



Building Service 32BJ Health Fund

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**Testimony of Cora Opsahl, Director, 32BJ Health Fund
New York State Joint Legislative Budget Hearing
2/28/23**

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 210,000¹ 32BJ union members and their families. Those union members are the front-line workers that keep our buildings in order and airports and schools running. We are one of the largest self-insured funds in the State.

As a self-funded plan, the price of health services directly impacts our budget and our ability to keep costs low for our members; that is why we conduct extensive data analyses of our healthcare expenditures. We access our hospital pricing information through the claims data we receive from our third-party administrator. We have a 20-person analytics and data engineering team that uses this information, in addition to other publicly available data, to drive our decisions. Although this may seem like a significant expenditure of resources, it is small relative to the value of the information it provides and is a critical success factor to our track record of managing the cost of healthcare for our members.

As a result of our claims data analyses from 2016 to 2019, we have found that 32BJ Health Fund could have saved \$1.1 billion, or 58% of hospital expenditures, had the Health Fund paid Medicare prices². An analysis performed by SEIU 32BJ demonstrated that if healthcare costs had simply increased at the rate of inflation from 2014 to 2023, the union estimates that employers would have been able to provide an additional \$5,000 in annual wages to every 32BJ member without altering the design of their total compensation package³.

Analyzing New York State’s Hospital Expenditures

We believe that the State of New York should conduct similar data analyses. Based on hospital spending data that NYSHIP provided, if NYSHIP’s hospital pricing patterns were similar to the New York average⁴, we estimate that NYSHIP could have saved nearly \$2.5 billion dollars in 2021 had it paid the Medicare price for hospital services⁵. Addressing the issue could mean billions of dollars in healthcare savings – which could be used for a range of other much-needed services. That is why we urge the legislature to include S.4097 (Gounardes) in the budget; this bill directs the president of the civil service commission to collect healthcare claims data relating to the price and utilization of hospital benefits by active employees, retired employees and their dependents and to publish a New York State Health Insurance Plan (NYSHIP) hospital pricing report.

The report would include a comprehensive trend analysis of the prior five years’ hospital prices and expenditures for NYSHIP. It would also include a comparison of the prices paid by the plan to Medicare prices. Finally, it would provide more granular comparative data across hospitals for the prices paid for the top twenty inpatient, outpatient, and emergency room services. This report, to be conducted on an annual basis, would

¹ 32BJ Health Fund data as of 1/23

² “Hospital Prices: Unsustainable and Unjustifiable,” 32BJ Health Fund, March 17, 2022, revised November 1, 2022

³ “Hospital Prices: Unsustainable and Unjustifiable,” 32BJ Health Fund, March 17, 2022, revised November 1, 2022

⁴ 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>

⁵ https://www.rand.org/pubs/research_reports/RRA1144-1.html

provide the State with critical insight regarding cost drivers and help inform the department's efforts to manage its healthcare expenditures. It would also help inform other policy decisions, including State subsidy and resource allocations to our most needy facilities and fairly compensating the essential hospital workers who care for our members.

We are often asked why 32BJ Health Fund specifically focuses so much on hospital prices. While we understand that many factors contribute to expensive healthcare, the data indicate that the single biggest escalator is hospital prices. According to the U.S. Bureau of Labor Statistics the inflation rate for hospitals prices over the last twenty years is almost 90 percent. This compares to 50% for medical care and 40% for both housing and food⁶.

In addition, hospitals are the single largest component of most employers' healthcare spending. Hospitals accounted for 41% of NYSHIP's total healthcare spend in 2021 according to data provided by NYSHIP⁷. Based on this data, in 2021, NYSHIP spent \$10.3 billion on health coverage for nearly 1.2 million active employees and retirees. Of that, \$4.2 billion was spent on hospital care. This is slightly higher than the New York State average of 39%⁸. At 32BJ Health Fund we spend approximately 44% on hospitals⁹. To be clear, when we talk about what's driving high commercial hospital prices, not all hospitals are the same. Although labor costs are often cited to justify higher prices, NYC Health and Hospitals Bellevue was paying a higher average wage to its direct patient care staff (\$71) than New York Presbyterian (\$69) in 2021¹⁰. Our essential hospital workers are not part of the problem.

Overview of Proposed Report

Gathering and analyzing hospital pricing data is critical to managing this enormous spend. Each of the components of this amendment is important, as outlined below:

1) Percent of Medicare Analysis

The yearly report proposed in this amendment would compare prices paid by NYSHIP with Medicare prices for the most common hospital services. This would allow the State to continuously benchmark the prices that NYSHIP is paying for hospital services, and the tremendous price variation across hospitals.

Based on hospital spending data that NYSHIP provided, if NYSHIP's hospital pricing patterns were similar to the New York average¹¹, NYSHIP could have saved nearly \$2.5 billion dollars in 2021 had NYSHIP paid the Medicare price for hospital services¹². Although paying Medicare prices may not be feasible, publishing prices as a percentage of Medicare establishes an objective measure for the State upon which to consider payment rates for hospital services and a benchmark for savings opportunities.

This analysis will also allow the State to differentiate between hospitals. Not all hospitals are the same. For example, using RAND 4.0 data, NYC Health and Hospitals Bellevue was paid an average of 104% of Medicare prices from commercial payers, while NYU Langone was paid 359%¹³.

⁶ U.S. Bureau of Labor Statistics, [https://www.in2013dollars.com/inflation-cpi-categories#All-items\[Housing|Medical-care|Hospital-services|Medicinal-drugs|Food](https://www.in2013dollars.com/inflation-cpi-categories#All-items[Housing|Medical-care|Hospital-services|Medicinal-drugs|Food)

⁷ Letter from Department of Civil Service to Senator Gounardes and Assemblywoman Cruz dated January 30, 2023

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 "Hospital Prices: Unsustainable and Unjustifiable," 32BJ Health Fund, March 17, 2022, revised November 1, 2022

¹⁰ Data are from the National Academy for State Health Policy Hospital Cost Tool: <https://tool.nashp.org/>, Accessed February 2023

¹¹ 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>

¹² https://www.rand.org/pubs/research_reports/RRA1144-1.html

¹³ Data are from the National Academy for State Health Policy Hospital Cost Tool: <https://tool.nashp.org/>, Accessed February 2023

2) Top 20 Analysis

A yearly report with the prices paid for the top 20 hospital inpatient, outpatient, and emergency room services, demonstrating how these prices trend over time, will provide the State with an understanding of how prices differ between facilities. The high variation in prices may help dictate benefit design decisions, like structuring of networks and incentives. For example, 32BJ Health Fund analyzed maternity care data and identified considerable variation in the price of C-sections and vaginal deliveries among New York City-area facilities. We found that hospitals whose prices were nearly one-quarter of those from higher price hospitals had similar quality birth outcomes for both parent and baby¹⁴. In fact, one of the hospitals with lower prices, NYC Health + Hospitals/Elmhurst, received a coveted Baby-Friendly birth facility designation from the World Health Organization and the United Nations Children’s Fund for promoting the highest level of care for infants and mothers¹⁵.

There is a long-held myth that higher prices for the same hospital services imply better quality, but the data do not show a causal or correlative relationship between hospital prices and quality of care. A study from the National Center for Biotechnology Information, a part of the National Institutes of Health, found that high hospital prices were not associated with high quality¹⁶. Similarly, a New York State Health Foundation study found that hospitals with high prices did not necessarily have higher quality, and inversely, hospitals with lower prices did not necessarily have lower quality¹⁷.

The fact is that higher prices are not indicative of higher quality hospital care. It is necessary for the State to have, and publish, the procedure and facility-specific pricing data that informs NYSHIP benefit design decisions.

3) Annual Public Reporting

The proposed report will be published annually. This is important because it puts into statute exactly what healthcare claims data must be provided to the State by its vendors each year. This means that the State will have a mandated source of data, measured consistently over time. Like other purchasers, the State has experienced staggeringly high price increases in recent years. From 2015 to 2021, while the number of individuals with NYSHIP coverage decreased by 3%, total healthcare spending increased by 28.75% and hospital spending increased by 68%¹⁸. To reiterate, the State’s hospital spending increased at a rate nearly 40% higher than total healthcare spending over the last decade. The report will allow the State to consider hospital spending trends when making evidence-based policy and purchasing decisions.

Making this pricing report public also provides other stakeholders with fiduciary responsibility for the State, like lawmakers and regulators, with credible, vetted analyses when making decisions that affect both those with NYSHIP coverage and the State’s budget. These stakeholders are important allies in efforts to rein in hospital prices.

¹⁴ “Hospital Prices: Unsustainable and Unjustifiable,” 32BJ Health Fund, March 17, 2022, revised November 1, 2022

¹⁵ NYC Health + Hospitals/Elmhurst Earns Baby Friendly Status. NYC Health + Hospitals. Published April 5, 2019. Accessed March 10, 2022. <https://www.nyhealthandhospitals.org/pressrelease/nyc-health-hospitals-elmhurst-earns-baby-friendly-status/>

¹⁶ Beauvais B, Gilson G, Schwab S, Jaccaud B, Pearce T, Holmes T. Overpriced? Are Hospital Prices Associated with the Quality of Care? *Healthcare*. 2020;8(2):135. doi:10.3390/healthcare8020135

¹⁷ Bai G, Anderson GF. Extreme Markup: The Fifty US Hospitals With The Highest Charge-To-Cost Ratios. *Health Affairs*. 2015;34(6):922-928. doi:10.1377/hlthaff.2014.1414

¹⁸ Letter from Department of Civil Service to Senator Gounardes and Assemblywoman Cruz dated January 30, 2023

Transparency from NYSHIP is essential for demonstrating fiscal responsibility, as it is one of the largest public employer programs in the country and the largest purchaser of healthcare in the State¹⁹. Codifying these reporting requirements reinforces the importance that the State places on both transparency and fiscal responsibility.

Data alone will not reduce healthcare spend but it's a critical first step.

Financially Distressed Hospitals Need Funding

At 32BJ Health Fund, our data clearly indicate that the hospitals in this State are in widely divergent financial circumstances. We believe that safety net hospitals should receive appropriate State funding and assistance, and we believe that direct patient care workers deserve fair compensation for the essential care that they provide to our members. We applaud the Governor's commitment in the State of the State to creating a Commission on the Future of Healthcare that will focus on creating long-term stability for struggling hospitals and shaping the allocation strategy of subsidies for financially distressed hospitals.²⁰ However, we should note that over 90% of New York hospitals are eligible for Disproportionate Share Hospital (DSH) payments and receive State and federal subsidies totaling approximately \$4 billion a year – the highest of any State²¹. The total amount of State subsidies provided to hospitals is up 286% since 2020²². When considering the allocation strategy for financially distressed hospitals, we encourage the State to consider how to appropriately allocate State dollars to safety net hospitals as opposed to the large, private hospitals that currently command high prices from commercial payers and maintain significant financial reserves.

32BJ Health Fund's Concerns with "Pay and Pursue"

I am also here today to speak in opposition to a proposed element of the State budget in the Managed Care Program Reforms section, which requires insurance providers to pay upfront for medical procedures billed by the hospital without clinical documentation review. Commonly known as "pay and pursue," this would allow the hospital to invoice prior to medical necessity review, clogging up timely claims finalization and requiring more frontloaded cash flow. Case-by-case negotiation of claims denials after review will result in inconsistencies in the definition of medical necessity, inhibit health plans' ability to control costs, and result in higher premiums. We do not believe it is appropriate for hospitals to be making benefit decisions which can end up having the patient caught between the hospital and the insurance company. As a self-funded plan, this will impact our Health Fund's ability to provide quality, cost-efficient, and timely care for our members.

Thank you.

¹⁹ Letter from Senator Gounardes and Assemblywoman Cruz to Dr. Mary T. Bassett, Commissioner, NYS Department of Health, and Timothy R. Hogue, Commissioner, NYS Department of Civil Service dated October 21, 2022

²⁰ <https://www.governor.ny.gov/news/governor-hochul-announces-plans-build-stronger-health-care-system-future>

²¹ <https://www.macpac.gov/publication/annual-analysis-of-disproportionate-share-hospital-allotments-to-states-3/>

²² <https://www.budget.ny.gov/pubs/archive/fy24/ex/fp/index.html>