you for your consideration.

1. Beerman, L. When Private Equity Sees Hospitals as Land, Not Care. Health Leaders Media. July 7, 2025. <https://www.healthleadersmedia.com/payer/when-private-equity-sees-hospitals-land-not-care>