

Manny Pastreich
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Good morning/afternoon. My name is Manny Pastreich and I am the Secretary-Treasurer of SEIU 32BJ. As you may know, 32BJ is the largest union of property service workers in the country, representing over 85,000 hard-working New Yorkers who work as cleaners, residential porters, doormen, security officers, window cleaners, passenger service staff at airports and school food service workers.

Our members keep New York running, no matter what comes. They've certainly done it throughout the COVID-19 pandemic, showing up every day to ensure that our city could function. Ensuring high quality, affordable healthcare for our members and their families is a core mission of our union, and we fight hard to win and maintain them. The COVID-19 pandemic has only underscored how vital these benefits are. These benefits include family coverage with no premiums, low co-pays, and a network of thousands of doctors who provide high-quality care. Unfortunately, these benefits are jeopardized by skyrocketing hospital costs.

And the problem our members are facing on health care costs is not unique to them – exorbitant hospital charges are hurting millions of New Yorkers. Hospital prices are the number one driver of costs in healthcare, not just for us, but for the entire healthcare industry. Over the past decade, premiums and deductibles have outpaced wages. That means healthcare has not only gotten more expensive, but it also costs more for patients and plans like ours.

As the state makes budget decisions, both as a purchaser of healthcare for state employees and in providing aid to hospitals, we should act to be good stewards of taxpayer money and ensure that wealthy private hospital systems are not overcharging consumers.

Our 32BJ health care plan is self-funded. This means that the cost of our members' health care is paid using funds secured through our contracts with their employers. And it means all medical claims are paid by the 32BJ Health Fund. Our fund has no profits or shareholders, and no interest other than providing workers with the highest quality health care they can afford. While the Health Fund uses a third party administrator to manage our benefits, the cost of the care provided to plan participants is paid entirely by the Health Fund. That means as hospital and medical costs go up, those costs are passed directly onto the 32BJ Health Fund. Over the years, these skyrocketing costs have taken an increasingly larger share of the money our members win at the bargaining table for wages and all their benefits. Every dollar spent on higher-priced healthcare is a dollar that can't be used to make other kinds of quality and affordable care available to Fund participants, or for much-needed wage increases and other benefits.

Several years ago, our Health Fund and our union began looking at how hospital pricing factored into health care costs. What we found when we analyzed our payment data is truly shocking.

To begin with, we found that the five major private hospital systems in New York City (New

York Presbyterian, Montefiore, NYU Langone, Northwell, and Mt Sinai) are charging our Fund an average of 316% of what they charge Medicare for the exact same procedures performed by the same doctors at the same hospitals. This has cost our Fund and our members hundreds of millions of dollars over the past decade. In fact, if our healthcare costs had simply risen at the same rate as inflation over the past decade, our members could have received nearly \$5,000 more in their pockets in wages this year without costing our employers a cent more than our current total compensation. For our hard-working members trying to raise families in an expensive city, this would make a world of difference.

Before I go on, I want to make a couple of things clear. First, it's very important that we all understand our fight is not with the hardworking doctors, nurses and medical staff at hospitals. These people are doing amazing, life-saving work. Our fight is with the accountants and hospital leaders who manage the hospital systems and run their finances.

Second, it's crucial that we understand that price and quality are not the same. Our priority is always to maintain high quality healthcare for our members. But there is no clear link between hospital cost and hospital quality. A 2018 Rand study that compared low-, medium- and high-cost hospitals found that higher cost hospitals do not have better quality scores than those with low or medium costs. In short, quality of care does not depend on what the hospital charges.

Our Health Fund has found real extreme differences in what we pay for the same care at different hospitals. The significant disparity in prices for the same care in different hospitals lacks rational justification. And we aren't talking about groundbreaking new procedures. For example, our Health Fund paid an average of \$9,000 for a colonoscopy at New York Presbyterian but an average of only \$3000 at other New York hospitals. Millions of dollars are being lost when hospitals overcharge for care and it has to stop.

We believe that beyond our members, these out-of-control pricing practices are also harming our state. Our state government is the largest purchaser of healthcare in the state, covering approximately 1.2 million lives. And there is no reason to believe that the state is getting a better deal than our Fund is. If we extrapolate from the trends uncovered by our Fund, and assume that the state spends the same percentage of its healthcare expenses on hospital costs as our Health Fund and would achieve the same rate of savings as our Fund would if we were charged Medicare rates, we estimate that the state may be losing almost \$1.5 billion to hospital overpricing.

As the state considers its spending for the coming year, we would urge you the legislators, as the stewards of the interests of taxpayers in our state, and as those responsible for the well-being of all those who work for the state, to consider actions that use the state's purchasing and regulatory powers to bring these hospitals to heel and act in a responsible manner. Specifically, before providing additional aid to wealthy hospital systems, the state should audit what we are being charged and ensure that these systems are not inflating their profits at tax payer expense.

New Yorkers everywhere are paying the price of predatory hospital pricing. We are paying for it directly. We are paying for it with depressed wages and fewer jobs. And we are paying for it with our tax dollars being wasted.

We thank you for your time today.