

LD #985

## 132nd Maine

**An Act to Impose a Moratorium on the Ownership or Operation of Maine Hospitals by Private Equity Investors**

**Overview:** LD 985 will impose a five-year moratorium on Private Equity hospital investments, allowing time to develop appropriate laws to protect Maine Hospitals.

- ➔ With nearly 70% of health care financed by the public (1), the public must have a say if hospitals are to be acquired by for-profit businesses. Over 450 U.S. hospitals are owned by private equity — a rapidly growing trend. (2)
- ➔ The idea that private equity (PE) will make hospitals more efficient and provide better patient care is wrong. **A growing body of research shows that PE-backed hospitals have poorer care at higher costs (2).** The reason for this is simple: PE rewards its shareholders by syphoning off well-paid hospital services (e.g., labs) and leaves unprofitable services (e.g., birthing centers) to sink.
- ➔ Currently, all Maine acute care hospitals are owned and operated by non-profit entities. **PE ownership or operation of one or more Maine hospitals would worsen existing staffing, quality, and cost challenges.**

**Case Study**

The Steward Health Care saga demonstrates how private equity can destabilize healthcare systems: Cerberus Capital purchased the non-profit Caritas Christi hospitals in 2010, rebranded as Steward, sold off their real estate, purchased more hospitals across the country, and exited with \$800 million in profits. Under subsequent management, Steward continued cutting costs and neglecting bills in order to keep up with its rent payments, resulting in care and safety concerns, including patient deaths. Steward filed for bankruptcy in 2024, with hospital closures that disproportionately impacted vulnerable communities, patients, and providers. (2)

**The Way Forward:**

- The regulation of Private Equity acquisitions must be carefully considered. There are many options including, among others, outright prohibition, increased financial transparency, rate regulation, and different insurance reimbursement requirements. It will take time for the Maine Legislature to determine the best course of action.
- **A moratorium will insure the best outcome for the Maine people.**

**Definitions:**

- **Private Equity (PE):** PE is a way of investing in private companies or institutions that are not listed on the stock exchange. PE firms invest in these companies “with the aim of restructuring, streamlining, or expanding operations to generate high returns for investors in short periods.” (3) Unlike the U.S., other countries have enacted protective regulations.
- **Real Estate Investment Trusts (REITs):** REITs allow investors to invest in real estate without having the responsibility of taking care of the property itself.

1. Himmelstein D.U et al. Who Should Own Americans' Health Care? JAMA. February 12, 2025. doi:10.1001/jama.2024.28565

2. Brownstein, M. Private equity's appetite for hospitals may put patients at risk. Harvard T.H. Chan School of Public Health. December 16, 2024. <https://hsph.harvard.edu/news/private-equitys-appetite-for-hospitals-may-put-patients-at-risk/>

3. Singh Y, Brown E.F. The Rise of Private Equity in Health Care — Not a Uniquely American Phenomenon. New England Journal of Medicine. February 8, 2025. <https://www.nejm.org/doi/full/10.1056/NEJMp2412002>