

HEALTHCARE
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Testimony of Trevor Putnoky
to the Joint Standing Committee on Health Coverage, Insurance and Financial Services
In Support of
LD 1972, An Act to Enhance Transparency and Value in Substantial Health Care Transactions by Changing the Review and Approval Process for Those Transactions

May 20, 2025

Good afternoon Senator Bailey, Representative Mathieson, and Members of the Joint Standing Committee on Health Coverage, Insurance and Financial Services.

My name is Trevor Putnoky and I'm the President and CEO of the Healthcare Purchaser Alliance of Maine. The HPA is a nonprofit that represents the purchasers of health care in Maine. Our mission is to advance and support access to high-quality, affordable care. We have over 60 members, including some of the largest public and private employers and health trusts in Maine. Collectively, our members spend over a billion dollars annually providing health care for nearly one quarter of the commercially insured population in the state.

I'm here to testify in support of LD 1972, legislation that I believe will provide robust evaluation of transactions that have the potential to further consolidate Maine's already concentrated healthcare market, where over half of the state's hospitals are owned by two large health systems and many primary care and specialty practices are system owned as well. Importantly, LD 1972 also includes safeguards to protect Maine's healthcare system from private equity entering the state and financializing our healthcare system in ways that put finances ahead of access to high quality and affordable patient care. Private equity investment in health care has increased substantially over the last several years, particularly with respect to hospitals and clinician practices.¹ As private equity's expansion into the healthcare sector continues, it is essential that Maine has a framework in place to ensure that any incursions into Maine's healthcare market are rigorously assessed to ensure the long-term viability of the state's healthcare resources, and continued access to affordable quality care for Maine consumers.

¹ Bruch JD, Gondi S, Song Z. "Changes in Hospital Income, Use, and Quality Associated With Private Equity Acquisition," *JAMA Intern Med.* 2020 Nov 1;180(11):1428-1435. doi: 10.1001/jamainternmed.2020.3552. PMID: 32833006; PMCID: PMC7445629. Available at: <https://pmc.ncbi.nlm.nih.gov/articles/PMC7445629/#REF-IOI200054>. Christopher Cai, Zirui Song, "A Policy Framework for the Growing Influence of Private Equity in Health Care Delivery, *JAMA*, May 9, 2023. Available at: <https://pmc.ncbi.nlm.nih.gov/articles/PMC10699936/#:~:text=Private%20equity%20acquisitions%20of%20clinician,private%20equity%20ownership%20remains%20lacking>.

While some mergers and acquisitions may be necessary to maintain financial viability and access to care—as we have seen in the proposed acquisition of Central Maine Health Care by Prime Healthcare—some studies have found that hospital system-led acquisitions and mergers are associated with higher prices.² They have also found that prices in consolidated markets are higher than in competitive markets, with one study estimating average prices are 12 percent higher at monopoly hospitals, compared to markets with robust competition.³ Other studies have found that mergers do not necessarily result in improved quality. In fact, a study of hospital acquisitions in the *New England Journal of Medicine* found that they were “associated with modestly worse patient experiences and no significant changes in readmission or mortality rates.”⁴ Still other studies of system purchases of physician practices have found that mergers and acquisitions can increase prices, with a 2020 Kaiser Family Foundation literature review concluding that such vertical consolidation results in higher prices, which can lead to higher premiums.⁵

Likewise, studies have found that private equity acquisition of health care entities is also associated with higher cost.⁶ For example, one study found that prices at private equity-acquired specialty physician increased between 4 and 16 percent (depending on the specialty), when compared to similar practices not acquired by private equity. Prices increased 16 percent at acquired oncology practices, for example, 14 percent at gastroenterology practices, and 9 percent at cardiology and OB/GYN practices relative to non-acquired practices.⁷

² U.S. Department of Health and Human Services in consultation with the US Department of Justice and the US Federal Trade Commission, *US Consolidation in Health Care Markets RFI Response*, January 14, 2025. Available at: <https://www.hhs.gov/sites/default/files/hhs-consolidation-health-care-markets-rfi-response-report.pdf>.

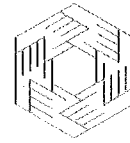
³ Zack Cooper, Stuart Craig, Martin Gaynor & John Van Reenen, “The Price Ain’t Right? Hospital Prices and Health Spending on the Privately Insured,” 134 *Q.J. ECON.* 51, 2019. Available at: [https://healthcarepricingproject.org/sites/default/files/Updated the price aint right qje.pdf](https://healthcarepricingproject.org/sites/default/files/Updated%20the%20price%20aint%20right%20qje.pdf).

⁴ Nancy Beaulieu, Leemore Dafny, Bruce Landon, Jesse Dalton, Ifedayo Kuye & J. Michael McWilliams, “Changes in Quality of Care after Hospital Mergers and Acquisitions,” 382 *NEW ENG. J. MED.* 51, Jan. 2, 2020. Available at: <https://www.nejm.org/doi/pdf/10.1056/NEJMs1901383?articleTools=true>.

⁵ Karyn Schwartz, Eric Lopez, Matthew Rae, and Tricia Neuman, “What We Know About Provider Consolidation,” *Kaiser Family Foundation*, September 2, 2020. Available at: <https://www.kff.org/health-costs/issue-brief/what-we-know-about-provider-consolidation/>.

⁶ Alexander Borsa, Geronimo Bejarano, Moriah Ellen, Joseph Dov Bruch, “Evaluating trends in private equity ownership and impacts on health outcomes, costs, and quality: systematic review,” *bmj*, 382, 2023. Available at: https://www.bmj.com/content/bmj/382/bmj-2023-075244.full.pdf?trk=public_post_comment-text. Yashaswini Singh, Zirui Song, Daniel Polsky, and Jane M. Zhu, “Increases In Physician Professional Fees In Private Equity-Owned Gastroenterology Practices,” *Health Affairs*, VOL. 44, NO. 2, February 2025. Available at: <https://www.healthaffairs.org/doi/abs/10.1377/hlthaff.2024.00190?journalCode=hlthaff>.

⁷ Richard M. Scheffler, Laura Alexander, Brent D. Fulton, Daniel R. Arnold, Ola A. Abdelhadi, “Monetizing Medicine: Private Equity and Competition in Physician Practice Markets,” *American Antitrust Institute*, July 10, 2023. Available at: https://www.antitrustinstitute.org/wp-content/uploads/2023/07/AAI-UCB-EG_Private-Equity-I-Physician-Practice-Report_FINAL.pdf.



And despite the higher costs paid by employers and consumers when healthcare entities are acquired by private equity, we need look no further than Massachusetts to see that those additional dollars do not necessarily leave acquired entities financially better off—indeed, they are often left considerably worse off. For instance, private equity firms sometimes use acquired facilities as collateral to take out loans that are used to pay back investors, while the facility is left carrying the debt. Private equity firms also have sold off healthcare entities' land or facilities, generating more returns for themselves and their investors, while the healthcare entities are suddenly forced to pay rent for land or buildings that they used to own.⁸

Here in Maine, businesses and families are already facing healthcare cost increases that are leaving Mainers increasingly unable to afford care and employers searching for ways to absorb double digit premium increases. These rising costs have eaten into wage increases,⁹ and led to higher premiums, more cost sharing, and higher deductibles for Maine families. In fact, due to the high price of healthcare services in our state, Maine currently has the 8th highest individual deductibles in the country.¹⁰ Without robust and comprehensive review of future merger and acquisitions proposals—which research shows can further increase healthcare costs—we are concerned that such transactions could exacerbate the affordability challenges already facing Maine employers and consumers.

LD 1972 would create a robust and transparent process for the state to evaluate both the positive and negative impacts of healthcare transactions on healthcare affordability, quality, efficiency, and accessibility. The proposed process will supplement Maine's existing CON law by expanding state review to include other major transactions that are not subject to CON. It would also expand the type of criteria that can be evaluated during a transaction review, including the potential impact on consumers and clinicians. Such comprehensive reviews will ensure that proposed mergers and acquisitions would not destabilize our state's healthcare system, nor negatively impact the cost of care, health outcomes, or access to services.

Thank you for the opportunity to share HPA's feedback on LD 1972. I'd be happy to answer any questions.

⁸ David Blumenthal, "Private Equity's Role in Health Care," *The Commonwealth Fund*, November 17, 2023. Available at: <https://www.commonwealthfund.org/publications/explainer/2023/nov/private-equity-role-health-care>.

⁹ Bob Herman, "The Cost of health insurance is skyrocketing, and it's a big reason you aren't getting much of a raise," *Business Insider*, August 5, 2019. Available at: <https://www.businessinsider.com/the-cost-of-health-insurance-is-skyrocketing-and-eating-wages-2019-8>.

¹⁰ Kaiser Family Foundation, *Average Annual Deductible per Enrolled Employee in Employer-Based Health Insurance for Single and Family Coverage*, 2023. Available at: <https://www.kff.org/other/state-indicator/average-annual-deductible-per-enrolled-employee-in-employer-based-health-insurance-for-single-and-family-coverage/?currentTimeframe=0&sortModel=%7B%22colId%22:%22Average%20Single%20Deductible%22,%22sort%22:%22desc%22%7D>.