



**Testimony of Dr. Andy Mueller, CEO
MaineHealth
In Strong Opposition to LD 2196
“An Act to Lower Health Insurance Costs, Reduce Barriers to Health Care
and Ensure Fair Prices for Health Care.”**

March 5, 2026

Senator Ingwersen, Representative Meyer, and distinguished members of the Joint Standing Committee on Health and Human Services, my name is Andy Mueller. I am a family physician and CEO of MaineHealth, and I am here today in strong opposition to LD 2196, “An Act to Lower Health Insurance Costs, Reduce Barriers to Health Care and Ensure Fair Prices for Health Care.”

At the outset, I want to acknowledge that we agree health care is expensive, and affordability represents a real and growing challenge for the patients and communities we serve. That strain is not abstract to us. We see it in a steady growth of bad debt and charity care, reflecting the financial pressure facing Maine families and employers. As the state’s largest private employer, we also experience the impact directly through rising health insurance costs for our own care team members. Affordability matters to us because it affects our patients, our workforce, and the long-term strength of our communities.

I also want to acknowledge that patient experiences underscore that the current system is broken. But solutions must not undermine access to care. Every day, our teams provide lifesaving care – from a trauma patient LifeFlighted from Aroostook County to Maine Medical Center after a devastating snowmobiling accident, to a premature infant transported by the Critical Care Transport ambulance to Barbara Bush Children's Hospital for advanced neonatal care. These are not optional services; they are essential to meeting the needs of the state. And this bill would seriously undermine this lifesaving care that Mainers have come to rely upon.

At its core, Part A of LD 2196 assumes that Maine’s hospitals are paid excessively - far more than they need to be sustainable – and that arbitrary cuts to hospital revenue will be absorbed without serious consequences to patients. Nothing could be further from the truth.

LD 2196 does not address why hospital prices have increased faster than inflation. This is a complex issue, and simplistic solutions risk serious harm. A primary driver has been a reset of the labor market. Between 2020-2025:

- Average pay for **non-exempt MaineHealth employees increased by 32.5 percent**
- Average pay for **exempt MaineHealth employees increased by 27.1 percent**

- Over the same period, **CPI grew by 23 percent**

Labor represents approximately **63% of MaineHealth's operating budget**, meaning these necessary workforce investments have had a substantial impact on costs. These are not optional expenses — they are essential to ensuring that Maine people can access skilled clinicians and caregivers across our region.

Other cost drivers include:

- The rising cost of pharmaceuticals, and advanced, high-cost therapies that improve outcomes at high prices. We recently treated a pediatric patient whose lifesaving therapy cost \$2.3 million.
- Maine's demographic profile as an old and below average income state results in a greater reliance on Medicare and other governmental payers that reimburse below the cost of care, shifting financial responsibility to commercial payers.
- Rising utilization and patient acuity, particularly post pandemic.

Because affordability matters deeply to us, MaineHealth has taken deliberate and measurable steps to stabilize the cost of care within our own organization.

Over the past three years, MaineHealth has reduced expenses by \$250 million, demonstrating sustained organizational efforts to operate more efficiently. We have also directed our leadership teams to hold administrative cost growth to 0% in fiscal year 2027. These actions represent meaningful internal discipline and reflect our commitment to stewardship of resources.

And let me take this opportunity to tackle the issue of executive compensation. The reality is that we operate in a highly competitive national labor market. Even so, we adhere to a frugal value system which targets executive compensation at the median for the region. Do we lose talented leaders to hospitals that pay more? Yes. But we intentionally balance fiscal discipline with the need to recruit and retain leaders capable of sustaining a high-quality health system that is illustrated by recent national recognition, including:

- We have been recognized by the independent Lown Institute for ranking 5th out of 322 systems nationally in the value of care that we provide
- All of our eligible hospitals have achieved CMS 4 star ratings
- MMC Portland is a Nursing Magnet designated hospital
- MMC Portland has achieved Leapfrog "A" ratings for the last 11 rating periods

These achievements reflect a high-quality system, and they help us recruit top tier talent. But fair compensation is also necessary to recruit and retain the best and the brightest to Maine. And the reality is you could eliminate every vice president and above at MaineHealth, and it would barely make a dent in the overall cost of health care for Maine people.

MaineHealth has worked hard to meet the voluntary restraints set in current Maine statute. The stakeholders worked together to set those targets in 2007, and MaineHealth met the operating margin target every year since its inception, and the expense per case mix adjusted discharge and

volume-adjusted outpatient discharge all but one of the last five years. We are committed to supporting meaningful and reasonable efforts to stem the growth of health costs.

Additional ways that we are working to address health care costs include investing in improved models of care delivery designed to lower total cost, while also improving patient experience. One example is the development of an Ambulatory Surgical Center that will be licensed separately from the hospital, allowing services to be delivered at a lower cost than hospital-based care. Another is advancing innovative care models that challenge traditional fee-for-service reimbursement structures, including our Westbrook primary care practice.

LD 2196 offers what appears to be a straightforward solution to the real problem of affordability: reducing payment rates and imposing cost growth caps on hospitals. However, by arbitrarily reducing payment rates and establishing cost growth limits that do not reflect Maine's cost structure, LD 2196 would decimate healthcare across Maine by slashing the very funds that are serving as a lifeline to our precariously vulnerable hospitals. As a result, we would be forced to reduce services, close hospitals, and lay off thousands of not just administrative jobs, but clinical jobs as well.

At MaineHealth, this would mean a cut that is more than 8 times greater than our budgeted operating margin for FY '26. A cut of that magnitude cannot be absorbed without devastating consequences. It would force difficult decisions. Specifically, the likely impacts would include:

- The loss of approximately one-third of the MaineHealth care team, representing more than 8,000 jobs.
- Service reductions and potential hospital closures, including serious risk to community hospitals and critical access hospitals that depend on system-wide support.
- The inability to sustain a Level 1 Trauma Center and the highest level of neonatal intensive care in Maine, requiring patients to be transferred out of state for lifesaving care.
- Reductions in services such as nephrology and oncology, as well as programs that already operate at a loss but are essential to our mission such as behavioral health.
- A revenue loss of this magnitude would also greatly hinder our medical education programs, making it difficult to host and support residents, nursing students and others in training to address the severe labor shortages across our industry.
- It would also put at risk our ability to conduct ground-breaking research into areas such as Lyme disease, cancer, cardiovascular disease and infectious diseases.
- Increased strain on every hospital in Maine due to reduced tertiary capacity and fewer options for safe transfers of the sickest patients.

MaineHealth is not operating from a position of excess. We had negative operating margins in two of the last four years, and last year, MaineHealth received one-time COVID-related FEMA relief dollars. If not for those one-time funds, our operating margin would have been just .05 percent - well below what is needed to sustain a non-profit health care system.

Of MaineHealth's five historical PPS hospital sites – including those hospitals targeted by this bill – only one had a positive average operating margin over the past eight years. And that hospital – Maine Medical Center in Portland - supports critically important services and hospitals that operate at a loss: MidCoast and Pen Bay, Spring Harbor Hospital, and physician services, such as primary care.

Should LD 2196 pass, MaineHealth would have a negative 11% operating margin. That is not sustainable. We currently have over \$500 million in deferred capital needs - including outdated HVAC systems, aging boilers, and essential infrastructure that supports safe patient care. When margins are thin, those projects are delayed, but the needs do not disappear.

Lower health care costs should not come at the expense of access to needed care. Maine has no redundancy in its provision of health care services. If you close a service, there are few, if any options for patients to go. And providers have many options outside of Maine, so fewer services and less support for health care will be magnified by a loss of physicians to other states.

While I believe that national solutions are a critical element of meaningful reform, I have come to appreciate that Maine is one big small state and we have the unique ability to collaborate in ways that most states cannot. We believe that meaningful solutions to health care affordability and cost require collaboration among stakeholders to identify approaches that preserve both access and high-quality care that Mainers deserve.

Finally, my testimony has focused solely on Part A of this bill. There is merit to discussing Part C, and Part B is a bill that we strongly supported and sits on the Appropriations Table now. But Parts B and C will not be relevant if Part A passes in any form.

For these reasons, we respectfully and strongly urge the Committee to vote Ought Not to Pass on LD 2196.

Thank you for your time and consideration. I would be happy to answer any questions.