



### **Testimony in Opposition to LD 2198:**

**“An Act to Implement Certain Recommendations Related to the Ratio of Debt to Equity in Transactions Involving Health Care Entities from the Commission to Evaluate the Scope of Regulatory Review and Oversight over Health Care Transactions That Impact the Delivery of Health Care Services in the State”**

Senator Bailey, Representative Mathieson, and distinguished members of the Joint Standing Committee on Health Coverage, Insurance and Financial Services, my name is Montana Towers, and I serve as policy analyst for Maine Policy Institute. Maine Policy is a free market think tank, a nonpartisan, nonprofit organization that advocates for individual liberty and economic freedom in Maine. Thank you for the opportunity to submit testimony in opposition to LD 2198, “An Act to Implement Certain Recommendations Related to the Ratio of Debt to Equity in Transactions Involving Health Care Entities from the Commission to Evaluate the Scope of Regulatory Review and Oversight over Health Care Transactions That Impact the Delivery of Health Care Services in the State.”

### **Government Overreach into Private Transactions**

LD 2198 would prohibit any transaction involving a health care entity in Maine where the debt-to-equity ratio exceeds 50%. This legislation is another attempt at top-down financial regulation that intervenes in how private health care organizations structure their operations. MPI consistently opposes such top-down regulations because they frequently deter private investment in Maine’s health care sector and reduce flexibility for providers to grow, modernize, or consolidate through financing. MPI has also opposed similar interventions in other sectors, particularly when proposed arbitrary financial thresholds dictate private business decisions.

### **Impact on Rural and Small Providers**

Maine’s rural health care landscape is already fragile. Many small or rural providers rely on debt financing to expand or maintain operations. A 50% debt cap would likely restrict rural health innovation or expansion, especially where equity financing is scarce. It could also incentivize consolidation with larger, out-of-state systems that have access to more capital, reducing local control.



## **Barrier to Entry**

Setting a hard limit on debt-to-equity could also raise barriers to entry for new health care ventures, especially independent providers that lack large equity backing. This disproportionately favors well-capitalized incumbents and would stifle market competition that would otherwise help drive down costs and improve access to care. The bill could also reduce innovation and entrepreneurship in health care. Outcomes which MPI support as free-market solutions to existing cost and access challenges.

## **Conclusion**

MPI opposes LD 2198 because it embodies the kind of bureaucratic micromanagement of private-sector financial decisions that we consistently oppose. It imposes a one size fits all restriction on a diverse industry, and is likely to reduce access to healthcare, discourage investment, and distort market competition, especially in rural and underserved areas.

For these reasons, Maine Policy Institute strongly urges this committee to vote “Ought Not to Pass” on LD 2198. Thank you for your time and consideration.