



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

February 18th, 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.

Thank you for the opportunity to testify in support of LD 2201.

LD 2201 creates a structured regulatory review process for material change transactions involving health care entities when those transactions include private equity companies, hedge funds, or management services organizations. The bill requires advance notice of proposed transactions and meaningful public transparency, establishes a preliminary and comprehensive review process for these transactions, which includes consideration of impacts on costs, quality, access, competition, workforce conditions, and equity, and includes post-transaction reporting and oversight.

This bill directly responds to well-founded concerns about the growing financialization of health care without adequate safeguards to ensure such changes benefit patients and communities rather than prioritize profit at the expense of affordability or access. The financialization of health care is accelerating nationwide, including the expanding involvement of private equity (PE) firms. PE investors spent more than \$200 billion on health care acquisitions in 2021 alone and approximately \$1 trillion over the past decade.¹² These investments increasingly involve

¹ <https://www.pbs.org/newshour/show/investigation-reveals-how-investors-made-millions-as-steward-health-care-system-collapsed>

² <https://www.healthaffairs.org/doi/10.1377/hpb20251007.715449/>

physician practices, hospitals, behavioral health providers, emergency departments, and specialty care groups.

Standard private equity investment models typically rely on significant debt financing and relatively short investment horizons with the goal of generating high returns for investors. These models frequently include strategies such as leveraged buyouts, real estate investment trust (REIT) arrangements, asset sales, and aggressive revenue maximization practices.

While private investment can in some instances provide capital and managerial expertise, the underlying financial structure often prioritizes short-term profitability over long-term system sustainability. This approach is often inconsistent with building and maintaining a stable, high-quality, accessible, and affordable health care system.

Private equity acquisition is associated with increased risk of hospital acquired adverse events (falls, central line infections, etc.) despite serving lower-risk patients, suggesting lower overall inpatient care quality.³ Another study found that private equity acquired hospitals showed an increased number of charges and higher allowed amounts per charge for hospital services compared to similar non private equity acquired hospitals.⁴ These findings raise important questions about whether existing oversight mechanisms are sufficient to protect patients, workers, and communities when ownership structures change.

Currently, Maine does not have a comprehensive framework to review and assess the broader market and community impacts of many health care ownership transactions before they occur. By the time negative impacts are visible, it may be too late to reverse them.

LD 2201 ensures that the State has advance visibility into transactions that could materially affect health care delivery and a structured process to evaluate impacts on affordability, quality, access, workforce stability, and health equity. This proactive approach allows the state to identify risks early, apply conditions where appropriate, and protect the integrity of Maine's health care infrastructure.

Other states provide clear examples of how these factors, including impact on affordability can be incorporated into health care market oversight programs. The Massachusetts Health Policy Commission conducts Cost and Market Impact Reviews of significant health care transactions and examines whether a proposed merger, acquisition, or affiliation is likely to increase prices, enhance market leverage, or otherwise raise costs for consumers. Likewise, in Oregon, the Oregon Health Authority reviews health care transactions to determine whether they are likely to increase consumer costs, reduce competition in ways that could drive up prices, or limit access to

³ [Kannan S, Bruch JD, Song Z. Changes in Hospital Adverse Events and Patient Outcomes Associated With Private Equity Acquisition. *JAMA*. 2023;330\(24\):2365–2375. doi:10.1001/jama.2023.23147](#)

⁴ <https://pubmed.ncbi.nlm.nih.gov/32833006/>

reasonably priced services. In California, the Office of Health Care Affordability reviews significant health care transactions through its Cost and Market Impact Review process, examining whether a proposed merger, acquisition, or affiliation could drive up prices, increase costs for consumers or payers, or reduce competition in ways that would limit access to reasonably priced care. Similar to Massachusetts and Oregon, California's evaluation focuses on the transaction's likely effects on costs, pricing, and market dynamics that influence the affordability of care.

LD 2201 would allow Maine to follow the example of these other states by ensuring that comprehensive reviews of material change transaction explicitly consider how proposed projects and ownership changes may affect the cost of care for Maine residents.

Lastly, it is important to note that LD 2201 does not prohibit private investment. Rather, it ensures transparency, accountability, and thoughtful evaluation before significant ownership changes occur. It gives Maine the tools necessary to safeguard patients, communities, and the long-term sustainability of our health care system. For these reasons, the Maine Office of Affordable Health Care supports LD 2201.

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

Sincerely,

A handwritten signature in cursive script, appearing to read "M. E. Garratt-Reed".

Meg Garratt-Reed, Executive Director