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*Testimony of Rep. Sam Zager presenting*

## **LD 1972, An Act to Enhance Transparency and Value in Substantial Health Care Transactions by Changing the Review and Approval Process for Those Transactions**

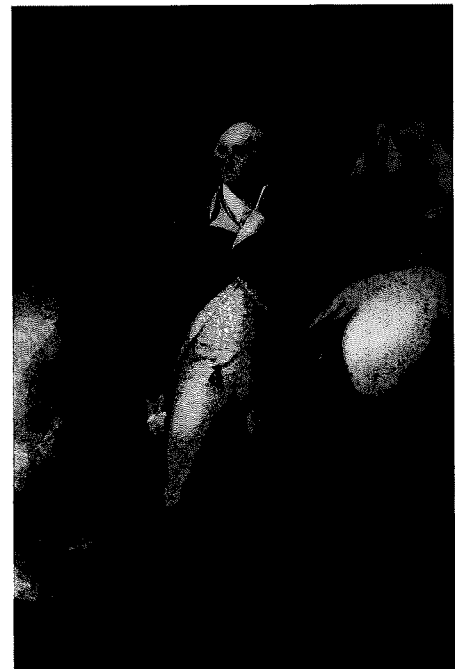
*Before the Joint Standing Committee on Health Coverage, Insurance and Financial Services*

Senator Bailey, Representative Mathieson, and esteemed Health Coverage, Insurance and Financial Services committee members, thank you for hearing **LD 1972, An Act to Enhance Transparency and Value in Substantial Health Care Transactions by Changing the Review and Appeal Process for Those Transactions**. I'm Sam Zager, representing House District 116 (part of Portland), and I am proud to present this important bill.

Struggling health care infrastructure is vulnerable to being dismantled for the benefit of wealthy private equity investors, and to the detriment of patients. The best way to illustrate this problem is with a cautionary tale that broke last year in Dorchester, a neighborhood in Boston.

Dorchester happens to be the setting of the painting of George Washington in our State House at the top of the grand stairs. It dramatizes a moment, months after the opening Battles of Lexington and Concord, and four months before the Declaration of Independence.

It was early in the war, and the British forces were still occupying the very strategic and symbolic city of Boston. British naval and ground forces were much larger and better equipped than their American counterparts, with the wealth of the British crown backing them. But General Washington was clever and bold, and he had good intelligence information. Seizing the initiative, he placed artillery on Dorchester Height; his cannon could fire down on Boston Harbor, but the British couldn't effectively return fire.



*Washington at Dorchester Heights,  
Thomas Truman Spears (1836),  
Maine State House*

Washington's stratagem worked! The British evacuated Boston, and the Americans regained shipping access and a crucial morale boost. The commanding position over Boston Harbor is portrayed in the lower left of Thomas Truman Spear's 1836 painting in our State House.<sup>1</sup>

Much more recently, Dorchester was home to Carney Hospital, part of a network of hospitals that served their communities but, in the early part of this century, were struggling financially.

Then, a private-equity backed firm stepped in:

Cerberus bought Caritas Christi Health Care in 2010, paying \$246 million in cash for Massachusetts hospitals [and created Steward Healthcare]...In 2016, Cerberus made most of its money by selling valuable hospital property...which then leased it back to the hospitals. [Steward extracted] **hundreds of millions** in dividends for its investors...made a roughly \$800 million profit on its investment in struggling Catholic hospitals...The New York private equity firm **quadrupled its money** over a decade, according to internal documents and a federal filing...<sup>2</sup>

These weren't abstract holdings on a ledger. Carney Hospital and a sister hospital, Nashoba Valley Medical Center, were important healthcare facilities to their communities. People depended on them for medical care. But as money was siphoned away from their clinical budgets, wealthy executives and investors did quite well—one executive at the hospital purchased a \$40 million dollar yacht while all this was occurring.<sup>3</sup>

Carney Hospital and Nashoba Valley Medical Center closed at the end of last summer.

As you know from publicly available financial reports, many of Maine's hospitals are in similar financial difficulties as Carney Hospital and Nashoba Valley Medical Center were in.<sup>4</sup> These Maine hospitals are very vulnerable to private equity firms; the one that siphoned off \$800 million of value—and left two closed hospitals in its wake in Massachusetts—has approximately \$60 billion at its disposal.<sup>5</sup>

The private equity firms were acting lawfully as far as I know. They also were fulfilling fiduciary obligations to their investors.

But I ask, what's *our* duty? To act in Mainers' best interests.

This committee works so hard to ensure people in this state have access to health care, weighing matters of insurance coverage, professional licensure, and other aspects. (Thank you!)

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<sup>1</sup> Spear's work in the Maine State House is his rendition of a work by Gilbert Stuart in the Museum of Fine Arts in Boston.  
<https://commons.wikimedia.org/wiki/File:WashingtonAtDorchesterHeightsByStuart.jpeg>

<sup>2</sup> <https://www.bloomberg.com/news/articles/2021-05-27/cerberus-quadruples-money-after-unusual-exit-from-hospital-giant?embedded-checkout=true>

<sup>3</sup> <https://www.pbs.org/newshour/show/the-impact-of-private-equitys-expansion-into-health-care#:~:text=Steward%20Health%20Care%20was%20once,state%20and%20two%20were%20shuttered.>

<sup>4</sup> [https://mhdo.maine.gov/hospital\\_financials.htm](https://mhdo.maine.gov/hospital_financials.htm)

<sup>5</sup> [https://en.wikipedia.org/wiki/Cerberus\\_Capital\\_Management](https://en.wikipedia.org/wiki/Cerberus_Capital_Management)

But what good is insurance without a functioning healthcare system?

What does a healthcare system mean for our constituents if it doesn't have:

- High quality?
- Fairness and equity for rural folks and others with health disparities?
- Affordability and ease of use?
- A sustainable, resilient workforce?

Recent polling by Digital Research, Inc. of a geographically, politically, and demographically representative sample in this state this year showed that *five out of six* Mainers agree with the following:

"It is the state government's responsibility to ensure that all Mainers have access to affordable health care, even if it means the government sometimes has to step in to regulate health care companies or provide oversight of health care mergers."

We must do something.

Like George Washington at Dorchester Heights, we can help keep a powerful force from dominating us to extract what it desires. If we have good information, we can be vigilant about situations like the case of Steward Healthcare, before it's too late.

That's what LD 1972 does.

I'd be happy to take questions, but Director of the Office of Affordable Healthcare Meg Garratt-Reed will guide you through the mechanics of the bill. As she does, and as people testify in favor, opposed, and neither-for-nor-against, I invite you to consider what adjustments would strengthen this proposal. I don't suppose it's perfect as is, but I believe it is the right framework to begin addressing risk that financialization poses to our health care system.

Thank you very much.