

JOINT STANDING COMMITTEE ON HEALTH COVERAGE, INSURANCE  
AND FINANCIAL SERVICES

Testimony of Peter Murray in Support of LD 985

May 6, 2025

Senator Bailey, Representative Mathieson and members of the Committee on Health Coverage, Insurance and Financial Services. My name is Peter Murray, I live in Portland, and I am here to testify in support of LD 985, “An Act to Impose a Moratorium on the Ownership or Operation of Maine Hospitals by Private Equity Investors.”

The purpose of this bill is to enact a 5-year moratorium on the direct or indirect takeover of non-profit Maine hospitals by private profit-making business or investment entities in order to give us here in Maine an opportunity to consider whether private ownership and operation of Maine hospitals should be permitted over the long term and if so, how it should be regulated.

In recent years, various forms of private equity investor groups have targeted non-profit hospitals across the country for acquisition and operation to generate profits for their investors. By private equity investor groups, we do not mean the large for-profit hospital chains like HCOA and Humana which build hospitals and operate them over the long term in certain states. Private equity focuses on generating relatively short-term returns, generally over a 5 to 7-year time frames, by acquiring target enterprises, restructuring their operations to generate positive cash flows, borrowing on the real estate, and then disposing of them by sale or liquidation to generate generous returns on the invested funds. Some forms of private equity operate on a longer time frame seeking to generate profits by more “efficient” hospital operations and via contracts with related entities for equipment, supplies and management services.

Nationwide, the record of private equity ownership and operation of hospitals has raised serious concerns about whether such a model is indeed viable in the hospital context and what kind of regulation is necessary to prevent the worst abuses. Regulation

that is being tried in various states includes enhanced enterprise transparency, scrutiny of contracts for goods or services with related entities, and more specific regulation of care standards. In any event, Maine needs time to consider these issues and do what we can to deal with them in a manner that is fair and reasonable to all parties, but most of all, that will protect Maine residents' access to quality hospital care in communities across the State.

Some Maine hospitals are under severe financial pressure these days and may be eyeing private equity as a potential lifeboat for continued operation on some basis. As Maine considers appropriate measures with respect to private equity, it must also address the plight of its existing non-profit hospitals and make sure that they survive to serve the entire Maine population.

The amendment to the original bill excepts from its coverage private equity acquisitions covered by certificate of need applications filed prior to June 1, 2025. This is intended to allow the pending merger of Central Maine Health Care with Prime Healthcare Foundation to take place without being affected by the moratorium. It appears that the Board and management of CMHC have made the choice to merger with Prime after a great deal of consideration and in the absence of another viable alternative. They could justly think that it would be unfair to jerk the rug out from under them at this late stage of their process. And from another perspective, CMHC's experience with for-profit hospital operation could help inform the discussion of appropriate measures during the moratorium.

The Committee is respectfully requested to vote "Ought to Pass" on this important measure.