To: The Honorable Donna Bailey
The Honorable Kristi Michele Mathieson
Members of the Committee on Health Coverage, Insurance and Financial Services Committee

Date: May 6, 2025

Re: Testimony in support of LD985 An Act to Impose a Moratorium on the Ownership or Operation of Hospitals in the State by Private Equity Companies or Real Estate Investment Trusts

Dear Senator Bailey, Representative Mathieson, and Members of the Health Coverage, Insurance and Financial Services Committee,

My name is Stephen Ellis and I live in Waldo. I am testifying in support of LD985. You will hear from other people more expert than I regarding numerous provisions of this bill. I wish to convey my personal experience specifically with sophisticated computer systems used to assess the profitability of hospital service lines, products, and individual practitioners.

My career of 45 years in healthcare consisted primarily of installing computer and "process improvement" systems in academic medical centers and community hospitals. While my focus was primarily on research databases, clinical systems and electronic medical records, I also installed hospital and physician billing systems, and, most pertenant to this topic today, sophisticated cost accounting systems.

Healthcare cost accounting systems accumulate every detail of every inpatient and outpatient expense and revenue transaction in the hospital. The system "digests" that data and calculates the marginal profit or loss of every service the hospital provides – from spine surgery, to heart care, to cancer care, to dialysis, to orthopedic surgery, to Labor and Delivery, to the Emergency Department. They know, to the penny, how much the hospital makes or loses on every single case, and aggregated, how much they make or lose on each hospital department, service and practitioner.

Hospital management uses that detailed profitability information to make decisions about which services to promote and which to diminish or defund. Typically these decisions are made in executive level strategy committees. I have been a member of such a committee. I can tell you with certainty that the overriding consideration, even in an academic medical center, and especially in a for-profit entity -- is profit. Not quality of service, not community service, but profit. Yes, quality has a role – the entity gets reimbursed at higher rates if it can show higher quality scores. And yes, there is a community service aspect – the entity wants to maintain market share, and in some states a certain percentage of community service is mandated by law.

But the overriding consideration is the profitability of each provided service. For those services that produce less revenue than expense, or indeed for those not above the median in profitability ranking – and typically Labor and Delivery falls in this category -- there are many ways to "weed out" the losers. Hospitals can encourage attrition of physicians, nurses, technicians and other healthcare professionals by giving them lower salaries, less desirable space, less OR time, fewer leadership positions, less desireable schedules. Services become less available, appointments harder to get. Patients start to look for alternatives and go elsewhere. Then, hospital executives make the public case for closing down services based on loss of volume, difficulty of maintaining quality, and subsequent challenges to educate and retain medical professionals – exactly as we are seeing now in Maine.

All of these things are accelerated when ownership or control is transferred to an external for-profit entity. It will be devastating for our communities if we allow this to happen. I urge the Committee to support LD985.

Thank you for your time, your service to our state and communities, and the opportunity to testify.