MAHP
MASSACHUSETTS ASSOCIATION of HEALTH PLANS

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The Impact of State Mandated Benefits on Health Care Premiums in Massachusetts

Introduction

Massachusetts consistently ranks among the nation's highest in per capita health care spending – well above the national average – despite leading the country in health insurance coverage. A major driver of these costs are the more than 50 state-mandated health benefits that add roughly $2.5 billion to premiums each year. These requirements disproportionately impact individuals and small businesses in the fully insured commercial market, which represents just 10% of the insured lives in the Commonwealth. Today, state mandates account for 17 cents of every premium dollar, with an estimated $1 billion in additional premium costs anticipated in upcoming years resulting from the 7 new mandated benefit laws enacted in 2024. In the 2025-2026 legislative session, 188 state mandated benefit bills have been filed.

What are Mandated Benefits?

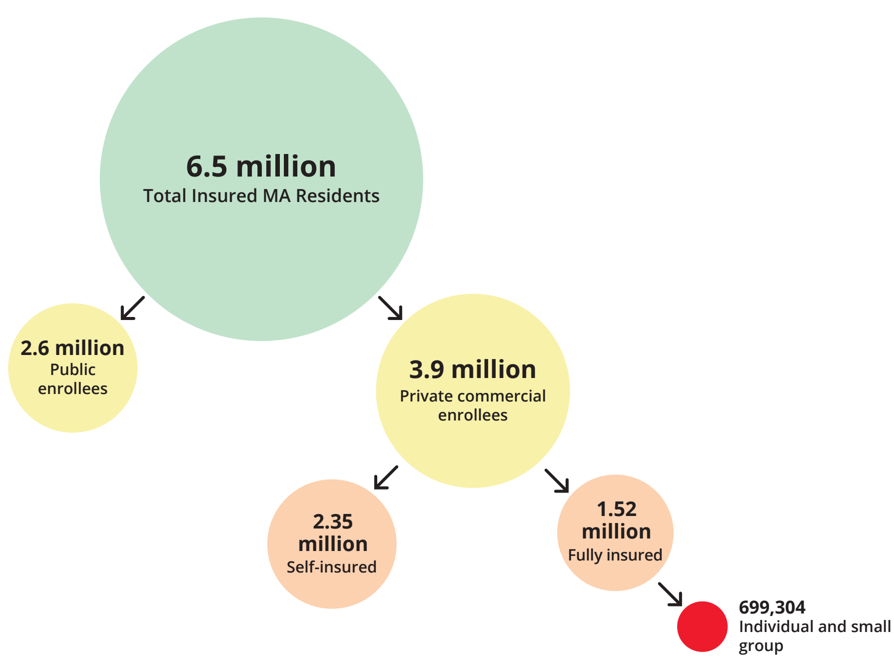
Definition: State mandated benefits are laws that require health insurance plans to cover particular health services, provider types, or populations beyond the existing benefit design.

Scope: These apply only to fully-insured commercial plans regulated by the Massachusetts Division of Insurance. They do not apply to most large, self-insured employers, who are governed by federal ERISA law.

Cost: Massachusetts state mandated benefits cost premium payers $2.5 billion annually, representing over 17% of premium costs.

Current Coverage Landscape

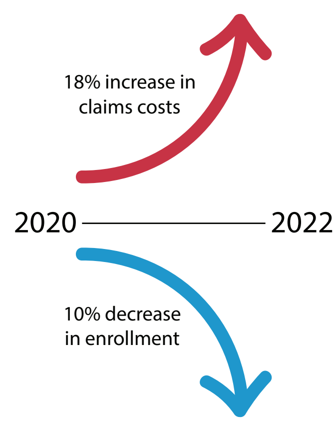
Out of 6.5 million insured residents, 699,304 shoulder the cost of mandates



Who Pays the Price?

Individuals and small businesses in the Commonwealth bear a disproportionate share of the burden from state-mandated benefits. Small, local employers that offer fully insured coverage have no choice but to purchase plans that include both federally required Essential Health Benefits (EHBs) and additional state mandates. By contrast, large employers can sidestep these requirements by self-insuring under federal rules, avoiding the higher premiums tied to state benefit mandates. The Employee Retirement Income Security Act of 1974 (ERISA) explicitly pre-empts state laws related to self-insured benefit plans, which creates a strong incentive for employers to exit the regulated small group market and self-insure to avoid escalating premiums. As more employers shift to self-insurance, the cost of state mandates concentrates on an increasingly shrinking share of the privately insured market. Between 2020 and 2022, claims costs rose 18%, while small group enrollment dropped 10% in the following two years, continuing a decade-long decline.

Small Group Enrollment vs. Claims Cost



Today, 61% of commercially insured residents are enrolled in a self-insured plan. As more employers exit the fully insured market, the remaining small businesses shoulder an even greater share of these costs.

Do we still need state mandated benefits?

While proponents of state mandated benefits contend that they improve access to certain services for targeted populations, they also add significant costs for small businesses and individuals. Massachusetts already has one of the most comprehensive sets of covered benefits in the nation; layering on new requirements increases the baseline cost of coverage and undercuts statewide efforts to contain health care spending and improve affordability. Each new mandate, no matter how small, raises premiums.

At a time when employers and families are already stretched by rising costs, Massachusetts remains one of the most expensive states for health care. Adding new mandates threatens to deepen inequities since fully-insured coverage, where these requirements apply, is concentrated among small businesses and working families.

Policy Recommendations

To increase the affordability of health insurance in the Commonwealth and provide financial relief to employers and consumers, MAHP makes the following recommendations:

1. Impose a moratorium on new mandated benefit legislation until statewide health spending aligns with the health care cost growth benchmark.

2. Strengthen the Center for Health Information and Analysis' mandate review process to ensure mandate proposals undergo thorough cost analysis, including an assessment of the impact of elimination of cost-sharing and prior authorization where applicable.

3. Allow employers to choose mandate-free Essential Health Benefits-only plans, regulated by the Division of Insurance, to give small businesses and consumers more affordable options.

Conclusion

We must take action to curb to growing impact of costly health care mandates. Without intervention, the steady accumulation of state-mandated benefits will further erode affordability and drive small businesses out of the fully insured market altogether. Thoughtful reforms can help preserve coverage options, enhance transparency, and protect the vitality of Massachusetts' small business economy.

Health insurance in Massachusetts has become increasingly unaffordable, with health plans facing mounting pressure from members, employers, and policymakers to contain costs. Policy choices, particularly the passage of new mandate benefit bills, directly increase premiums for employers and families in the merged market and accelerate health care spending growth. Massachusetts cannot afford policies that make health care coverage more expensive for small businesses and working families. Instead, we must prioritize policies that deliver real affordability and protect access to coverage for all Massachusetts residents.