



New York State Fair Pricing Act: Findings from Impact Analysis

Roslyn C Murray, PhD, MPP

Legislative Briefing February 11, 2025

Medicare and commercial plans have long paid higher rates for services delivered in hospitals than those delivered in doctors' offices

Average Commercial Price for a New Patient Office Visit in New York State



Total payment = \$436.11

- \$73.84 for the physician's time and effort
- \$362.27 for the operational costs of the facility



Total payment = \$88.39

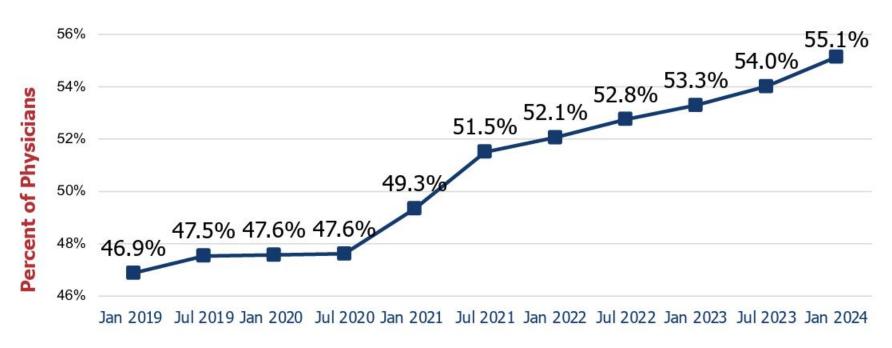
• \$88.39 for the physician's time and effort, and the operational costs of the physician's practice

The price for a new patient office visit in the hospital is **nearly 5X** the price in the doctor's office

Current Procedural Terminology Code 99202

These site-of-care differentials drive vertical integration, which increases prices

PERCENT OF U.S. PHYSICIANS EMPLOYED BY HOSPITALS/HEALTH SYSTEMS IN 2019-23



Source: Avalere Health, 2024

Site neutral payment policies have focused on reducing unnecessary differences in Medicare payments based on where the service is performed

March 2012:

The Medicare Payment Advisory Commission recommended that patient office visits be paid site-neutrally

Early 2023:

The House and Senate considered site neutral payment proposals for the Medicare program

December 2023:

The House passed the Lower Costs, More Transparency Act, which included a provision for site-neutral payments for physician-administered drugs

2015 Bipartisan Budget Act:

Medicare adopted site-neutral payment for patient office visits at "off-campus" hospital outpatient departments

June 2023:

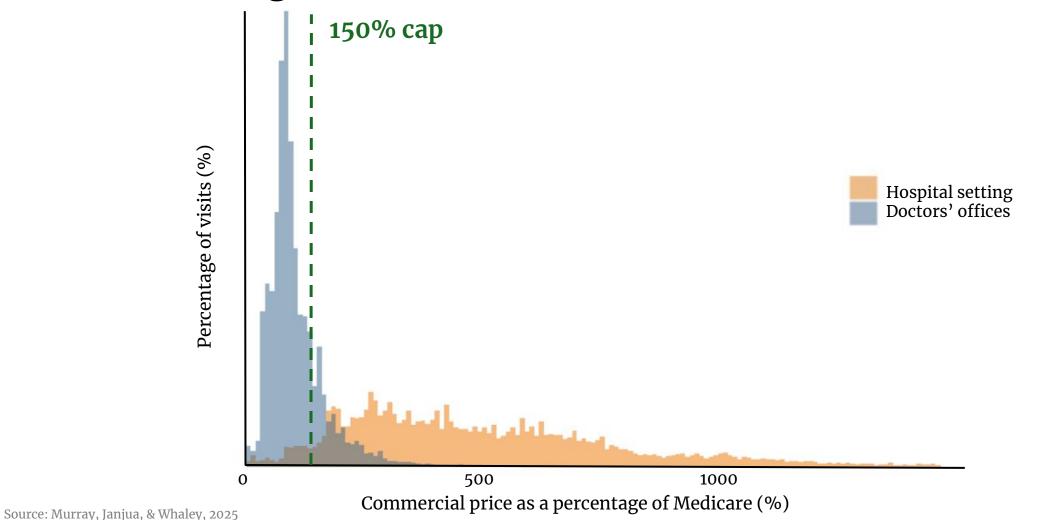
The Medicare Payment Advisory Commission recommended that services performed more than half the time in doctors' offices be paid site-neutrally

Nov 2024:

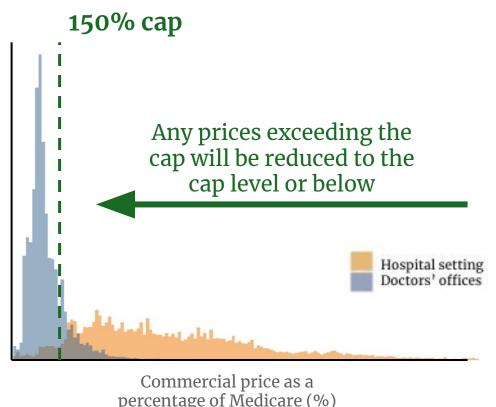
The Senate released the Bipartisan Site-Neutral Framework, which aims to expand site neutral payment for Medicare and reinvest savings to rural, high-need hospitals

This legislative session, New York introduced first-of-its-kind site neutral legislation for the commercial market:

The Fair Pricing Act (S705/A2140)



Price caps, referencing Medicare payments, have been a prominent state policy approach to target outlier prices



percentage of Medicare (%)

Source: Murray, Janjua, & Whaley, 2025

1) Price caps vs. averages:

Caps focus on curbing the highest, most egregious prices while allowing insurers and providers to negotiate for prices below the cap

2) Referencing Medicare vs. commercial rates:

Medicare rates reflect the underlying costs of care and do not incorporate the bargaining leverage of insurers and providers, making them an impartial benchmark

On average, Medicare pays just \$80.80 for new patient office visits in doctors' offices in New York

Average Commercial Price for a New Patient Office Visit in New York State



Total payment = \$436.11

- \$73.84 for the physician's time and effort
- \$362.27 for the operational costs of the facility



Total payment = \$88.39

• \$88.39 for the physician's time and effort, and the operational costs of the physician's practice

The price for a new patient office visit in the hospital is **nearly 5X** the price in the doctor's office

Current Procedural Terminology Code 99202

On average, Medicare pays just \$80.80 for new patient office visits in doctors' offices in New York

Average Commercial Price for a New Patient Office Visit in New York State



Total payment = \$436.11

- \$73.84 for the physician's time and effort
- \$362.27 for the operational costs of the facility



Total payment = \$88.39

• \$88.39 for the physician's time and effort, and the operational costs of the physician's practice

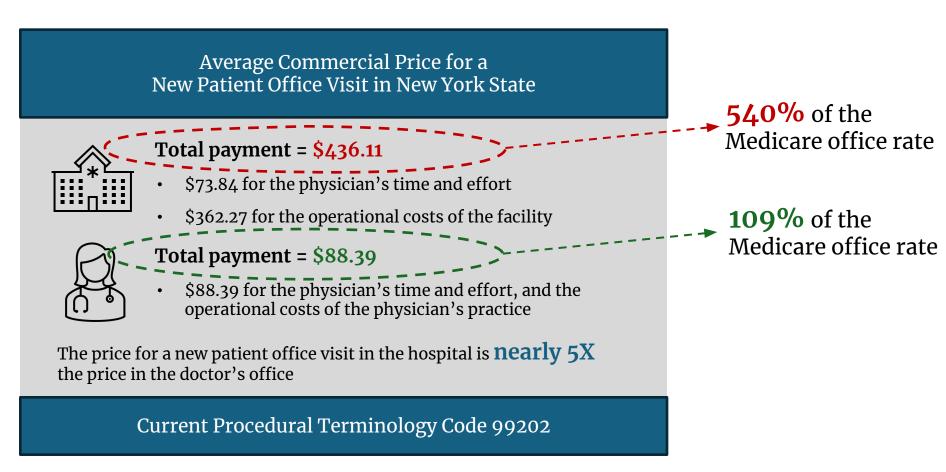
The price for a new patient office visit in the hospital is **nearly 5X** the price in the doctor's office

Current Procedural Terminology Code 99202

540% of the Medicare office rate

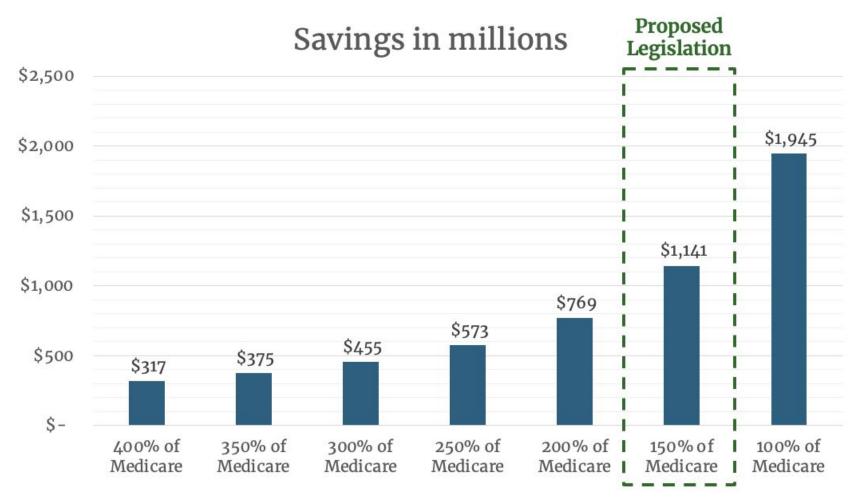
Source: Murray, Janjua, & Whaley, 2025

On average, Medicare pays just \$80.80 for new patient office visits in doctors' offices in New York



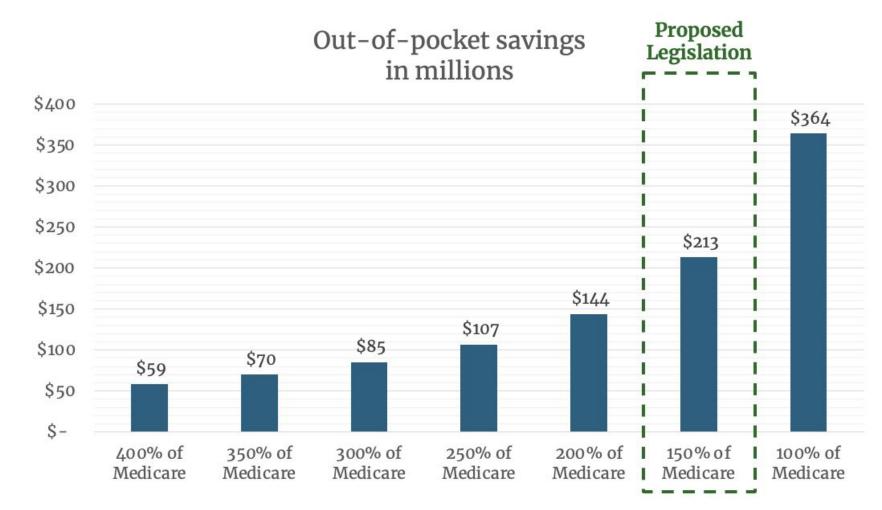
Source: Murray, Janjua, & Whaley, 2025

The Fair Pricing Act, if applied to all settings and facilities in New York, could save New Yorkers \$1.14 billion annually

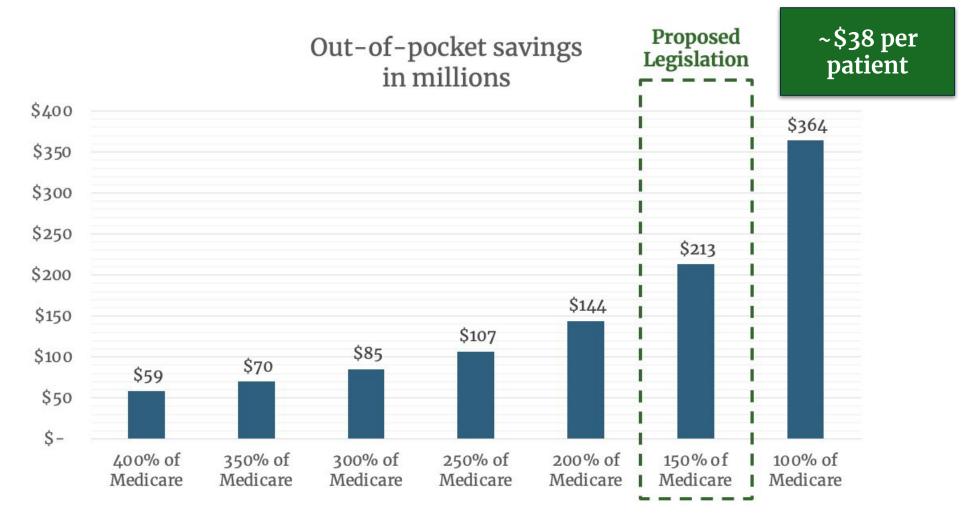


Source: Murray, Janjua, & Whaley, 2025

Under the **Fair Pricing Act**, patients could save up to **\$213 million** in out-of-pocket expenses for routine services



Under the **Fair Pricing Act**, patients could save up to **\$213 million** in out-of-pocket expenses for routine services



Summary





Estimating Savings from the Fair Pricing Act and Commercial Site-Neutral Payments in New York State

AUTHORS:

Roslyn Murray, PhD, MPP, Haroon Janjua, MS, and Christopher Whaley, PhD

A report prepared for and sponsored by 32BJ Labor Industry Cooperation Trust Fund

February 11, 2025

- Prices for routine services are much higher in hospital settings.
- The Fair Pricing Act could save New Yorkers \$1.14 billion annually.
- Patients could save up to \$213
 million in out-of-pocket expenses.
- Even with higher caps
 (200%-400% of Medicare),
 significant savings could still be
 achieved.

References

Murray R, Janjua H, Whaley C. Estimating Savings from the Fair Pricing Act and Commercial Site-Neutral Payments in New York State. Center for Advancing Health Policy through Research. 2025 Feb 11. Available from: [url]

Physicians Advocacy Institute. PAI-Avalere Report on Physician Employment Trends and Acquisitions of Medical Practices: 2019-2023. Available from:

https://www.physiciansadvocacyinstitute.org/PAI-Research/PAI-Avalere-Study-on-Physician-Employment-Practice-Ownership-Trends-2019-2023. Accessed Jan 30, 2025

Robinson JC, Whaley CM, Dhruva SS. Prices and complications in hospital-based and freestanding surgery centers. Am J Manag Care. 2024;30(4):179-184. doi:10.37765/ajmc.2024.89529. PMID: 38603532.



