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Testimony of Misha Sharp, Assistant Director of Policy, 32BJ Health Fund
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My name is Misha Sharp, and I am the Assistant Director of Policy at 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 service workers who keep our commercial and residential buildings in order and our airports and schools running. Our membership is majority people of color and many are immigrants, who are most acutely targeted by the draconian cuts to health care passed by the federal government. Unjustified and unsustainable healthcare costs threaten our members' livelihoods; we urge this body to tackle high hospital prices as their root cause, by including a Fair Pricing policy and other healthcare affordability and transparency measures in your One-House Budget proposals, and ultimately passing these measures as part of the State budget.

The Healthcare Affordability Crisis in New York: High Prices, Unequal Care

New York is facing a healthcare affordability crisis.

- Last year, **two out of every three New Yorkers (66%) delayed or went without healthcare due to cost.**
- Adults of color report going without care due to cost far more often than white adults. In New York, 81% of Hispanic/Latino adults went without care due to cost compared with 60% of white adults.
- **Since 2004, healthcare costs for 32BJ Health Fund participants have risen four times more than wages, with a 54% increase in wages and a 230% increase in health benefit costs.**
- With the expiration of enhanced premium tax credits, the average monthly cost of marketplace plans in New York is expected to rise sharply. **In the Bronx, for example, average monthly marketplace costs for a couple are projected to increase by 68%.**
- Cuts to Medicaid and the Essential Plan spurred by federal passage of **H.R.1** will mean hundreds of thousands more New Yorkers will face the prohibitively high costs of purchasing health care on the individual marketplace—or be forced to go without coverage entirely.

In other words, the largest threat to New Yorkers' access to health care at this moment is its unaffordable cost, which is driven primarily by high hospital prices.

Why Hospital Prices Matter

The 32BJ Health Fund knows this crisis well because our mission is to secure and preserve quality, affordable health coverage for the working-class New Yorkers who are our members. Our Fund has no profits, no shareholders, and no financial interests other than providing our participants with high-quality, affordable healthcare. We are one of the largest self-insured funds in New York State, and all medical claims are paid directly by the 32BJ Health Fund.

While many factors contribute to rising costs, our data—and that of others—consistently points to one overwhelming driver: **New York's high-priced hospitals. No other factor has a greater impact on healthcare costs.** Our Health Fund spends about $1.5 billion annually on healthcare, and over half of that spending is on hospital care. According to the U.S. Bureau of Labor Statistics, hospital price inflation has risen over 100% since 2009—far exceeding inflation in prescription drugs, housing, or food prices which have risen around 50% by comparison. According to RAND, commercial plans paid 310% of Medicare prices on average at hospitals in New York in 2022.[1] The hospital prices the 32BJ Health Fund pays have risen from 218% of Medicare in 2016 to 267% of Medicare in 2024.

As a self-funded plan, hospital prices directly impact the 32BJ Health Fund's sustainability and ability to keep costs low for plan participants. Every dollar spent on higher-priced care is a dollar that cannot be used for wage increases or other benefits. If healthcare costs had only risen at the rate of inflation from 2012-2022, 32BJ SEIU members could have received an additional $5,000 in wages. When healthcare costs rise, those costs are passed directly onto working families and employers.

Healthcare Market Consolidation and the Shift to Outpatient Hospital Billing

Over the last two decades, big hospital conglomerates in New York have amassed more market power and wealth through consolidation, including merging and buying up doctors' offices.[2] This allows hospitals to command prices that are significantly higher than independent doctors' offices for the same routine services provided safely for the same conditions, with no difference in the quality of care.[3] The preponderance of research shows that hospital consolidation leads to higher prices,[4,5] with one study finding an average price increase of 14% when physician practices were acquired by hospitals.[6]

This healthcare market consolidation has led to healthcare spending increases that are being driven by the *hospital outpatient sector*. In 2019, the Health Fund spent roughly equivalent amounts on hospital inpatient and outpatient services. But from 2019-2024, our hospital inpatient spending decreased by 7% while hospital outpatient spending increased by 38%. Routine services are increasingly being shifted into hospital outpatient departments, where they cost far more—without any clinical justification. For example, claims data show that flu shot administration averages **$23 in a doctor's office** and the same service averages **$183 in a hospital outpatient department**. A flu shot should not cost eight times more simply because a hospital owns the building. Routine care should stay routine in cost.

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.[7] This is slightly higher than the

[1] https://www.rand.org/pubs/research_reports/RRA1144-2.html
[2] New York Health Foundation, May 2018, https://nyhealthfoundation.org/wp-content/uploads/2018/05/empowering-new-york-consumers-era-of-hospital-consolidaiton-full-report.pdf
[3] Journal of Health Economics, May 2021, Hospital Pricing Following Integration with Physician Practices. https://www.sciencedirect.com/science/article/pii/S0167629621000291
[4] MedPAC (March 2020). Report to Congress: Medicare Payment Policy. Chapter 15. https://www.medpac.gov/wp-content/uploads/import_data/scrape_files/docs/default-source/reports/mar20_medpac_ch15_sec.pdf
[5] KFF, September 2020, What We Know About Provider Consolidation. https://www.kff.org/health-costs/issue-brief/what-we-know-about-provider-consolidation/
[6] Journal of Health Economics, May 2018, The effect of hospital acquisitions of physician practices on prices and spending. https://doi.org/10.1016/j.jhealeco.2018.04.001
[7] Letter from Department of Civil Service to Senator Gounardes and Assemblywoman Cruz dated January 30, 2023

New York State average of 39%.[8] From 2022 to 2024, NYSHIP reported spending about $4 billion on hospital care each year.[9] Two thirds of that spending, or $2.7 billion per year, went to ten large hospital systems downstate.[10] Nearly $1.5 billion per year was spent on only three large hospital systems: Northwell, NYU Langone, and New York Presbyterian.[11] From 2022 to 2024, NYSHIP saw negligible changes in hospital inpatient spending (1%), but an over 18% increase in hospital outpatient spending, such that total spending on outpatient services exceeded spending on inpatient services.[12]

What the Legislature Can Do: Fair Pricing (S.705/A.2140) and Other Healthcare Affordability Measures in the One-House Budgets

1. **Include a Fair Pricing policy for routine services in the One-House Budgets**

The Fair Pricing Act establishes a price cap on routine, low-complexity healthcare services so that prices are not able to rise unchecked. A study by health economists at Brown University shows that the Fair Pricing Act could save $1.1 billion each year in New York State, with up to $213 million in savings directly to patients through lower out-of-pocket expenses. Safety net and public hospitals are exempt from the Fair Pricing Act, as the bill targets the unnecessarily high prices in hospital systems that have large market share and significant reserves. The Fair Pricing Act restores fairness by ensuring that routine medical services—such as flu shots, X-rays, MRIs, or cast removal—cost the same no matter where they are performed. With potential savings of: **$72 million for the New York State budget from the state's employee health plan** and **$1.14 billion for New Yorkers overall**, this policy can redirect essential dollars back into state, local, and household budgets.

2. **Include and Build on the Governor's FY27 Executive Budget 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.[13] As noted earlier, research shows that consolidation contributes to increased prices for all patients, including those covered by commercial insurance.[14] Greater oversight of proposed hospital transactions is sorely needed in New York State. The current process does not adequately consider the potential impacts transactions would have on increasing costs of care and market consolidation.[15]

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 FY27 Executive Budget proposal to bolster the Department of Health's material transaction review statutory obligations in HMH Part H. We welcome the opportunity to work with the Governor and the

[8] 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
[9] New York State Department of Civil Service. Empire Plan Hospital Pricing: Annual Report Years 2023 and 2024; New York State Department of Civil Service. Empire Plan Hospital Pricing: Annual Report Years 2022 & 2023. https://www.cs.ny.gov/extdocs/pdf/2024%20Hospital%20Transparency%20Report.pdf
[10] Id.
[11] Id.
[12] Id.
[13] Uttley, L., Hyde, F., Hasbrouck, P. and Chessen, E. (2018). Empowering New York Consumers in an Era of Hospital Consolidation.
[14] 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.
[15] 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

Legislature to develop material transaction review standards that protect greater affordability, access, quality, and competition in New York's healthcare market.

3. **Include the Transparency Measures in the Governor's FY27 Executive Budget's Proposed Prior Authorization Reforms**

As a self-funded plan, having the autonomy to manage healthcare costs and benefits for members is crucial to the 32BJ Health Fund. However, purchaser autonomy in healthcare is often curtailed when information (such as pricing, networks, contracting clauses, or claims data and analyses) is held only by industry actors rather than purchasers, patients, and the public. Hospitals and insurance carriers balance multiple interests when contracting with each other, but these interests may not be aligned with purchasers' or beneficiaries' goals.

For this reason, we support the proposed requirements in TED Part HH for the Department of Financial Services to collect and publish information from all state-regulated insurance plans regarding their pre-authorization approvals, denials, and appeals, as well as for insurers to publish their formulary prescription drug lists. The 32BJ Health Fund supports state efforts to increase public transparency and accountability for state-regulated insurers, as these often have a reverberating impact on how third-party administrators carry out similar policies for self-funded plans. Having public metrics reported on prior authorizations also allows for more readily available benchmarking data, which self-funded plans like ours may use to improve the benefit for participants.

Will a Fair Pricing Policy Put New York's Hospitals at Risk of Closure?

No. The Fair Pricing Act includes exemptions for 68 safety net, public, rural, and vulnerable hospitals. These hospitals are not the ones making care unaffordable.

The affordability crisis is not evenly distributed. We know that the most vulnerable members of our communities are facing unnecessary barriers to care. In 2022, at least half of Black (56%) and Hispanic (50%) adults say they had debt due to medical or dental bills, compared to fewer white adults (37%) saying they have health care debt.[16] Egregious price increases and confusing medical bills are pushing New Yorkers away from seeking help or leaving them financially precarious if they do. When care is delayed, conditions worsen, outcomes get more severe, and the consequences can be devastating. Black and brown New Yorkers should not be forced to delay care or face medical debt while large hospital systems use market power to drive up prices.

This inequity in affordability is mirrored by the fact that New York's hospitals face extremely different realities: safety net hospitals struggle to serve patients in need, while large wealthy systems buy Super Bowl ads and pay over $10 million in CEO compensation. This legislation is focused on reining in excessive prices from consolidated hospital systems that can afford to do more for patients.

There are some that would have us believe that not even a sliver of hospital revenue can be spared in service of affordability for New Yorkers. But allowing large systems to grow market power and exploit billing loopholes is not a solution to safety net challenges.

Instead, especially amid the federal budget cuts that will impact hospital revenue across all hospitals, we must distinguish New York's large and wealthy hospital systems from our public and safety net hospitals. It is the few large and wealthy hospital systems in New York that are driving the high and rising hospital prices in the commercial market. And, contrary to the assertion by many hospitals, these price increases are not due to

[16] KFF Health Care Debt Survey: Feb.-Mar. 2022

making up for increasing financial losses from Medicaid reimbursement. Instead, the broad economic research consensus is that high and rising commercial hospital prices reflect increasing market power and reductions in competition, which result from mergers and acquisitions, rather than cost-shifting from public to private payers. We are already seeing large hospital systems, which already sit on billions in total net assets, using the federal cuts to Medicaid to justify higher prices in contract battles with insurers, to legislators, and to the public, when in reality the hospitals receiving the highest prices are also those least at risk from federal budget cuts.

High hospital prices among a few large systems drives a bifurcated healthcare market in which those few systems accrue more and more wealth, while safety net and public hospital systems, which primarily serve Medicaid and uninsured patients, experience further disinvestment. Researchers describe this dynamic in New York as "a cycle of expanding and withering hospitals," fueled by a feedback loop whereby profitable higher-price hospitals invest in capital expenditures relatively more than less profitable lower-priced hospitals, leading to higher-priced hospitals attracting more patients for a larger market share, thus increasing their bargaining power, which in turn leads to further price increases.[17] A recent study of New York State Medicaid data describes how this dynamic impacts Medicaid patients' access to care, showing that as hospitals merge and become more consolidated, they shift their services away from Medicaid patients – presumably preferring commercial patients where they are able to increase prices even further.[18] These high prices also drive hospitals' billing practices and investments, with another New York-based study showing that hospitals with a higher share of privately insured patients register more diagnoses per patient, and that those additional diagnoses are more likely to be from a list of commonly upcoded conditions compared with hospitals with a low commercial payer mix.[19] Without intervention on commercial prices, hospitals' relative revenue benefit for providing care to commercial patients instead of Medicaid patients will continue to grow – at the expense of access to care for Medicaid patients and funds available for income and benefits for everyone else. To protect healthcare affordability for all New Yorkers, we cannot leave our healthcare system vulnerable to profit-seeking behavior.

Broad Coalition Support

The Fair Pricing Act is supported by unions and advocates across New York State, including: 32BJ, DC37, HTC, Carpenters, PSC-CUNY, UFT, NAACP NY, NYIC, CSSNY, and NYPIRG. This coalition represents the workers who keep New York running: janitors, cleaners, carpenters, hotel workers, airport workers, security officers, and so many more everyday New Yorkers.

As elected officials confront federal funding cuts, we believe this policy plays a critical role in protecting vulnerable patients, achieving meaningful savings, and tackling affordability head-on.

Every day, patients are being overcharged for routine care, while frontline providers still lack the resources they need. Unaffordable healthcare is inaccessible healthcare. We urge the Legislature to include the Fair Pricing Act in the One-House budget proposals, because New Yorkers cannot afford to wait. The Fair Pricing Act is a powerful step toward a fairer, more affordable health system for all New Yorkers. Thank you for the opportunity to testify.

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[17] Beaulieu, N. D., Hicks, A. L., & Chernew, M. E. (2025). Hospital Capital Expenditures Associated With Prices And Hospital Expansion Or Withering, 2010-19. *Health affairs (Project Hope)*, *44*(5), 546–553. https://doi.org/10.1377/hlthaff.2024.01172

[18] Sunita M. Desai, Prianca Padmanabhan, Alan Z. Chen, Ashley Lewis, Sherry A. Glied, Hospital concentration and low-income populations: Evidence from New York State Medicaid, Journal of Health Economics, Volume 90, 2023, 102770, ISSN 0167-6296, https://doi.org/10.1016/j.jhealeco.2023.102770.

[19] Dragan KL, Desai SM, Billings J, Glied SA. Association of Insurance Mix and Diagnostic Coding Practices in New York State Hospitals. JAMA Health Forum. 2022;3(9):e222919. doi:10.1001/jamahealthforum.2022.2919