



Mike Tipping
Senator, District 8

THE MAINE SENATE
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Senator Bailey, Representative Mathieson and honorable members of the Health Coverage, Insurance and Financial Services Committee, my name is Mike Tipping, I represent Senate District 8 in Penobscot County and I'm glad to have the opportunity to testify in favor of LD 2198, An Act to Implement Certain Recommendations Related to the Ratio of Debt to Equity in Transactions Involving Health Care Entities from the Commission to Evaluate the Scope of Regulatory Review and Oversight over Health Care Transactions That Impact the Delivery of Health Care Services in the State.

You've already heard our report back on the findings and recommendations of the Commission and so I won't go into detail on the composition, mission or process of that body. I will say, however, that this relatively short piece of legislation could offer one of the most significant protections for public health arising out of the work of the Commission.

This bill prevents the purchase of "a health care provider, a health care facility or a provider organization," with a debt-to-equity ratio of more than 50 percent.

This would prevent one of the most pernicious and harmful practices of private equity firms and similar actors, where a health care entity is loaded up with debt as part of its purchase, often with a ratio of 70 or 80%. This quickly exports the value of the hospital or other health care entity to the shareholders of the firm and leaves the health care provider and the patients it serves in a precarious financial position.

We've seen the devastating results of these transactions in states across the country and we have the opportunity now to build on the work this committee began by passing the temporary private equity moratorium and more permanently safeguard public health in Maine.

The commission arrived at this proposal after hearing testimony and presentations from the public, from experts on health care transactions and from legislators in other states. The idea of targeting harmful practices of private equity, rather than definitional restrictions on the firms themselves, was first proposed as an approach by the Maine Hospital Association. The specific mechanism of addressing debt-to-equity ratios and the proportion of 50% was recommended by Professor Zirui Song of Harvard Medical School, one of the nation's leading experts on private equity in health care.

"Regulating the strategies, the practices, I think is a really nice idea, because you're not targeting a particular type of owner, you're not labeling everybody the same way," Dr. Song put it in his testimony to the commission. "If you limit health care transactions to 50-50 debt slash existing

money, that would immediately put less risk onto the acquired [entity]. That would immediately make less of their belongings go in as collateral.”

One aspect of this bill the commission may want to give some additional thought to is the definition of health care entity. This definition appears to be the same as that used in LD 1972 and excludes nursing homes. Given the threats these facilities face, the committee may wish to use a different and more expansive definition of health care entity used elsewhere in Title 22.

Thank you for your consideration of this bill and all the recommendations of the Commission.