

NEW JERSEY COALITION FOR AFFORDABLE HOSPITALS

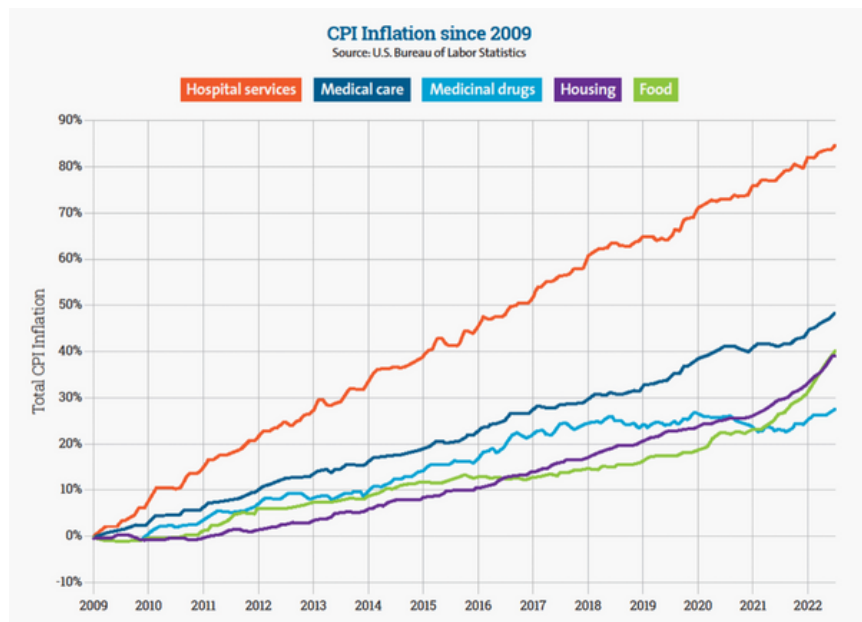
The New Jersey Coalition for Affordable Hospitals is a coalition of labor unions, healthcare providers, community organizations, and social justice advocates committed to using our collective power to lower hospital prices.

Legislation for Healthcare Cost Accountability

THE PROBLEM: Rising Healthcare Costs and Hospital Prices in New Jersey

New Jerseyans are getting crushed by the growing burden of unchecked healthcare spending. Per capita personal health spending has grown by 4.9% on average each year from 1991 to 2020,¹ significantly surpassing average per capita annual personal income growth in the same period (3.59%).² This contributes to 85 percent of New Jerseyans being worried about affording healthcare in the future.³ Hospital spending is the largest component of New Jersey's health spending and the fastest growing – far outpacing inflation and spending on other medical services like prescription drugs, nursing, and physicians, clinics and other professionals.⁴ This is due to high and rising hospital prices, rather than utilization, caused largely by increases in hospital system market power.⁵

From 2016-2018, New Jersey paid 241% of Medicare prices for hospital services for state public workers, and could have saved \$2 billion in taxpayer dollars over those three years if it paid Medicare prices instead.⁶ New Jersey private employers offering health insurance benefits are similarly overpaying.⁷ Evidence suggests that high prices, especially in concentrated markets like New Jersey's, are not related to higher quality services, or making up for losses from public insurers.⁸ These unnecessarily high prices represent a hidden tax for New Jersey employers, a squeeze on worker wages, and a hardship for New Jersey residents, most of whom share in the cost of their healthcare. The consequences of unsustainable health spending, in New Jersey and nationally, are dire, exacerbating economic inequality and poor health outcomes.⁹



We need New Jersey to Act

Healthcare cost accountability legislation would make New Jersey the 10th state in the U.S. to codify a robust, fully funded cost-growth benchmark program, a first step in tackling the affordability crisis.¹⁰ The legislation would strengthen the existing Office of Health Care Affordability and Transparency, building off the work the Governor has accomplished through his Executive Order, to ensure that an independent cost containment Board has the ability to set healthcare cost growth targets, examine information about the healthcare market's cost drivers, and take enforcement action if targets are not met.

Other states like Massachusetts, Rhode Island, and Delaware have effectively used cost growth benchmark programs to draw attention to the problem of healthcare affordability, increase systemwide accountability for growing costs, and allow stakeholders to take steps to reduce healthcare cost growth. Now is New Jersey's opportunity to do the same.

With this legislation, the Office and Board would have:

1. **Independence from healthcare industry**, comprised of government officials, labor representatives, non-healthcare industry employers, and community advocates. Healthcare industry stakeholders would be able to serve in an advisory capacity, without binding authority.
2. **Improved data capacity** for analysis and reporting on behalf of State, consumer, and purchaser stakeholders.
3. **Explicit focus on provider prices** and industry-specific plans for cost containment, to maintain focus on the root causes of the affordability crisis, rather than inaccurately blaming patient utilization of healthcare for rising costs.
4. **Authority to enforce federal transparency rules** for posting hospital prices publicly, adding state-level penalties for hospitals that do not comply. Only 45% of New Jersey hospitals are fully compliant,¹¹ but the federal government has not yet imposed penalties.
5. **Consumer protection elements** like providing legal recourse for patients who are referred to hospital debt collectors when hospitals are non-compliant with federal price transparency rules.
6. **Enforcement authority** to compel data submission from healthcare entities, monitor cost growth benchmark targets, and impose performance improvement plans and fines on entities who consistently exceed the target.
7. **Required public hearings and annual reports** to lawmakers that would recognize entities that exceed the benchmark and provide opportunities for public input.
8. **Appropriate funding and staffing**, including an increased appropriation and ability to hire health data experts.

1. Derived from Health Care Spending (States): Centers for Medicare & Medicaid Services, Office of the Actuary, National Health Statistics Group, National Health Expenditure Data: [Health Expenditures by State of Residence: Summary Tables \(Table 11: Personal Health Care\)](#).

2. U.S. Bureau of Economic Analysis, "[SAINCI State annual personal income summary: personal income, population, per capita personal income](#)" (accessed March 27, 2024)

3. Healthcare Value Hub (January 2023). [New Jersey Residents Struggle to Afford High Healthcare Costs; Worry about Affording Healthcare in the Future; Support Government Action across Party Lines](#).

4. Derived from Health Care Spending (States): Centers for Medicare & Medicaid Services, Office of the Actuary, National Health Statistics Group, National Health Expenditure Data: [Health Expenditures by State of Residence: Summary Tables](#).

5. Oakman, T. and Waldrop, T. (December 5, 2023). [Cost Growth Benchmarks Can Make Health Care More Affordable and Equitable](#). The Century Foundation.

6. RAND Report for New Jersey's Public Worker Health Insurance Program, as [released 2/3/2023 by POLITICO Pro](#). Note: the Politico article incorrectly describes it as a two-year period. The RAND report covers calendar years 2016 through 2018, so a three-year period.

7. Whaley, C. et al (May 2022). [Prices Paid to Hospitals by Private Health Plans: Findings from Round 4 of an Employer-Led Transparency Initiative](#). RAND.

8. Schwartz, K. et al., (September 2020), [What We Know About Provider Consolidation](#). Kaiser Family Foundation.

9. Cooper, Zach (June 8, 2023). Consolidation and Corporate Ownership in Health Care. [Written Testimony to the Senate Committee on Finance](#).

10. Rakotonianina, A. (January 18, 2023). [How States Use Cost Growth Benchmark Programs to Contain Health Care Costs](#). NASHP.

11. PatientsRightsAdvocate.Org. (February 2024). [Sixth Semi-Annual Hospital Price Transparency Report](#).

IT SHOULDN'T COST AN ARM & A LEG, TO FIX AN ARM & A LEG