



Testimony in Opposition to LD 2196:

“An Act to Lower Health Insurance Costs, Reduce Barriers to Health Care and Ensure Fair Prices for Health Care”

Senator Ingwerson, Representative Meyer, and distinguished members of the Joint Standing Committee on Health and Human 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 2196, “An Act to Lower Health Insurance Costs, Reduce Barriers to Health Care and Ensure Fair Prices for Health Care.”

LD 2196 represents a substantial expansion of government control over Maine’s health care sector, including the creation of state-mandated price caps on hospital services, and mandated limits on price growth tied to federal Medicare. It also grants broad new regulatory authority for the Office of Affordable Health Care, including the power to fine hospitals that do not comply with these regulations. While the bill’s proponents frame it as a way to “reduce costs,” it would do so through top-down price controls, rather than free-market competition. This approach would undermine access to quality care, especially in rural and underserved communities, and could lead to substantial hospital closures in Maine.

The Hidden Costs of Government Health Care Price Caps

At the heart of Part A of LD 2196 is the establishment of a price ceiling on inpatient and outpatient hospital services, capped at 200% of Medicare rates, with even steeper limits for hospitals currently charging above that threshold. These caps may sound reasonable on paper, but in practice they are arbitrary and fail to reflect the actual costs hospitals face in delivering care. This could especially prove damaging to small rural hospitals, which often operate on razor-thin margins and serve a higher proportion of Medicaid and uninsured patients.

Beyond the 200% Medicare cap, LD 2196 establishes a statewide “hospital facility price growth ceiling,” limiting annual hospital price increases to the Medicare inpatient market basket index beginning in 2028. Under this ceiling hospitals would be prohibited from negotiating contracts or charging prices that exceed this state imposed growth rate. This functions as a strict price control tied to a federal benchmark that does not account for Maine’s rural workforce shortages, infrastructure costs, or demographic challenges. The Medicare index reflects national trends, not the realities facing Maine’s community hospitals. When costs rise faster than the cap allows, hospitals will be forced to either absorb losses or reduce services.



While the bill includes exemptions for critical access and “financially distressed” hospitals, it delegates the determination of financial distress to state bureaucrats using vague criteria. This opens the door to politicized decision-making and uncertainty, which will further disincentivize investment in Maine’s health care infrastructure.

Price Caps Will Harm Patients Through Service Reductions and Longer Wait Times

Imposing rigid price ceilings does not make health care cheaper to provide, it simply reduces what providers are allowed to charge. While price caps may be politically appealing, they often fail to address cost drivers like administrative bloat, defensive medicine, a lack of transparency, and may actually accelerate hospital consolidation, reducing competition and patient choice. These policies will likely result in reduced services, fewer available beds, longer wait times, and a considerable reduction in staff at hospitals across the state.

LD 2196 Increases Bureaucratic Power Without Accountability

The bill also expands the duties of the Office of Affordable Health Care, allowing it to audit hospitals and insurers, compel the disclosure of proprietary financial data, and enforce compliance by giving it the ability to fine hospitals if they do not abide by the requirements. This invites bureaucratic overreach and further distances health care decisions from patients and providers.

Empower Patients and Expand Market Competition

Rather than resorting to price controls and bureaucratic mandates, the Legislature should pursue reforms that increase transparency, expand patient choice, and reduce regulatory burdens. Policies such as eliminating certificate-of-need (CON) laws that limit competition and entrench hospital monopolies, and mandating higher incentives under Right to Shop plans, would better address these challenges. These free-market reforms address costs at the source and empower consumers to make informed choices rather than forcing them to rely on a top-down system that rations care and disincentivizes innovation.



Conclusion

Maine faces real challenges in providing affordable, high-quality health care, but LD 2196's price control regime is not the answer. It risks reducing access, degrading quality, and expanding the reach of an unaccountable bureaucracy at the expense of Maine patients and providers.

For these reasons, Maine Policy Institute strongly urges this committee to vote "Ought Not to Pass" on LD 2196. Thank you for your time and consideration.