MAHP BRIEFING DECK: JULY 2025

KEY ISSUES IMPACTING HEALTH CARE AFFORDABILITY & POLICY RECOMMENDATIONS TO CONTAIN COSTS

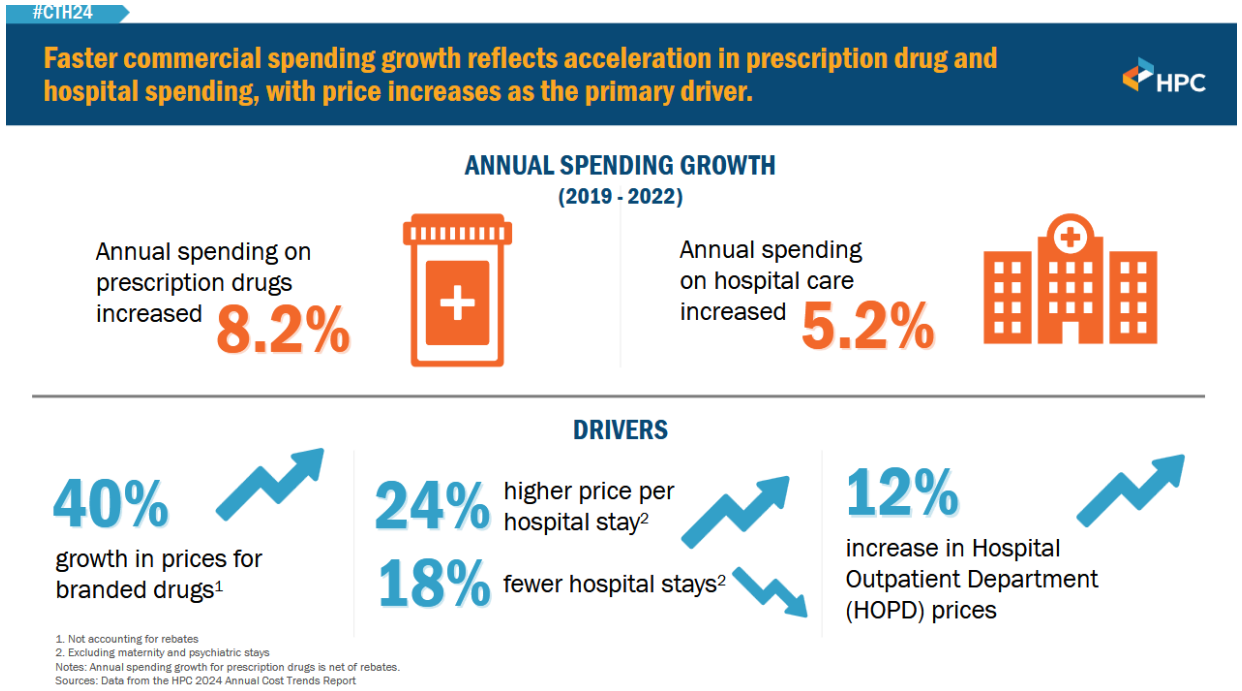
MAHP
MASSACHUSETTS ASSOCIATION of HEALTH PLANS

Addressing Health Care Affordability: The Need for Whole System Accountability

The Issue: Health care costs continue to rise at an unsustainable rate, driven by increases in the prices charged by hospitals, providers, and the pharmaceutical industry, rather than utilization.

The Impact: Premiums and cost-sharing are a direct reflection of the prices charged – when providers and pharmaceutical manufacturers raise their prices, consumers and employers bear those increases in premiums and cost-sharing.

The Ask: Health plans cannot bear the sole responsibility for controlling health care costs. New tools are needed, like those advanced in OR, RI, CO, DE, to hold providers and the pharmaceutical industry accountable for the prices charged.



Health Policy Commission, Hearing to Determine the 2026 Health Care Cost Growth Benchmark Presentation. March 13, 2025

State of the Industry: Financial Performance for Hospitals, Health Plans, and the Pharmaceutical Industry

- **Provider and Health System Trends:** The statewide acute hospital median total margin increased by 6.4 percentage points between 2022 and 2023, with 63% of acute hospitals reporting positive total margins in HFY2023. Through March 31, 2025, the statewide median total margin remained positive, at 2.1%, with 66% of hospitals reporting positive total margins.

2.1%

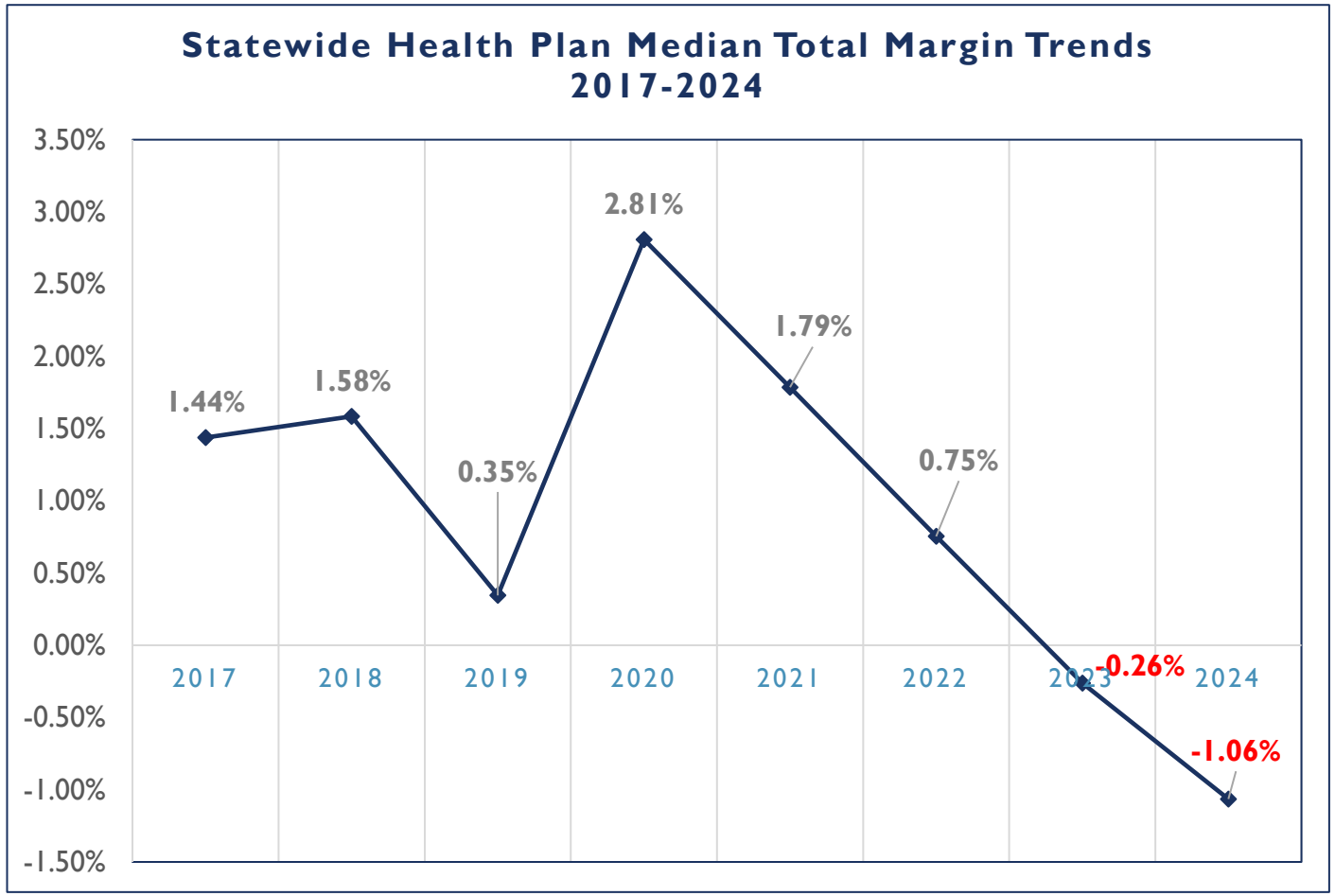
- **Health Plan Trends:** The statewide health plan median total margin declined by 1.1 percentage points between 2022 and 2023, with 55% of health plans reporting negative total margins in 2023. Through 2024, the statewide median total margin declined further to -1.06%, with 78% of health plans reporting negative total margins.

-1.06%

- **Pharmaceutical Industry Trends:** In 2023, the domestic revenue of the pharmaceutical industry reached approximately $318 billion, representing an average annual net income margin of nearly 23%.

23%

Non-Profit Health Plan Finances



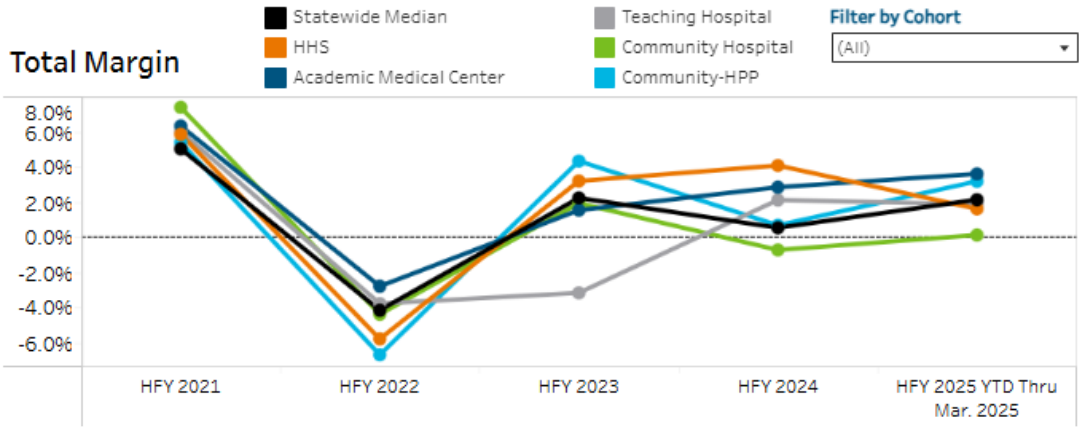
*Health plans have faced a consistent steep decline in financial performance over the past five years, culminating in a **negative median total margin of ---1.06% in CY2024**.*

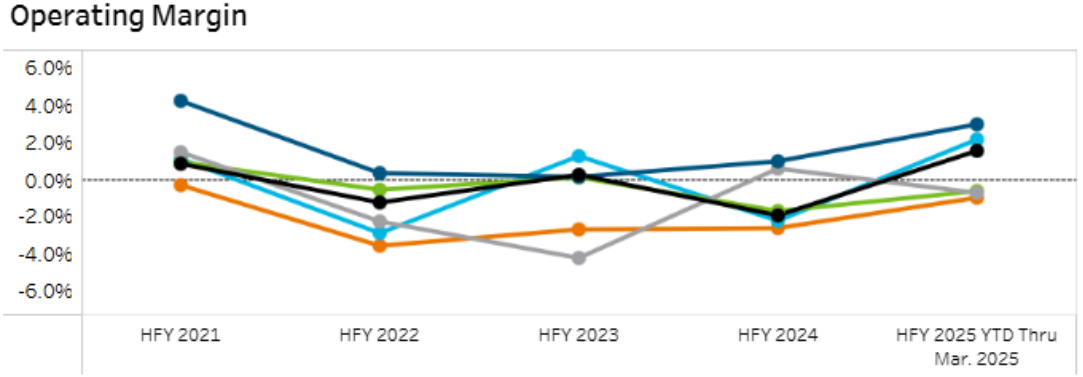
This reflects ongoing financial challenges driven by rising provider prices, inflationary pressures, and elevated prescription drug prices, resulting in losses that outpace revenues.

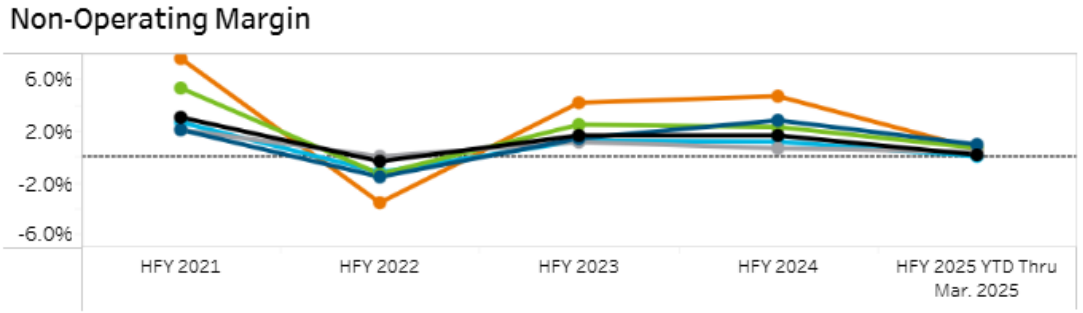
Health Plans	2017	2018	2019	2020	2021	2022	2023	2024
	Profit Margins (Including Investment Earnings) = NI/TR							
A	4.32%	0.08%	-1.87%	-1.29%	-1.31%	-3.90%	0.88%	-1.06%
B	-0.09%	2.00%	2.57%	4.67%	2.29%	2.05%	1.58%	-2.31%
C	-0.12%	-0.76%	-0.24%	3.64%	3.01%	2.63%	2.98%	-0.36%
D	1.44%	0.58%	-1.22%	4.62%	1.79%	0.58%	-4.19%	-0.86%
E	2.32%	0.84%	0.34%	2.18%	-1.32%	0.75%	-2.64%	2.08%
F	-0.51%	2.23%	0.81%	0.26%	-2.56%	-1.92%	-2.60%	-8.74%
G	3.33%	3.45%	3.01%	2.81%	7.93%	0.19%	-0.26%	-7.69%
H	-0.34%	2.51%	0.35%	-2.51%	-0.66%	1.40%	-0.37%	-5.05%
I	2.42%	1.58%	2.69%	3.45%	4.24%	6.04%	4.51%	6.28%
Median Total Margin	**1.44%**	**1.58%**	**0.35%**	**2.81%**	**1.79%**	**0.75%**	**-0.26%**	**-1.06%**

MAHP Analysis of Annual Financial Statements submitted to Division of Insurance

Hospital and Health System Finances





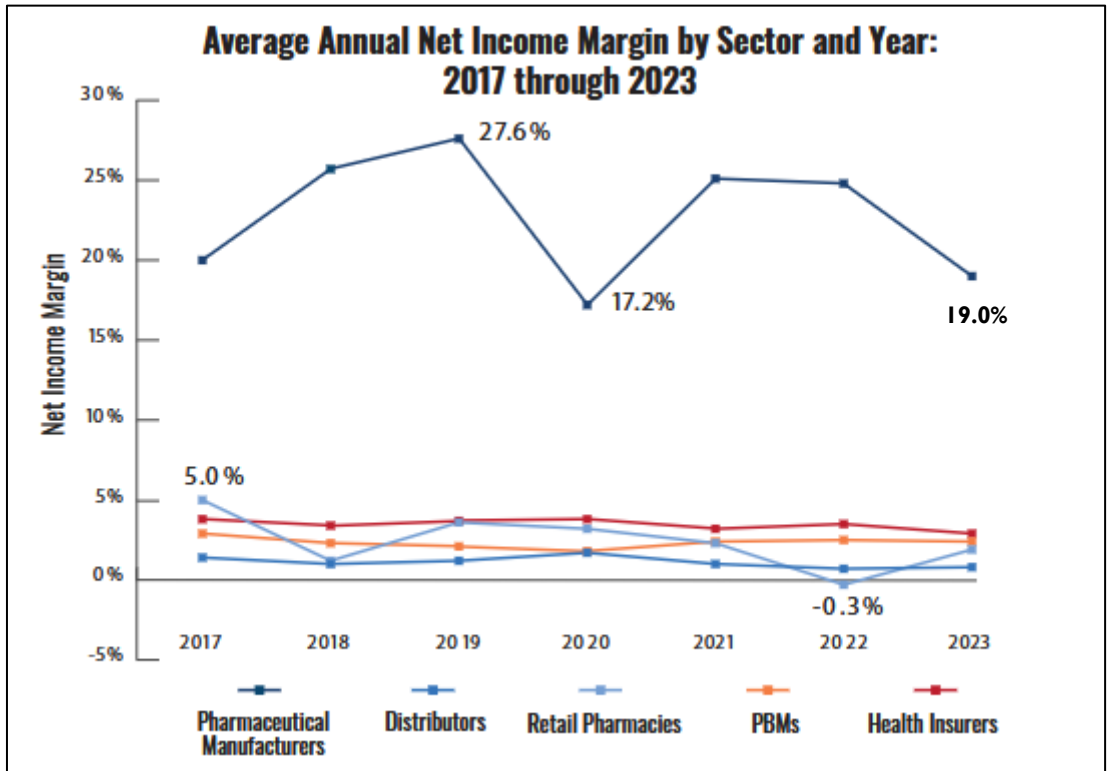


Center for Health Information and Analysis. Hospital and Hospital System Year-To-Date Financial Data (June 2025)

Hospitals and health systems have weathered volatility in financial performance over the past 5 years driven by the impact of COVID-19, workforce challenges, inflationary pressures, and elevated prescription drug prices.

As labor expenses have dropped and inflationary pressures have subsided, financial and operating performances stabilized in 2023, 2024 and Q1 2025.

Pharmaceutical Manufacturers Finances



	2017	2018	2019	2020	2021	2022	2023	2017-2023
Pharmaceutical Manufacturers	20.0%	25.7%	27.6%	17.2%	25.1%	24.8%	19.0%	22.8%

Pharmaceutical manufacturers continue to see profit margins 10 times larger than others in the drug supply chain.

National data from shows that pharma manufacturers lowest average margin in a single year is far greater than the highest margin of any other sector.

The Campaign for Sustainable Rx Pricing. Analysis of US. SEC filings for CY2017 to CY2023. (November 2024).

Factors impacting premium rate increases for employers and consumers

- In the decade since passage of Chapter 224 of the Acts of 2012, the Health Policy Commission, the Center for Health Information and Analysis and the Massachusetts Office of the Attorney General have issued over 40 state reports identifying and tracking the drivers of health care costs in the Commonwealth, first identified by AG Coakley in 2010.

- Time and again, the very same factors are identified as the primary drivers of spending:
  1. Persistent increases in the prices that doctors, hospitals, and other providers charge, often driven by market leverage rather than quality of care,
  2. Care largely being delivered by high-cost providers in high-cost settings, and
  3. Excessive spending growth for prescription drugs

- Despite the abundance of data on cost drivers, health care legislation to address underlying costs have not been successful, while legislation and regulations adding costs to the system or eliminating vital health plan tools to control costs has passed.

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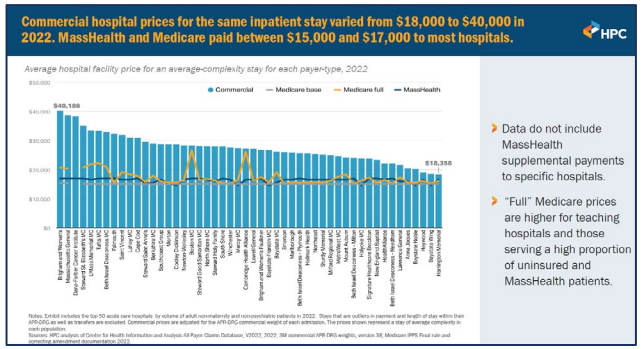

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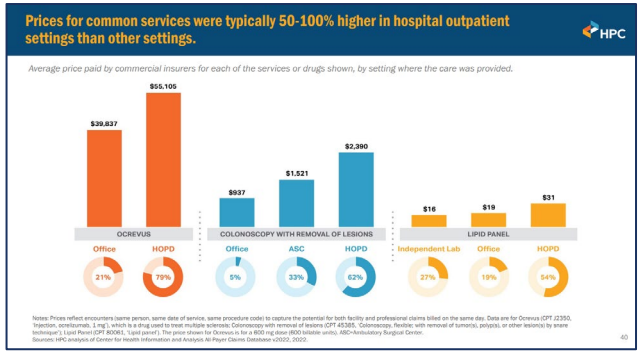

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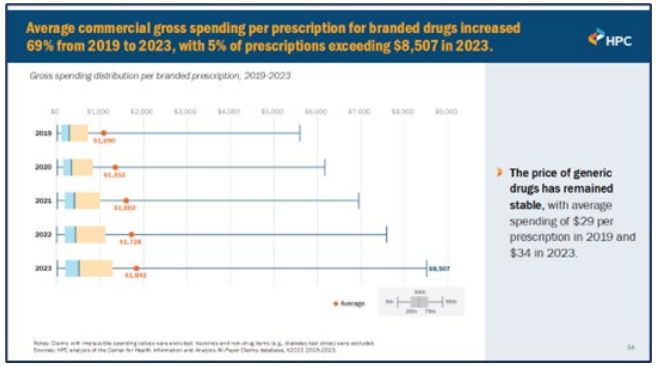
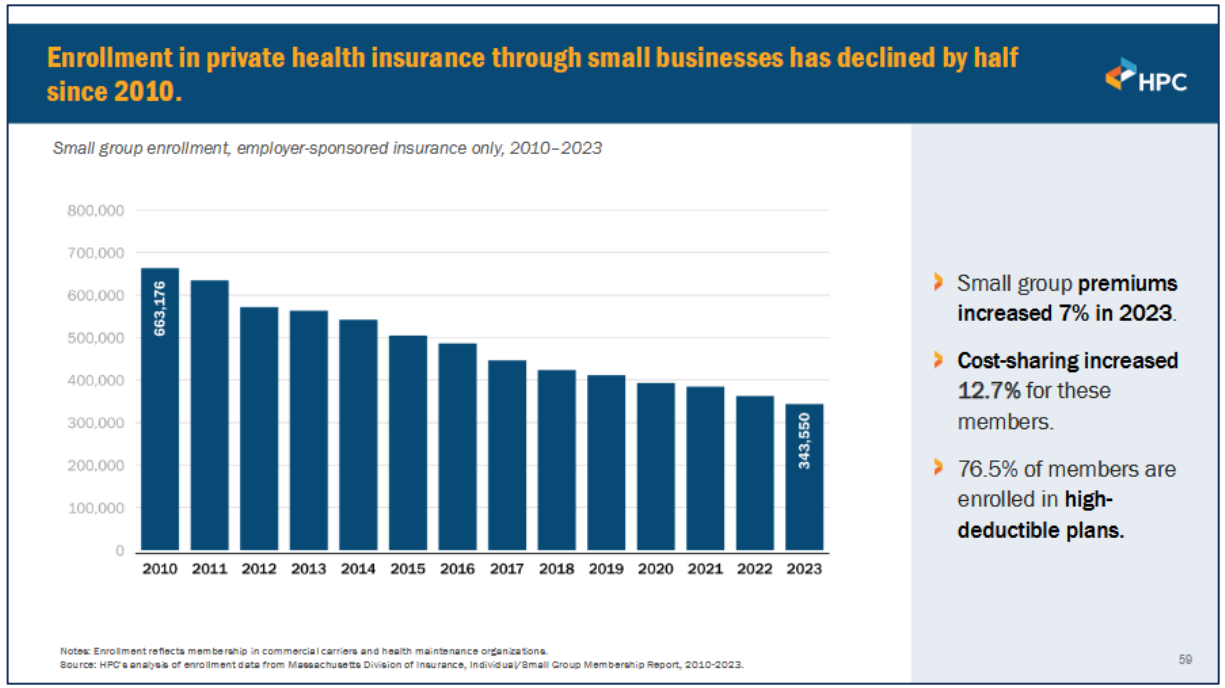


Health Policy Commission, Hearing to Determine the 2026 Health Care Cost Growth Benchmark Presentation. March 13, 2025

Impact of continued provider and pharmaceutical price increases on employers and consumers

- Health plans take seriously their commitment to constraining health care costs for the employers and consumers they serve – since the benchmark was established, ***growth in the cost of health insurance has slowed significantly***.
- However, premium cost growth still outpaced inflation, particularly impacting the small group market where enrollment has declined by half since 2010 while the percentage of members enrolled in high-deductible health plans has steadily increased.



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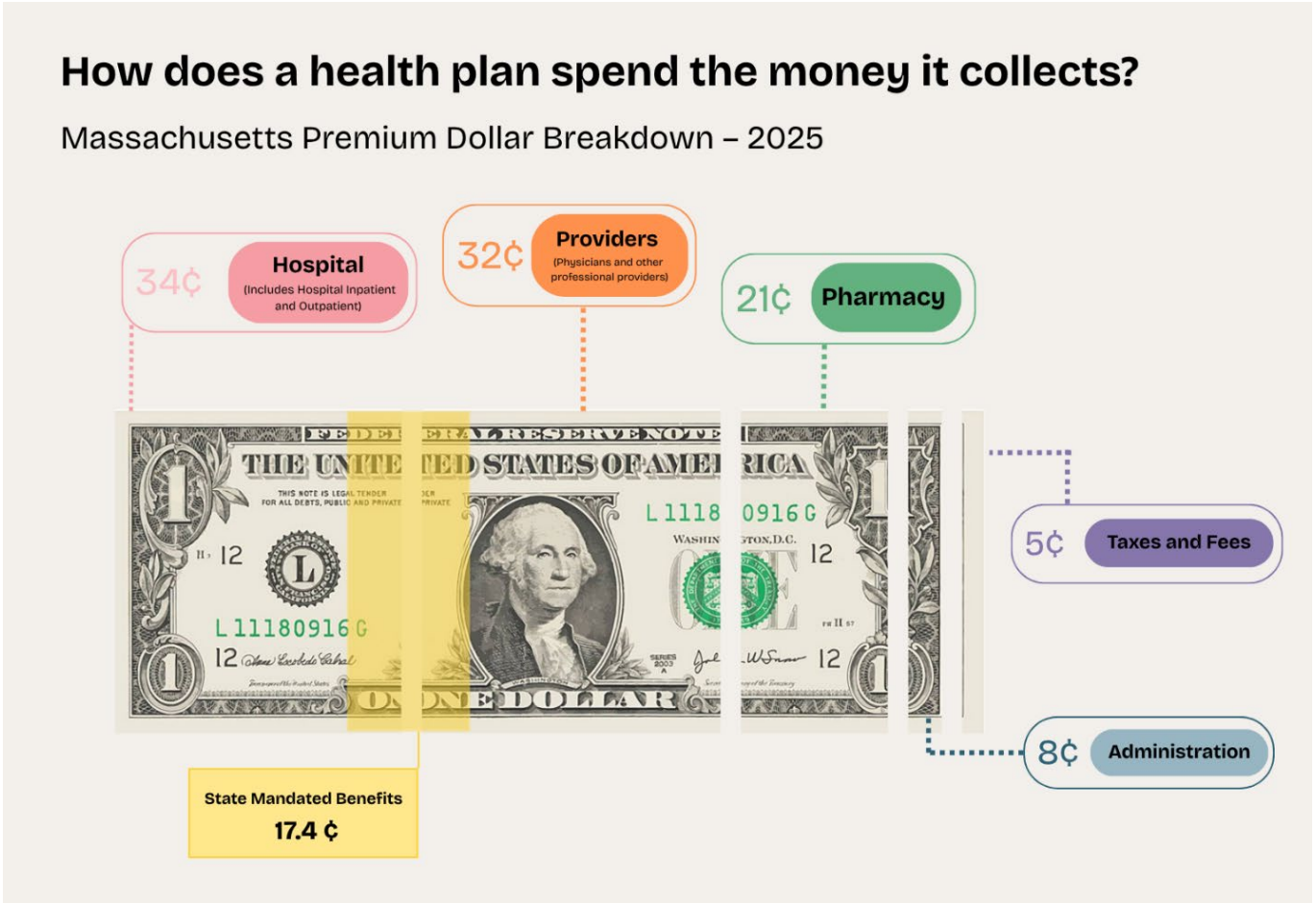
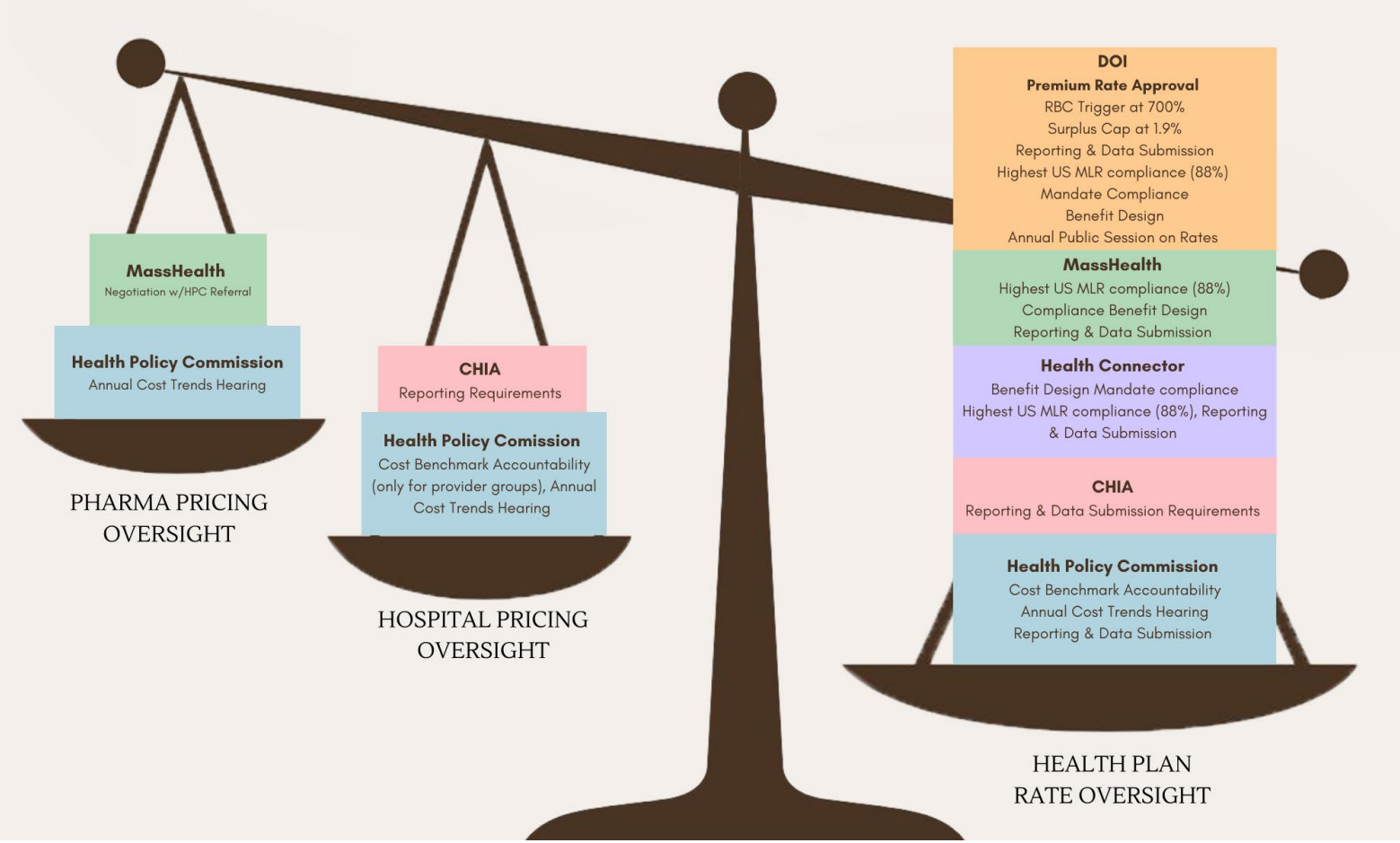
WHERE DOES YOUR PREMIUM DOLLAR GO?

- *In 2023, plans spent the most on hospital services, followed closely by other providers and medical professionals.*
- *Prescription drug spending now accounts for nearly a quarter of every premium dollar spent.*
- *Health plan administrative spending is capped at 12 cents of every dollar in Massachusetts.*



State of the Industry: Oversight and Accountability for Hospitals, Health Plans, and the Pharmaceutical Industry



- **Pharmaceutical Industry Accountability:** The pharmaceutical industry has limited accountability for the prices charged. With passage of Chapter 343 of the Acts of 2024, pharma manufacturers will be called as witnesses for the HPC's Annual Cost Trends Hearing for the first time and data submitted by carriers and PBMs on pharma pricing will be considered as part of the HPC's work.
- **Provider and Health System Accountability:** The hospital and provider community have some accountability over the prices charged, specifically, reporting on financial performance to the CHIA and HPC, as well as accountability for provider groups to the Cost Growth Benchmark, and participation at the Cost Trends Hearing.
- **Health Plan Accountability:** Health plans have robust accountability over the premiums charged, including reporting to CHIA, the HPC, the Health Connector, MassHealth and DOI, accountability to the benchmark, participation at the Cost Trends Hearing, and extensive oversight requirements from the DOI relative to rates, benefit design, networks, and spending.

Health Plans have a cap on their surplus – if they make more than a 1.9% surplus or profit annually, they can have their rates rejected by the Division of Insurance

Health plans have the most stringent requirements of any state on how much they must spend on medical care and on administration. If a health plan spends too much on administration, they are required to issue rebates to customers.

Health plan rates are aggressively reviewed by the Division of Insurance and health plans are required to present their rates publicly before they are approved.

Hospitals, providers, and the pharmaceutical industry do not have any constraints on profit.

Hospitals, providers, and the pharmaceutical industry do not have any requirements for distribution of the premium dollar.

Hospitals, providers, and the pharmaceutical industry do not have any oversight relative to the prices they charge.

Beginning this year, the Commissioner of Insurance is required to consider the affordability of health insurance premiums when reviewing rates.

But, hospitals, providers, and the pharmaceutical industry are not required to consider affordability when setting the prices charged.

Health plans cannot solve our state's affordability challenges alone.

In the 2023-2024 session alone, legislation was passed raising premium costs for employers and consumers by close to **$1 billion over the next five years**.

Prior to the 2023-2024 session, Massachusetts coverage mandates and cost-sharing prohibitions accounted for ***$2.47 billion in additional premium costs annually,*** *representing 17.3% of total commercial premiums.*

Cost Additive Health Care Legislation 2023-2024

Chapter 186 of the Acts of 2024 – Maternal Health Law

- Mandated coverage of donor human milk and donor human milk derived product - $737.7M over 5 years
- Mandated coverage of universal postpartum home visiting services (applies to commercial and Medicaid, without guardrails will be high price tag) - No CHIA cost estimate
- Mandated coverage of postpartum depression screenings - No CHIA cost estimate

Chapter 140 of the Acts of 2024 – FY25 Budget

- Mandated coverage of fertility preservation services - $4.5M over 5 years

Chapter 197 of the Acts of 2024 – LTC Law

- Mandated 24-hour turnaround time for prior authorization for post-acute care and transportation - No CHIA cost estimate, will require additional FTEs
- Rate add-ons for SNF care – bariatric patient care, 1:1 staffing for at risk residents, small house nursing homes - No CHIA cost estimate

Chapter 231 of the Acts of 2024 – Elimination of Cost Sharing for Diagnostic Breast Cancer Screenings

- Elimination of cost-sharing on diagnostic exams for breast cancer (mammogram, digital tomosynthesis, MRI, u/s) $41.67M over 5 years

Chapter 285 of the Acts of 2024 – An Act relative to treatments and coverage for substance use disorder and recovery coach licensure

- Mandated coverage of opioid antagonists without PA and cost sharing, no quantity limits, and no generic requirements $$$
- Mandated coverage of recovery coaches without PA and cost sharing $
- Mandated coverage of pain management services that serve as alternatives to opioids, without PA or step therapy (includes surgery and prescription drugs such as Muscle Relaxants, Anti-Depressants, Anti-Convulsants, and Corticosteroids) $$$
- Mandated 90-day continuity of care period for all care - $

Chapter 342 – An Act relative to pharmaceutical access, costs and transparency

- Cap on copayments for branded drugs for chronic conditions – 1% in additional pharmacy spending

Chapter 388 of the Acts of 2024 – An Act relative to applied behavioral analysis therapy

- Mandated coverage of ABA-services for down syndrome $1.93M over 5 years

At the same time, legislation limiting use of managed care tools has been enacted, **restricting health plans' ability to contain costs.**

Limits on Health Plan Tools

- Chapter 143 of the Acts of 2014 (Discourages substitution of biosimilars)
- Chapter 258 of the Acts of 2014 (Mandates 14 days coverage of CSS without medical management)
- Chapter 441 of the Acts of 2014 (Limits health plan and PBM ability to audit pharmacies)
- Chapter 41 of the Acts of 2019 (Limitations on Retro denials)
- Chapter 177 of the Acts of 2022 (BH – Elimination of PA for acute inpatient, CBAT, ICBAT, changes to OPP regulations re: MN decisions)
- Chapter 254 of the Acts of 2022 (Limitations on step therapy)
- Chapter 197 of the Acts of 2024 (Expedited PA for post acute care)
- Chapter 231 of the Acts of 2024 (Elimination of cost sharing on diagnostic exams for breast cancer)
- Chapter 285 of the Acts of 2024 (Elimination of PA, cost-sharing, quantity limits, generic use, step therapy for SUD)
- Chapter 342 of the Acts of 2024 (Cap on cost-sharing)

MAHP Recommendations for Containing Costs for Employers and Consumers

Policy Solution	Description	Modeled Savings
Moratorium on legislation or regulations that raise health care premiums	The state should implement a moratorium on any new legislative or regulatory measures that would increase health insurance premiums. Such measures would include, but not be limited to, expanding coverage mandates, eliminating cost-sharing, restricting utilization management, or imposing reimbursement requirements. This pause should remain in effect until overall health care expenditures align with the state's health care cost growth benchmark. The moratorium should not only apply to the commercial market, but to the Group Insurance Commission and MassHealth, as well.	
Address the high cost of prescription drugs	Expand HPC oversight of pharmaceutical manufacturers to include reporting requirements and accountability to the benchmark Expand HPC drug pricing review authority to include drugs with a financial impact on the commercial market in Massachusetts Establish a Prescription Drug Affordability Board that can set an upper payment limit or implement a penalty on manufacturers	TBD
Prohibit providers from charging excessive prices	Cap prices charged by hospitals, providers, and provider organizations at a percentage of Medicare	$3 billion if capped at 200% for selected services
Set a default out-of-network reimbursement rate	Set at the health plan's median in-network rate for emergency services, ambulance services, and non-emergency services delivered at an in-network facility	$801 million
Limit the scope of facilities permitted to charge facility fees and adopt site neutral payments	Set limits on both newly licensed and existing sites that can bill as hospital outpatient departments Require site neutral payments for services delivered by an off-campus facility and services commonly provided in office-based settings, including laboratory tests, imaging, diagnostic services, and clinician-administered drugs identified by the HPC.	$1.6 billion
Take steps to mitigate provider market dominance in contract negotiations	Require providers that expand outside their primary service area to bill health plans at a rate for the specific facility	TBD
Prohibit provider opting out	Prohibit providers who are contracted with a health plan from opting out of participating in limited and tiered network products	TBD
Reduce the provision of unnecessary, duplicative, or harmful care	Update requirements associated with the Determination of Need review process to require consideration of whether care is delivered in the most appropriate setting and requiring hospitals to file plans designed to reduce the duplication of unnecessary diagnostic services, reduce readmissions, and eliminate HPC-identified low-value care.	$13 million to $80 million for low-value care, $617 million for medical errors
Streamline administrative requirements	Implement electronic tools, including automated prior authorization and fully integrated medical records	Up to $515 million

In Summary

Health plans cannot fix the affordability challenge alone.

Premiums and cost-sharing are a direct reflection of the prices charged by providers, hospitals, and the pharmaceutical industry.

We need help.

MAHP recommends the following immediate action:

1. Set a moratorium on any new legislation or regulations that add to health care spending until Massachusetts meets the cost growth benchmark.
2. Prohibit any new expansions until the statewide planning envisioned under Chapter 343 of the Acts of 2024 is completed, identifying the health care needs across the state.
3. The HPC should file legislation to rein in cost drivers.
4. Health plans, providers, and health systems should work in partnership to find ways to leverage technology for administrative requirements.