



## Legislation Text

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### Res. No. 512

Resolution calling on the New York State legislature to pass, and the Governor to sign, legislation to create an independent Commission to oversee hospital services pricing for the purpose of increasing access to hospital services, promoting financial stability for hospitals, and lowering healthcare costs for New Yorkers.

By Council Members Menin, Yeger, Cabán, Louis, Richardson Jordan, Ung, Rivera and Gennaro

Whereas, Hospitals across New York State (NYS) have wide service price variations for the same procedures despite similarities in hospital size, range of services offered, teaching designation, and patient population health; and

Whereas, A 2016 Gorman Actuarial report examining hospital service price and reimbursement rate differences in NYS found that higher-priced hospitals in Downstate, Buffalo, and Albany were 1.5 to 2.7 times more expensive than lower-priced hospitals in the same regions; and

Whereas, Hospital service price variations can be attributed to the NYS Health Care Reform Act of 1996 (HCRA), which removed state-regulated hospital service price controls and allowed hospitals and private insurers to negotiate reimbursement rates; and

Whereas, Although the HCRA was created to promote financial sustainability of community hospitals and maintain access to hospital care for all New Yorkers through marketplace competition, it caused many community hospitals to shutter due to their lack of market leverage; and

Whereas, According to the Gorman Actuarial report, regardless of an individual hospital's size or market share, hospitals that are part of a hospital system with a large market share are generally higher-priced due to the power of the hospital system in contract negotiations with insurers; and

Whereas, As a result, the price of a procedure depends on the type of insurance an individual has and

the hospital they go to; and

Whereas, For example, the average cost of a colonoscopy without insurance is \$895, but for a covered individual it could cost as much as \$2,200 depending on the individual's insurance plan; and

Whereas, Similarly, an MRI scan without insurance costs \$446 within the Mount Sinai Health System, while at New York-Presbyterian Hospital, the same procedure costs approximately \$7,356; and

Whereas, When comparing private insurers' hospital service price rates with Medicare rates in over 3,000 hospitals across the United States, a 2021 RAND Corporation study found that overall, private insurers paid hospitals over 240 percent more than Medicaid for the same procedures; and

Whereas, A 2022 report by the SEIU 32BJ Health Fund demonstrated that the Fund had been charged more than 300 percent of Medicare rates by private hospital systems; and

Whereas, The Gorman Actuarial report also discovered that among hospitals in the Downstate region, those hospitals with more Medicare and Medicaid patients collected lower payments from private insurers than hospitals serving fewer such patients, calling into question the assumption that hospitals bill higher reimbursement rates for privately insured patients to offset low reimbursement rates for Medicare and Medicaid patients; and

Whereas, New York City government (City) is the biggest consumer of private health insurance in NYS; and

Whereas, In Fiscal Year 2021, the City spent approximately \$9.5 billion to pay the cost of health insurance covering approximately 1.25 million people, paying an estimated \$1.2 billion in excess for comparable health insurance packages offered by 1199 and 32BJ of the Service Employee International Union, according to Center for New York City Affairs; and

Whereas, In an effort to regulate hospital service prices and induce sustainable hospital growth, the

Maryland State legislature established an independent Health Services Cost Review Commission (HSCRC) in 1971; and

Whereas, The HSCRC is comprised of 7 volunteer commissioners with broad healthcare background and expertise; and

Whereas, The HSCRC has authority to regulate hospitals with the following goals: 1) constrain hospital costs; 2) ensure access to hospital care for all citizens; 3) improve equity and fairness of hospital financing; 4) provide for hospital financial stability; and 5) promote hospital and healthcare pricing transparency by holding stakeholders accountable; and

Whereas, Since its formation, the HSCRC has created many programs that have supported the success of Maryland's hospital system; and

Whereas, One such program is Maryland's All-Payer Rate Setting System, which saved the state over \$796 million in Medicare expenses in 2019 while ensuring identical service prices across all public and private hospitals in the state; and

Whereas, An independent state regulatory body like the HSCRC could be established in NYS to ensure fair hospital pricing, sustainable hospital financing, and equitable hospital access for all New Yorkers; now, therefore, be it

Resolved, That the Council of the City of New York calls on the New York State legislature to pass, and the Governor to sign, legislation to create an independent Commission to oversee hospital services pricing for the purpose of increasing access to hospital services, promoting financial stability for hospitals, and lowering healthcare costs for New Yorkers.

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