COALITION FOR
AFFORDABLE HOSPITALS

FAIR PRICING ACT

Frequently Asked Questions

BACKGROUND

What is the problem that the Fair Pricing Act is looking to solve?

There is a healthcare affordability crisis in New York. A recent study by Brown University School of Public Health found New York hospitals are charging New Yorkers 4 times more than doctors' offices for routine medical services. Over the last two decades, big hospital conglomerates have purchased a significant number of local doctors' offices and have used that market power to charge outrageously high prices.

How are high hospital prices impacting everyday New Yorkers?

Two-thirds of all New York adults who needed healthcare during the year encountered one or more cost-related barriers to getting that care. Hospital prices have increased nearly 100% while hourly wages have increased only 15% from 2007-2022, making it difficult for New Yorkers to afford high and rising hospital prices.

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Why are hospitals able to charge exorbitantly high prices for routine services?

Two reasons: (1) market power fueled in part by the rampant hospital takeover of doctor's offices and (2) facility fees (explained next)

What is a facility fee, and why does it matter?

A facility fee is a payment that ostensibly covers the operational costs of the hospital facility, including overhead, equipment, and administrative support. Hospitals often charge a higher facility fee for complex procedures that require specific equipment that only a hospital can provide. However, many routine medical procedures can be safely performed in a doctor's office – and the facility costs should generally be no higher than those in doctors' offices. Unnecessary facility fees drive up the costs of these routine services.

How many doctors are now employed by hospitals or health systems?

Over the past decade, more and more independent physician practices have become affiliated with or bought by major hospital systems. This is an issue both in New York and across the country. Nationwide, almost 60% of physician practices are now hospital or corporate-owned, and nearly 80% of physicians are employees of hospitals or other corporate entities. Buying doctors' offices and rebranding them as outpatient centers fuel profits for hospital conglomerates and allow them to charge exorbitant prices unchecked.

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What is the Fair Pricing Act?

The Fair Pricing Act (S705/A2140) caps prices for a limited set of routine healthcare services at 150% of the Medicare rate.

Where is the Fair Pricing Act in the legislative process?

The bill was introduced by Senator Liz Krueger and Assemblymember Chantel Jackson in January and referred to each house's Health Committee.

If passed, how would the Fair Pricing Act work?

The Fair Pricing Act will:

- protect New Yorkers from hospitals' price gouging by capping prices for certain routine services at 150% of Medicare's prices
- ban facility fees for routine services
- hold hospitals and healthcare providers accountable for charging exorbitant prices for routine services

Which healthcare services are covered by the Fair Pricing Act?

The Fair Pricing Act applies to services identified by the nonpartisan agency that studies Medicare payment policy (MedPAC) in its recommendation to align payments across ambulatory settings. The following are examples of low-complexity, routine healthcare services covered by the Fair Pricing Act:

- Diagnosis and testing services, e.g.,. an eye exam, ear & hearing tests, or a home sleep study
- Drug administration procedures, e.g., chemotherapy, a flu shot, IV for dehydration, vaccines
- Gynecological procedures, e.g., colposcopy, ultrasound guidance, pap-smear, or fetal stress test
- Imaging procedures, e.g., ultrasounds, X-rays, EKGs, or MRIs
- Skin procedures, e.g., biopsy
- Applying or removing a cast

Why cap prices of routine, low-complexity medical services at 150% of the Medicare rate?

The cap is set above what is typically paid to doctors' offices for these services (130% of Medicare on average) and below the higher hospital outpatient prices (370% of Medicare on average). Setting the cap at a percentage of Medicare rather than a fixed dollar amount ensures the cap will continue to adjust over time based on changing input costs and other economic factors, as well as accounts for cost-of-living differences across regions.

What do New Yorkers think of the Fair Pricing Act?

Nearly 90% of New Yorkers support passage of the Fair Pricing Act. That support is consistent across key demographic groups, including gender, ethnicity, age and political affiliation.

How much money could New Yorkers save if the Fair Pricing Act is passed?

Estimates project that capping prices at 150% of Medicare on specific routine medical procedures could save New Yorkers $1.14 billion per year, including up to $213 million in lower out of pocket expenses for patients. In 2022, New York City Health Benefits Program could have saved $120.9 million and the New York State Health Insurance Program (NYSHIP) could have saved $71.9 million.

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Won't insurance companies just pocket the savings instead of workers, employers, and patients?

No. For self-insured plans, which cover 55% of New Yorkers whose employers offer health coverage, the savings from capping prices would go directly to workers, employers, and patients, and not to insurance companies. Furthermore, economic research examining the impact of hospital price increases suggests that workers, employers, and patients on fully insured plans will also directly see the benefits of lowering hospital prices through lower premiums, copays, and deductibles.

Will my local hospital go out of business if the Fair Pricing Act is passed?

This legislation targets a limited subset of services that are most commonly provided in doctors' offices, not hospitals' core revenue generators. Furthermore, the hospitals most at risk of closures and service reductions are safety net hospitals and public hospitals, which are exempt from this legislation. The Fair Pricing Act will mostly apply to million-dollar hospital conglomerates and prevent them from charging New Yorkers unnecessarily high prices.

Contact the Fair Pricing Act Co-Sponsors: Senator Krueger's office at korn@nysenate.gov, or Assembly Member Jackson's office at edwardsn@nyassembly.gov

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