

# Frequently Asked Questions

## What issue does the Fair Pricing Act address?

**We are in the midst of a healthcare affordability crisis.**

New Yorkers' healthcare spending per person is the 2<sup>nd</sup> highest in the country. Hospital care is the single biggest contributor to this spending, rising faster than wages and inflation. Over the last two decades, hospitals and conglomerates have purchased a significant number of local doctors' offices and have used their growing market power to charge outrageously high prices. 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 independent practices and rebranding them as "outpatient centers" fuel profits for these systems and allows them to maintain exorbitant prices unchecked.

## If passed, how would the Fair Pricing Act work?

The Fair Pricing Act will:

- Cap prices for certain routine services at 150% of Medicare rates, ensuring that patients pay the same price for the same service, regardless of setting.
- 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 routine services identified by the nonpartisan agency that studies Medicare payment policy (MedPAC). 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., ultrasound
- Imaging procedures, e.g., ultrasounds, X-rays, MRIs
- Skin procedures, e.g., biopsy

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## Why cap prices of at 150% of the Medicare rate?

The cap is set above what is typically paid to a doctor's office 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 account for cost-of-living differences across regions and continue to adjust over time based on changing input costs and other economic factors.

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

A facility fee is an additional charge on top of a professional services bill designed to cover the higher overhead costs of a hospital facility, such as specialized equipment, 24/7 coverage, and administrative support. For complex procedures that only a hospital can provide, this fee covers these higher overhead costs. However, since many routine medical procedures can be safely performed in a doctor's office, facility costs for these services should reflect that. Unnecessary facility fees drive up the costs of these routine services.

## 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 if the Fair Pricing Act had been in place. Federal cuts could cause over 1.6 million people to lose their current coverage, many of whom will seek insurance in the commercial marketplace. The Fair Pricing Act ensures that everyone pays lower, fair prices for routine services.

## 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, political affiliation, and across all regions of the state.

# Myth vs. Fact

**Myth:** New York cannot afford to weaken hospitals' finances in light of federal cuts to Medicaid.

**Fact: Working New Yorkers cannot afford the rising cost of healthcare.**

*Federal cuts mean the most vulnerable New Yorkers will need more relief than ever from unjustifiably high hospital prices. The Fair Pricing Act holds the wealthiest hospital systems accountable for unnecessarily high prices, and saves patients and payors money on routine medical care.*

**Myth:** Savings will not be passed down to workers, employers, and patients.

**Fact: Savings will directly impact those who need relief from rising hospital prices.**

*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.*

**Myth:** The Fair Pricing Act would put hospitals at risk of closure and service reductions.

**Fact: The Fair Pricing Act only applies to certain hospitals and certain procedures, not enough to cause closures.**

*This legislation targets a limited subset of services that are most commonly provided in doctors' offices, not core revenue generators that hospitals rely on. Moreover, the hospitals most at risk of closure and service reduction, such as safety net hospitals and public hospitals, are exempt from this legislation.*

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**Myth:** Medicare rates are not enough to cover hospital services.

**Fact: Medicare's rates go through an extensive independent review process and are designed to cover the full cost of care plus a small amount of profit.**

*Medicare rates are a good benchmark for rational healthcare payments compared to the widely varying market-based commercial rates. When hospitals campaign to increase their own rates, they often group statements about Medicare and Medicaid rates together as "public programs," which overlooks the large differences between these two programs and their rates. Medicare patients consistently rate their access to care as equal or better than patients with commercial insurance. If Medicare rates were truly insufficient, there would be a lack of providers accepting these rates, and Medicare patients would have more issues with access to care.*

**Myth:** Hospitals should not be blamed for rising healthcare costs, it's insurance companies that are the real problem.

**Fact: Evidence routinely shows that hospital prices are the main driver of healthcare costs.**

*While many healthcare industry actors play a role, the scale of impact from hospitals is unmatched. In 2023, for example, insurers reported a total profit of \$25 billion while hospitals in that year had combined operating profits of \$205 billion. Our current lack of guardrails on price leads to a landscape where hospital conglomerates and insurance companies are constantly arguing about who is more at fault for rising costs, each pointing the finger at the other. The Fair Pricing Act sets a cap to protect consumers from this dynamic and the costs that it fuels.*