U.S. Opens Antitrust Investigation Into NewYork-Presbyterian

The Justice Department scrutiny of one of New York’s leading health systems could lead to more spirited competition among hospitals — and slow rising prices.

NewYork-Presbyterian includes two of the city’s most storied medical institutions: Columbia University Medical Center and Weill Cornell Medical Center.Credit...Anna Watts for The New York Times

By Joseph Goldstein
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The Justice Department is investigating whether the renowned NewYork-Presbyterian health system violated antitrust laws through hidden deals with insurance companies that kept hospital prices high, according to a subpoena reviewed by The New York Times.

The civil investigation is examining whether NewYork-Presbyterian persuaded insurance companies to agree to conditions that insulated the hospital system from competition — which would enable it to charge more for common procedures with little worry about losing patients.

The federal investigation is likely to send a jolt through some of the city's biggest hospitals and the health insurance companies that negotiate with them. The administrative subpoena states that the review seeks to determine if there has been "potential unlawful agreement between NewYork Presbyterian Health Care System and health insurance companies relating to steering restrictions and contracting conduct."

The investigation is examining a corner of the health industry that has received little attention from antitrust investigators, outside of cases in North Carolina and California in recent years: the negotiations between hospitals and insurers to build a network of providers.

NewYork-Presbyterian includes two of the city's most storied medical institutions: Columbia University Medical Center and Weill Cornell Medical Center. The hospitals are affiliated with the medical schools of Columbia and Cornell.

The inquiry could lead to more spirited competition among New York City's leading hospital systems, which might translate into lower prices for childbirth, knee replacements, colonoscopies and other common medical care.

A spokeswoman for NewYork-Presbyterian, Angela Karafazli, did not respond to questions about the investigation. Asked about NewYork-Presbyterian's contracts with insurance companies and the potential for anticompetitive provisions, Ms. Karafazli responded, "We cannot comment on the terms of our contract."

A spokeswoman for the Justice Department declined to comment on the investigation.

The issuance of a subpoena can mark the start of an investigation and does not indicate that the hospital system has engaged in any wrongful conduct.

The subpoena reviewed by The Times was addressed to the health fund of a large New York labor union, which has been publicly complaining about NewYork-Presbyterian's high prices for years. The union, Local 32BJ of the Service Employees International Union, represents about 90,000 workers in New York City — janitors, window cleaners, doormen and other property maintenance workers.

The subpoena did not come out of the blue.

Last year, the union sent a memo to the Justice Department requesting that it investigate NewYork-Presbyterian, alleging that the hospital had engaged in anti-competitive behavior, according to the memo, which The Times obtained.

“We will hold big hospital chains like NewYork-Presbyterian accountable for its anti-competitive practices,” the union president, Manny Pastreich, said in a statement.

Manny Pastreich, president of Local 32BJ of the Service Employees International Union, accuses NewYork-Presbyterian of anticompetitive practices.Credit...Jason Decrow/Associated Press

That 28-page memo asserted that NewYork-Presbyterian repeatedly tried to thwart the union’s efforts to steer its members to other lower-cost hospitals, which, the memo said, impeded competition and contributed to high hospital costs across the city.

The investigation could reveal the complex and secret negotiations that occur as employers and unions secure health coverage for their workers.

“This is a really big deal,” Martin Gaynor, a former Justice Department antitrust official and an emeritus economics professor at Carnegie Mellon University, said in an interview.

He said that he suspected that leading hospital systems frequently put anticompetitive restrictions in their contracts with insurers, but that those arrangements generally remained secret. “We don’t know how common or pervasive these restrictions are because they are private contracts,” Mr. Gaynor said.

In New York City, large employers and unions often fund their own health plans, meaning they pay medical bills for their workers with their own money. But they typically hire an insurance company as a third-party administrator. It is big business for those insurance companies. The 32BJ union typically pays more than $150 million for such services over a three-year contract, according to the memo.

Under such arrangements, the insurance company acts as a middleman, negotiating prices with health systems to assemble a network of providers. Then, the insurer provides this network to employers and unions and processes employees' medical bills and reimbursement claims.

But the negotiations that result in the creation of a network of medical providers — and the terms that were reached — often remain opaque. Different insurers pay different amounts to different hospitals.

In 2018, the union's health fund — which receives contributions from about 5,000 employers and spends almost $1.5 billion annually paying members' medical and pharmacy expenses — reviewed its billing data to identify which hospitals offered better value.

"The fund's analysis of claims data demonstrated that NYP was consistently more expensive," according to the memo, which notes that a hip replacement at NewYork-Presbyterian cost the health fund $83,000 on average, while it cost about $58,000 elsewhere.

During the next few years, the union tried a variety of tactics to steer members to other hospitals in its network. For a time, the union required members who went to NewYork-Presbyterian to make co-payments that were 10 times higher than at other hospitals, according to the memo. That saved about $30 million a year, as members increasingly chose cheaper hospitals.

But NewYork-Presbyterian erected roadblocks to union-imposed incentives that steered members to other hospitals, according to the union's memo. Union health officials learned that the insurance company administering its health plan had a separate contract with NewYork-Presbyterian that barred it from doing what the union wanted, according to the memo. For instance, the insurer informed the union that it could not place NewYork-Presbyterian "in a non-preferred tier with higher copays," according to the memo.

The fight over costs between the union and the hospital escalated. Union officials testified at the City Council and before other bodies about NewYork-Presbyterian's higher prices.

Colonoscopies at NewYork-Presbyterian, for instance, typically cost the union health fund $8,991, versus $3,638 at other New York hospitals, according to the memo. But because those in-network costs are paid by the health fund — and not the patient — the higher costs were unlikely to result in patients going elsewhere.

The union eventually decided to exclude NewYork-Presbyterian from its network — which would discourage union members from going there. But that wasn't easy. In 2023, the union health fund struggled to find an insurance company that said it was able to put together a provider network without NewYork-Presbyterian's hospitals.

"Anything that limits the ability of the purchaser to be the master of their fate" is problematic, Peter Goldberger, the executive director of the union's health fund, said.

Some of the third-party administrators told the union that they had separate contracts with NewYork-Presbyterian that prevented them from excluding the hospital system. The memo to the Justice Department states that union health officials were informed by one carrier that "anyone who tells you they can exclude NYP is lying."

A few of the third-party administrators were willing to put together a network that excluded NewYork-Presbyterian. Aetna was one of them. But as Aetna was preparing a network for the union that excluded NewYork-Presbyterian, the hospital told Aetna that the union health fund owed the hospital $25 million in unpaid medical bills, according to the memo. The union claims the bill was not legitimate and was intended as a penalty for excluding NewYork-Presbyterian from the union's network of providers, according to the memo.

Ultimately, 32BJ went with another company, Anthem, and was able to exclude NewYork-Presbyterian from its network. Anthem did not immediately respond to a request for comment.

David Whitrap, a spokesman for Aetna, said in a statement that some hospital systems demand "restrictive terms," so that an insurer is prevented from excluding a hospital system in any plan it offers. But Mr. Whitrap said that confidentiality restrictions prevented his company from identifying any specific hospital system that seeks such restrictive deals.

The Justice Department's investigation could shed light on whether hospitals are somewhat insulated from having to compete on price, by preventing insurance companies from creating networks that exclude certain hospitals or that require higher co-payments to access services at some hospitals.

Major private health systems, including NYU Langone Health, Mount Sinai, Northwell Health and NewYork-Presbyterian, compete ferociously for patients. Two of the hospital systems are even locked in a court battle over the color purple, with NYU Langone, which has long had purple on its signs and advertising, claiming in court papers that Northwell was using more purple to mimic NYU.

Joseph Goldstein covers health care in New York for The Times, following years of criminal justice and police reporting.