



Meg Garratt-Reed, Executive Director
Office of Affordable Health Care

May 6th, 2025

Senator Donna Bailey

Representative Kristi Mathieson

Members of the Joint Standing Committee on Health Coverage, Insurance, and Financial Services

Cross Building, Room 220

100 State House Station

Augusta, ME 04333

Senator Bailey, Representative Mathieson, and members of the Joint Standing Committee on Health Coverage, Insurance, and Financial Services;

I am Meg Garratt-Reed, Executive Director of the Office of Affordable Health Care, and I am here today to testify neither for nor against LD 985.

Since last summer, the Office has been discussing areas of policy opportunity with our Advisory Council and other stakeholders. One area that has emerged as a priority is addressing increased financialization in health care, and the risks that it poses to patient care and the overall stability and resilience our health care system.

Financialization involves the “transformation of health care entities into assets from which the financial sector may accumulate capital”¹ and is differentiated from corporatization and privatization by its near-complete focus on financial maneuvers over the provision of goods or services. Private equity firms are not the only entities that contribute to financialization in health care, but they are some of the most risky given that the private equity model generally relies on short-term investment, leverages debt for acquisitions, and uses capital from third parties. The evidence base on the effect of private equity acquisitions in health care is still emerging, but to-date has shown concerning impacts on consumer costs, workforce conditions, and particularly clinical quality. Additionally, when private equity acquisitions go wrong, they can have

¹ Applebaum, E., Batt, R.; “Financialization in Health Care: The Transformation of US Hospital Systems,” New England Journal of Medicine, January 10, 2024
<https://www.nejm.org/doi/full/10.1056/NEJMms2308188>

disastrous consequences for patients and communities, as we've seen in other states in recent years.

In light of these factors, we agree with the sponsors of this bill that action should be taken to protect Maine's health care system from potential bad-actors or the unintended consequences of financially motivated transactions. We do, however, believe that a more comprehensive and nuanced approach would be most effective to achieve that aim. We have worked with Representative Zager to introduce legislation establishing a new Material Change Transaction Review program that would permit the state to assess the merits of specific transactions that could have consequences for the affordability, quality, efficiency, and accessibility of health care in the state; and to approve, deny, or place conditions on them. We expect that bill to be before this committee soon, and would encourage you to consider it as an alternative path forward in addressing this important issue.

Thank you for your time, and I welcome any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Meg Garratt-Reed". The signature is fluid and cursive, with a long, sweeping underline.

Meg Garratt-Reed, Executive Director
Office of Affordable Health Care