Testimony of David Jolly on LD 2198: An Act to Implement Certain Recommendations Related to the Ratio of Debt to Equity in Transactions Involving Health Care Entities

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 2198.

First, I'd like to say that if, as Maine AllCare recommends, LD 2201 were amended to prohibit private equity acquisition of hospitals, LD 2198 would be unnecessary.

Short of that, however, we believe that setting a clear limit on the debt-to-equity ratio in transactions involving Maine health care entities would establishes an important safeguard to protect patient access to care and the long-term stability of our health care system.

LD 1298 addresses a critical and growing issue in health care finance: the financial risk created when health care entities take on excessive debt through ownership changes. This bill would prohibit any transaction involving a health care entity in which the ratio of debt to equity is greater than 50%.

When a private equity firm buys a hospital, it finances the purchase with a mix of cash up front (equity) and loans (debt), but the debt then becomes the responsibility of the hospital purchased, not the private equity firm itself, thus worsening the hospital's financial situation.[1] For all private equity health care acquisitions, the ratio of equity to debt is usually about 30% equity, 70% debt, but for hospital purchases the equity portion is often less – 25%, 20%, even 15%. Requiring 50% equity would represent a significant increase in a private equity firm's responsibility for its purchase of a hospital and encourage investors and owners to maintain a long-term commitment to the institution they have purchased.

When debt obligations consume too much of an organization's revenue, facilities may be forced to cut services, reduce staffing, delay needed investments, or, in some instances, shut down.[2] The 50% cap on debt in LD 2198 is designed to prevent this. Lower debt means more flexibility and greater resilience during economic downturns, shifts in reimbursement, or public health crises.

Hospitals are not ordinary businesses; they are essential community infrastructure. LD 2198 protects that infrastructure by setting a clear and prudent financial boundary. LD 2198 recognizes a simple truth: when health care carries too much debt, communities carry too much risk. The 50% threshold is a preventive guardrail that keeps financial strategy from undermining patient care.

I urge you to support LD 2198. Thank you for consideration.

1. Garber, J. The rising danger of private equity in healthcare. Lown Institute. January 23, 2024. https://lowninstitute.org/the-rising-danger-of-private-equity-in-healthcare/

2. Bugbee, M. How Private Equity Has Looted Our Hospitals And What We Can Do to Stop It. AFT Health Care, Fall 2024. https://www.aft.org/hc/fall2024/bugbee