

## **Testimony on LD 2196 - An Act to Lower Health Insurance Costs, Reduce Barriers to Health Care and Ensure Fair Prices for Health Care**

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Senator Ingwersen, Representative Meyer, and Honorable Members of the Joint Standing Committee on Health and Human Services, I am Jeanne Lambrew, Director of Health Care Reform at The Century Foundation, an Adjunct Professor of Health Policy at the Harvard School of Public Health, and a resident of the Town of Scarborough, Maine. I formerly served as the Commissioner of the Maine Department of Health and Human Services from January 2019 to May 2024.

The Century Foundation is an independent, progressive think tank that conducts research and develops policy proposals to advance equity and opportunity in health care, education, and economic policy. I am submitting this testimony in my professional capacity. The views expressed here are my own and are informed by research and analysis conducted at The Century Foundation. The organization does not take formal positions on specific state legislation unless explicitly stated, and this testimony should not be construed as representing an official position of the organization. I testify neither for nor against this legislation.

This testimony offers two points as the Committee considers LD 2196, based on my recent work.<sup>1</sup> First, as policy makers debate how to make health care affordable, evidence supports the focus of this legislation: tackling high hospital charges for commercial (private) insurance. Second, lowering commercial prices and premiums could have fiscal benefits for Maine.

### **Relationship Between High Commercial Premiums and Hospital Charges**

Health care affordability concerns have risen in Maine and the U.S. The 2026 projected increase in premiums for employer-sponsored insurance hit a 15-year high.<sup>2</sup> The New York Federal Reserve Board estimates that this dragged down wage growth in service and manufacturing firms by 20 percent.<sup>3</sup> The premiums for commercial insurance purchased in the individual market more than doubled nationwide, in part because of the end of enhanced premium tax credits.<sup>4</sup> Prior to these recent increases, Maine ranked third highest among states in its private health insurance expenditures per capita – lower only than Alaska and New York.<sup>5</sup> This not only leads to high family premiums and deductibles, but adds to the cost of creating jobs in Maine.

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<sup>1</sup> Varcie J, Ford E, Lambrew J. (December 18, 2025). “How States Can Make Health Care More Affordable By Lowering Prices,” The Century Foundation.

<sup>2</sup> Umland B, Patel S. (September 3, 2025). “Employers Prepare for the Highest Health Benefit Cost Increase in 15 Years,” Mercer.

<sup>3</sup> Abel JR, Deitz R, Montalbano N. (March 4, 2026). “Are Rising Employee Health Insurance Costs Dampening Wage Growth?” Liberty Street Economics.

<sup>4</sup> Lo J, Levitt L, Ortaliza J, Cox C. (September 30, 2025). “ACA Marketplace Premiums Would More Than Double on Average Next Year if Enhanced Premium Tax Credits Expire,” KFF.

<sup>5</sup> State Health Facts. (2026). “Private Health Insurance Spending Per Enrollee by State, 2020,” KFF.

Behind high and growing premiums is service costs – in particular, hospital charges. Across all services, hospitals comprise the largest share of national health expenditures. Commercial insurance pays the highest share of hospital spending.<sup>6</sup> In part, this is because commercial insurers pay the highest prices for hospital care – multiple times higher than the prices paid by Medicare. For example, looking at average inpatient hospital rates, Maine’s Medicare rates are 22 percent above the national average whereas its commercial rates are 170 percent of the national Medicare average.<sup>7</sup> Medicaid tends to pay below Medicare rates, although MaineCare payment reform has closed this gap.

Growth in hospital prices has also exceeded that of other services. Hospital prices charged to commercial insurers have consistently grown faster than insurance premiums and professional services, as documented in a study examining an index of hospital prices from 2006 to 2023.<sup>8</sup> Additionally, from March 2023 to 2024, hospital prices rose by 7.7 percent, which was almost double the increase in price growth for nursing homes (3.9 percent) and more than ten times the increase for physicians’ services (0.7 percent).<sup>9</sup> While there is some evidence that price growth may have slowed in 2024, as international researchers point out, “Even if there was slower price growth in 2024, when applied to an already elevated price level, prices remain a substantial policy concern.”<sup>10</sup>

In summary, evidence suggests that, while there are other ways to make commercial insurance more affordable, addressing hospital prices is the single most effective way to do so.

### **State Fiscal Benefits of Lowering Commercial Insurance Premiums**

Legislation like LD 2196 could benefit the State of Maine by lowering state health expenditures and raising revenue. State budget expenditures could be reduced for state employee health benefits, corrections health costs.<sup>11</sup> For example, one study found that capping prices at 200 percent of Medicare rates in state employee health plans would reduce spending by an average of \$150 million per state in 2022, or roughly 0.35 percent of total state expenditures.<sup>12</sup> Additionally, an evaluation of a policy in Oregon, which capped hospital payments within the state employee health plan to 200 percent of Medicare rates, showed that the policy led to a 4 percent reduction in total spending by the state health plan, generating \$107.5 million in savings. The state saw no

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<sup>6</sup> Office of the Actuary. (2023). “National Health Expenditures Accounts,” U.S. Centers for Medicare and Medicaid Services.

<sup>7</sup> Congressional Budget Office. (January 20, 2022). “The Prices That Commercial Health Insurers and Medicare Pay for Hospitals’ and Physicians’ Services,” Congressional Budget Office.

<sup>8</sup> Kanimian S, Ho V. (2024). “Why Does the Cost of Employer-Sponsored Coverage Keep Rising?” *Health Affairs Scholar* 2, no. 6.

<sup>9</sup> Rakshit S, Wager E, Cox C, Hughes-Cromwick P, Amin K. (May 17, 2024). “How Does Medical Inflation Compare to Inflation in the Rest of the Economy?” KFF.

<sup>10</sup> Papanicolis I, Cylus J, Lorenzoni L. (February 18, 2026). “The US Health Spending Problem Is Still About Prices,” *Health Affairs Forefront*.

<sup>11</sup> Schaenman PS, Davies E, Jordan R, Chakraborty R. (2016). “Opportunities for Cost Savings in Corrections Without Sacrificing Service Quality: Inmate Health Care,” The Urban Institute.

<sup>12</sup> Murray RC, Whaley CM, Fuse Brown EC, Ryan AM. (2024). “Hospital Payment Caps Could Save State Employee Health Plans Millions While Keeping Hospital Operating Margins Healthy: Article Examines Hospital Payment Caps and Possible Savings to State Employee Plans,” *Health Affairs* 43, no. 12: 1680–88.

network or cost-shifting effects over a year into the policy.<sup>13</sup> These results suggest that similar caps could meaningfully lower spending by Maine for its own employee health benefit plan.

The state could also benefit from higher revenue from lower commercial insurance costs. One way is through income tax revenue from higher worker income and greater job creation. The Congressional Budget Office assumes that commercial insurers would largely pass along premium savings from policies like capping hospital prices to employers and enrollees.<sup>14</sup> In a competitive insurance market, employers may, in turn, raise wages and salaries. These higher wages and salaries would be subject to income taxes, and would therefore increase state revenue. Employers may choose, instead, to reinvest some of these premium savings in job creation, which would also increase income tax. Studies have found a connection between the cost of health benefits and employment.<sup>15</sup>

Additionally, if employers increase wages and salaries or employment due to lower health insurance costs, workers and their families would have more income. While some consumer savings would be shifted to nontaxable channels, such as savings accounts or debt payments, consumption of taxable goods and services would still be expected to increase. As a result, lowering commercial hospital prices and thus premiums could generate additional sales tax revenue.

Such revenue effects are common when the Congressional Budget Office has estimated the effects of federal legislation that lowers the premiums for commercial insurance.

Thank you for the opportunity to offer this testimony.

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<sup>13</sup> Murray RC, Brown ZY, Miller S, Norton EC, Ryan AM. (2024). “Hospital Facility Prices Declined As A Result Of Oregon’s Hospital Payment Cap,” *Health Affairs* 43, no. 3: 424–32,

<sup>14</sup> Congressional Budget Office. (September 29, 2022). “Policy Approaches to Reduce What Commercial Insurers Pay for Hospitals’ and Physicians’ Services,” Congressional Budget Office.

<sup>15</sup> Brot Z, Cooper Z, Craig SV, Klarnet LR, Lurie I, Miller CL. (June 2024). “Who Pays for Rising Health Care Prices? Evidence from Hospital Mergers,” National Bureau of Economic Research, Working Paper No. 32613.