



Building Service 32BJ Health Fund

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**Testimony of Cora Opsahl, Director, 32BJ Health Fund
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Introduction

My name is Cora Opsahl, and I am the Director of the 32BJ Health Fund, a large self-funded health plan that provides health care benefits to over 200,000 32BJ SEIU union members and their families using contributions from over 5,000 employers. Those union members are the front-line building services workers that keep our buildings in order and our airports and schools running. We are one of the largest self-insured funds in New York State.

The cost of participants' healthcare is paid using funds secured through the union's contracts with their employers. All medical claims are paid by the 32BJ Health Fund. Our Fund has no profits, no shareholders, and no financial interests other than providing our participants with high-quality, affordable healthcare. While the Fund uses a third-party administrator to manage our benefits, the cost of care provided to plan participants is paid entirely by the Health Fund using employer contributions. That means as healthcare costs go up, those costs are passed on directly to our Fund.

Unless otherwise cited, all data provided in this testimony are from 32BJ Health Fund claims data analyses.

Why Hospital Prices Matter

Every dollar spent on higher-priced care is a dollar that can't be used for wage increases or other benefits like pension. Since 2004, the cost of health benefits for our participants has increased from 17 percent of the total employee compensation package to 37 percent. Put another way, healthcare costs have risen four times that of wages: with a 54% increase in wages and a 230% increase in health benefit costs. While many factors drive the rising cost of healthcare, our data -- and that of others -- consistently points to one overwhelming contributor: rising hospital prices. No other factor has a greater impact on healthcare costs. Our Health Fund spends about \$1.5 billion on healthcare each year, and over half of that spending is on hospital care. The Health Fund spends more annually on health services from the five largest academic medical centers in New York City than is paid in pension benefits each year by the 32BJ Pension Fund.

According to the U.S. Bureau of Labor Statistics, the inflation rate for hospitals prices has risen over 100% since 2009.¹ This compares to increases of about 50% for prescription drugs, housing, and food.² Data from the most recent hospital price transparency studies show that commercial purchasers in New York State paid 310% of Medicare for hospital services on average in 2022, while the national average was 250% of Medicare.³ Though some will argue that Medicare rates do not sufficiently cover the cost of care, the extent of these markups don't add up.

¹ U.S. Bureau of Labor Statistics, Consumer Price Index. <https://www.bls.gov/charts/consumer-price-index/consumer-price-index-by-category.htm>

² Id.

³ RAND Hospital Price Transparency Study 5: <https://www.rand.org/health-care/projects/hospital-pricing/round5.html>

The hospital prices that 32BJ Health Fund pays in New York State have risen from 218% of Medicare in 2016 to 260% of Medicare in 2023. These amounts are substantial but would have been markedly higher without the difficult decision to remove a high-priced hospital system from our network in 2022. If the Fund paid the same rates that Medicare does for hospital services from 2016 to 2019, it could have saved \$1.1 billion.⁴ In recent years, spending increases are being driven by the *hospital outpatient sector*. In 2019, we spent roughly equivalent amounts on hospital inpatient and outpatient services. But from 2019-2023, our hospital inpatient spending decreased by 6% while hospital outpatient spending increased by 25%.

Hospital prices matter for New York State’s budget. Public employee health plans are experiencing the same phenomenon that we are when it comes to high healthcare costs driven by rising hospital prices. According to data provided by the New York State Health Insurance Plan (NYSHIP), which provides health benefits for 1.2 million State employees, retirees, and dependents, hospitals accounted for 41% of total healthcare spending in 2021.⁵ This is slightly higher than the New York State average of 39%.⁶ In 2022 and 2023, NYSHIP reported spending about \$4 billion on hospital care each year.⁷ Over half of that spending, or \$2.2 billion, went to eight large hospital systems downstate.⁸ Nearly \$1.4 billion was spent on only three large hospital systems: Northwell, NYU Langone, and New York Presbyterian.⁹ From 2022 to 2023, NYSHIP saw negligible changes in hospital inpatient spending, but a near 10% increase in hospital outpatient spending, such that spending on outpatient services nearly equaled spending on inpatient services.¹⁰

What the Legislature Can Do to Mitigate Rising Hospital Prices: The Fair Pricing Act (S.705/A.2140)

High and rising hospital prices matter for everyone in New York State that has to balance a budget. New York’s per capita spending on hospital care is higher and growing faster than the national average.¹¹ This is due to high hospital prices, rather than increasing utilization. For too long, purchasers, policymakers, and patients have been expected to shoulder the burden of unjustifiable hospital price increases. New York State needs to act immediately to lower commercial hospital prices and to slow those price increases over time.

One way to do this is to mitigate the incentives for large hospital systems to acquire independent physician practices, which drives up healthcare prices. After hospital systems acquire a physician practice, they charge higher prices for low-complexity services that have typically been provided in those offices, like imaging (X-rays, MRIs, and CT scans), drug administration, and preventive care visits. When physician practices are acquired by hospitals, their prices increase by an average of 14%.¹² A new study from Brown University using New York State commercial claims data shows that hospital outpatient department prices are four times higher than doctor’s office prices for these low complexity services, on average.¹³ As an example, claims data from

⁴ 32BJ Health Fund. (Revised November 1, 2022.) Hospital Prices: Unsustainable and Unjustifiable.

⁵ Letter from Department of Civil Service to Senator Gounardes and Assemblywoman Cruz dated January 30, 2023

⁶ Appendix Table e9c in: Emily K. Johnson et al., "Varied Health Spending Growth Across US States Was Associated With Incomes, Price Levels, And Medicaid Expansion, 2000–19," *Health Affairs*, 41(8): 1088–1097, <https://doi.org/10.1377/hlthaff.2021.01834>

⁷ New York State Department of Civil Service. Empire Plan Hospital Pricing: Annual Report Years 2022 & 2023. Accessed January 27, 2025. <https://www.cs.ny.gov/extdocs/pdf/2024%20Hospital%20Transparency%20Report.pdf>

⁸ Id.

⁹ Id.

¹⁰ Id.

¹¹ Hammond, B. (March 30, 2023). New York’s Hospital Profits Surged in 2021. Empire Center.

<https://www.empirecenter.org/publications/new-yorks-hospital-profits-2021/>

¹² Capps, C., Dranove, D., and Ody, C. (May 2018). The effect of hospital acquisitions of physician practices on prices and spending. *Journal of Health Economics*, 59:139-152. <https://doi.org/10.1016/j.jhealeco.2018.04.001>.

¹³ Murray, R., Janjua, H., and Whaley, C. (February 11, 2025) Estimating Savings from the Fair Pricing Act and Commercial Site-Neutral Payments in New York State. Brown University Center for Advancing Health Policy through Research.

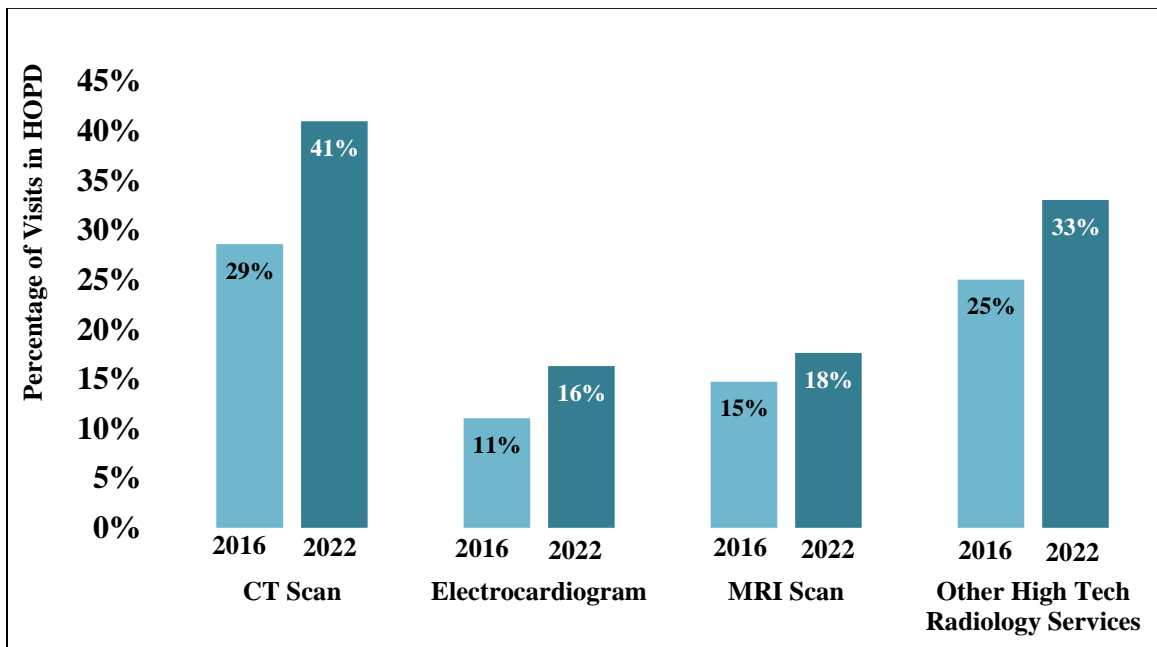
32BJ Health Fund shows an average aggregate price of \$23 for flu shot administration in the doctor’s office compared to \$183 in the hospital outpatient department.

The Fair Pricing Act (S.705/A.2140), sponsored by Senator Liz Krueger and Assemblymember Chantel Jackson, would make New York the first state in the nation to ensure that the same procedure costs the same price no matter what setting the care is provided in, similar to enacted and proposed “site neutral payment” policies under the Medicare program. The proposal would do this by capping prices for certain routine, low-complexity services at prices comparable to those in doctor’s offices, regardless of who owns the building.

The Fair Pricing Act would require hospitals to offer a contract for specific, routine services – already determined by the Medicare Payment Advisory Commission (MedPAC) – with prices capped at a certain percentage of Medicare. Providers would not be allowed to charge, bill, or accept payments above the cap. The bill would also explicitly prohibit facility fees for these services. Safety net hospitals, public hospitals, federally qualified health centers, critical access hospitals, sole community hospitals, and rural emergency hospitals are all exempt from the legislation. State-regulated payers would also be prohibited from entering into contracts that provide reimbursement rates in excess of the cap, and would not be allowed to hold participants responsible for amounts above that cap.

32BJ Health Fund has observed that certain basic services, like flu shots, x-rays, or MRIs, have shifted from the historical norm of being provided in a doctor’s office to being provided in hospital outpatient departments. For example, in 2016, 71% of non-emergency CT scans for our participants in New York occurred in doctor’s offices, with 29% in a hospital outpatient department. By 2022, nearly 41% of CT scans were occurring in a hospital outpatient department (see Figure 1). There is no apparent clinical reason for this shift. This is particularly worrisome because the average hospital outpatient department price for a CT scan in our data is almost double that of a CT scan provided in a doctor’s office. If non-emergency CT scans in New York hospital outpatient departments cost the same as those in the doctor’s office, our Fund could have saved over \$500,000 in 2022.

Figure 1: 32BJ Health Fund Claims Illustrate That Basic Procedures are Shifting to Hospital Outpatient Departments (HOPD) (from 2016 to 2022)



The Fair Pricing Act would create greater healthcare affordability and tangible savings for purchasers like 32BJ Health Fund, for New York State, and for patient out-of-pocket costs. According to 32BJ Health Fund’s analysis of its claims, the Fund could have saved \$31 million, or 2% of overall health benefit spend, in 2022 if this type of policy were in place.¹⁴ We expect other self-funded plans in the state to see similar savings. A study of New York State commercial claims data from health economists at Brown University shows large annual savings could be achieved for New York State (\$121 million) and New York City (\$72 million) public employee and retiree health plans.¹⁵ Overall, the study found that New York State could see \$1.1 billion in savings per year from this proposal – with up to \$213 million in savings going directly back into New Yorkers’ pockets through lowered out-of-pocket costs.¹⁶

Setting a cap on prices at a percentage of Medicare rates ensures a limit on the current arbitrary nature of prices in the commercial market. Medicare rates are set to reflect the cost of care for services and are based on extensive expert review. A rate cap at 150% of Medicare is above the level at which doctors’ offices are currently providing these services in New York, which is 130% of Medicare on average.¹⁷

Though you will hear testimony today about hospitals being underfunded by public payers, which is true for many safety net and public hospitals, there is also another side of our healthcare system that has an enormous impact on healthcare affordability for patients in New York. This side is represented by the high-priced hospital systems that yield large market share and large profits in the current market. For example, New York Presbyterian Hospital generally maintained operating profit margins above 15% from 2012 to 2022, Northwell Lenox Hill Hospital had operating profit margins between 8% and 26%, and the Hospital for Special Surgery had consistently positive operating profit margins between 12% and 25% during this timeframe.¹⁸

Safety net and public hospitals are exempt from the Fair Pricing Act because these are not the hospitals charging New Yorkers high prices. We cannot let fear of the problems faced by struggling safety net or public hospitals prevent commonsense action to rein in the highest prices that leave our healthcare market vulnerable to profit-seeking behavior.

When hospitals raise prices on routine medical care provided in hospital outpatient departments that is safe to provide at a doctor’s office, the added costs are shouldered by patients, families, workers, and employers. We can make healthcare pricing for routine services fairer and more affordable for all New Yorkers, without compromising access or quality of care.

FY2026 Executive Budget Proposals

Financially Distressed Hospitals and Safety Net Transformation Program Funding

32BJ Health Fund supports ensuring that financially distressed and safety net hospitals maintain adequate funding to stabilize their workforce and provide high quality care for the communities they serve. It remains 32BJ Health Fund’s position that any proposed reimbursement rate increases for FDH and safety net hospitals, whether in the state budget or subsequent legislative proposals, be tied to an objective benchmark like Medicare instead of average commercial rates.

¹⁴ 32BJ Labor Industry Cooperation Fund. The Need for Fair Hospital Pricing in New York. Published September 2024. <https://32bjhealthinsights.org/resources/#32BJHealthFund>

¹⁵ Murray, R., Janjua, H., and Whaley, C. (February 11, 2025) Estimating Savings from the Fair Pricing Act and Commercial Site-Neutral Payments in New York State. Brown University Center for Advancing Health Policy through Research.

¹⁶ Id.

¹⁷ Id.

¹⁸ Hospital Cost Tool published by the National Academy for State Health Policy. Accessed February 3, 2025. <https://tool.nashp.org/>

Proposed Changes to NYS Public Health Law Regarding Provider Material Transaction Reviews

New York State's hospital marketplace is becoming increasingly consolidated through multi-hospital system acquisition and merger transactions.¹⁹ Research shows that consolidation contributes to increased prices for all patients, including those covered by commercial insurance.²⁰ Greater oversight of proposed hospital transactions is sorely needed in New York State. In September 2024, the Northwell Health System's proposed acquisition of Nuvance Health System was approved by the Public Health and Health Planning Council (PHPPC) with a limited public input process that did not include the legally required Health Equity Impact Assessment.²¹ This process did not consider the potential impacts the transaction would have on increasing costs of care and market consolidation.²²

32BJ Health Fund supports adding a robust public input process to State material transaction oversight requirements and regulatory guardrails to monitor post-transaction market impacts. We are encouraged by the Governor's FY26 Executive Budget proposal to bolster the Department of Health's material transaction review statutory obligations. We welcome the opportunity to work with the Governor and the Legislature to develop material transaction review standards that protect greater affordability, access, quality, and competition in New York's healthcare market.

Proposed Hospital Community Benefit Spending Reporting Requirements

Non-profit hospitals with tax-exempt status should be transparent about how they are fulfilling their community benefit duties and should ensure that they are providing affordably priced care as part of their community benefit obligations. In a study of over 2,000 non-profit hospitals nationally, two of New York City's largest academic medical centers, New York Presbyterian and NYU Langone Hospitals, were among the top ten hospitals with the largest deficit in community benefit spending relative to the value of their tax exemption.²³ 32BJ Health Fund is encouraged by the Executive Budget's proposal to enhance hospital system accountability by enacting additional community benefit spending reporting requirements, including making this data publicly available.

¹⁹ Uttley, L., Hyde, F., Hasbrouck, P. and Chessen, E. (May 2018). Empowering New York Consumers in an Era of Hospital Consolidation.

²⁰ Godwin J. et al. (2021). The Association between Hospital-Physician Vertical Integration and Outpatient Physician Prices Paid by Commercial Insurers: New Evidence. *The Journal of Health Care Organization, Provision, and Financing*.

²¹ Community Service Society of New York. Letter to New York Public Health and Health Planning Council for September 9, 2024 Full Council Meeting. <https://wethepatients.ny.org/wp-content/uploads/2025/02/CSS-Comments-on-Northwell-Acquisition-of-Nuvance-September-2024.pdf>

²² 32BJ Health Fund. Letter to New York Public Health and Health Planning Council for September 9, 2024 Full Council Meeting. <http://32bjhealthinsights.org/wp-content/uploads/2024/09/32BJ-Health-Fund-Concern-Re-High-Hospital-Prices-and-Northwell-Nuvance-Merger-9-9-2024.pdf>

²³ Lown Institute. (March 2024). Fair Share Spending Report: Are Hospitals Giving Back as Much as They Make? Hospital Fair Share Spending, 2024.