



**Testimony of Trevor Putnoky  
to the Office of Affordable Health Care  
September 25, 2024**

My name is Trevor Putnoky and I'm the President and CEO of the Healthcare Purchaser Alliance of Maine (HPA). While I serve as the Chair of the Advisory Council on Affordable Health Care, my testimony today is solely in my capacity as the President and CEO of the HPA.

The HPA is a nonprofit that represents the purchasers of healthcare in Maine. Our mission is to advance healthcare value and to support and incentivize 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.

Businesses and families in Maine continue to face unsustainable increases in healthcare costs 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,<sup>1</sup> and led to higher premiums, more cost sharing, and higher deductibles for Maine families. In fact, Maine currently has the highest individual deductibles in the country, and the fifth highest family deductible.<sup>2</sup> Small employers—who make up the vast majority of businesses in Maine—have been particularly hard hit, as have their employees. A national survey taken earlier this year found that over half of small businesses have responded to rising healthcare costs by increasing employee contributions to health plans and nearly half have moved to plans with more limited coverage. Almost three in ten small businesses have cut other employee benefits and 24 percent have stopped offering health insurance altogether.<sup>3</sup> And based on preliminary information they received from their carriers, our members report that 2025 premiums are going to increase even more than usual.

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<sup>1</sup> 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>.

<sup>2</sup> Kaiser Family Foundation, *Average Annual Deductible per Enrolled Employee in Employer-Based Health Insurance for Single and Family Coverage*, 2021. 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>.

<sup>3</sup> Small Business Majority, "Opinion poll: Small businesses struggling with rising healthcare costs, support bipartisan policy solutions," February 21, 2024. Available at: <https://smallbusinessmajority.org/sites/default/files/research-reports/poll-small-businesses-struggling-with-healthcare-costs.pdf>.

One of the main factors driving healthcare cost increases is the rising cost of hospital care, with hospital spend comprising over 50 percent of our members' combined medical and pharmacy claims from 2019–2022. Yet at the same time hospital prices continue to rise, we have all heard from our hospitals—and we can see in their financial statements—that many of them are operating with narrow or negative margins.

Hospitals have primarily addressed these financial challenges by increasing prices in the commercial market. And because the highly consolidated nature of our delivery system gives them outsized leverage in contract negotiations, hospitals have been largely successful in securing rate increases from the commercial market. This is consistent with national studies, which have 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.<sup>4</sup> Results from that same study suggest that bargaining leverage is an important component in price variation.<sup>5</sup>

While the HPA has a great deal of empathy for the financial difficulties facing our hospitals, they're not the only ones facing financial challenges. With the costs of healthcare continuing to rise, Maine consumers are increasingly struggling to cover the costs of health care. A recent survey of Mainers revealed the extent of those struggles, with more than one in three Mainers reporting that they skipped or delayed going to the doctor when they were sick due to costs. And one third struggled to pay for basic necessities like food, heat, or housing due to medical bills.<sup>6</sup>

We believe that stakeholders must work together to support strategies that help hospitals get on a better financial footing without further increasing the financial burden on Maine consumers and employers. While we know that many Maine hospitals are taking action to curb costs, we believe there must be increased focus on the advancement of health system efficiencies rather than continued reliance on price increases to address shortfalls.

Improving hospital efficiency is hard work, but it is not impossible. There are examples of hospitals throughout the country that have succeeded in improving efficiency—strategies we believe could work in Maine. By making efficiency a priority, University Hospital System in Ohio reduced the cost of treating

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<sup>4</sup>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%20ain't%20right%20qje.pdf).

<sup>5</sup> Ibid.

<sup>6</sup> Digital Research Inc., *Views of Maine Voters On Health Care Affordability*, Consumers for Affordable Health Care, May 11, 2023. Available at: [https://drive.google.com/file/d/14-Ywr3GM8FdKP5qa9U3Kp6Q3EdIcIG\\_4/view?pli=1](https://drive.google.com/file/d/14-Ywr3GM8FdKP5qa9U3Kp6Q3EdIcIG_4/view?pli=1).

Medicare enrollees by a third over the course of just a year and a half—ultimately getting to profitability on Medicare reimbursement. Undertaking similar initiatives in Maine could improve hospitals’ financial status without further increasing the cost of care for Maine families and employers.

So, how do we move forward?

With many hospitals already stretched thin delivering high-quality and essential care to Mainers, it is important to ensure that they have the resources they need to successfully undertake more of this work, which can be challenging, complex, time consuming, and costly. It may require additional resources over the short term, but such an investment would be worthwhile if it resulted in long-term efficiencies that reduce the cost of care.

Another important tenet of such work is that the resulting savings must be clearly quantified and passed through to consumers. There must be a direct relationship—and clear line of sight—between actions taken by providers and the price that individuals and purchasers pay for health care. To that end, we believe the Bureau of Insurance should evaluate their rate review process to ensure that any savings achieved by hospitals don’t accrue to insurers but are instead passed through to families and employers in the form of lower premiums.

Undertaking this work will be difficult—much more difficult for hospitals than raising prices would be. But Mainers can no longer afford to absorb continued rate increases from hospitals that far exceed inflation. Paying more every year is simply not an acceptable solution. We must work together to encourage and support meaningful, transparent and measurable improvements in affordability. The alternative is no longer sustainable.