



2025

**ANNUAL HEALTH
CARE COST TRENDS
REPORT**

POLICY RECOMMENDATIONS

2025 HEALTH CARE COST TRENDS REPORT

POLICY RECOMMENDATIONS

Massachusetts has a long history of coming together and becoming a model for the country in key moments of crisis in health care. From Massachusetts' expansion of insurance coverage in 2006 (Chapter 58), to the establishment of the nation's first health care cost growth benchmark in 2012 (Chapter 224), policymakers and key stakeholders have worked together to advance nation-leading policy solutions to systemic health care challenges. More recently, this cooperative spirit enabled the coordinated response required during the COVID-19 pandemic, the swift action needed to prevent dire outcomes following the bankruptcy and dissolution of Steward Health Care, and the will to enact recent legislation to better protect the system from future bad actors and plan for a system that put patients first. For the past twenty years, the Commonwealth has repeatedly met crises in health care with collaboration, compromise, and decisive policy action.

The Commonwealth now confronts another pivotal moment in health care. Ongoing and unsustainable increases in health care costs coupled with recent federal actions both threaten the stability of the health care system and endanger two of the state's core health policy goals over the past several decades: **affordability and access**. These challenges urgently demand renewed collective action and, to the extent Massachusetts takes bold action to address these challenges, Massachusetts once again has the opportunity to lead the nation.

Today, Massachusetts residents and employers face some of the highest health care costs in the nation. In 2024, Massachusetts employer-based family premiums accelerated to the highest in the nation at \$28,151. Increases to health care premiums have now outpaced growth in wages and inflation for many years, and such increases are accelerating rather than moderating. Approved average premium increases for the merged market (which includes small businesses and individuals buying health insurance on their own) for 2025 and 2026 are at the highest rates in recent years, 7.9% and 11.5% respectively.

Furthermore, as documented in this report, consumer cost-sharing is growing even faster than premiums, primarily in higher deductibles. These high and rising premium and out-of-pocket costs

are impacting increasing numbers of Massachusetts residents, resulting in many avoiding needed care, incurring medical debt, and/or putting off the purchase of other necessities.

In Massachusetts, residents enrolled in high-deductible health plans (HDHPs) were more likely to avoid needed care due to cost than those in conventional plans (31% to 19%, according to CHIA's 2023 Massachusetts Health Insurance Survey¹), and affordability issues were disproportionately worse for low-income residents and residents of color enrolled in HDHPs. The same survey also identified that deductibles are increasingly the main cause of medical debt among Massachusetts residents.

In addition to rising premiums and out-of-pocket costs, without federal action to extend enhanced premium tax credits, over 300,000 Massachusetts residents purchasing coverage through the Health Connector could pay even more for their health insurance premiums, with some seeing premiums double or triple. Unless spending growth is contained, the ability of employers and residents to sustain commercial coverage – on or off the Connector — is in peril.

Exacerbating this strain, recent federal action will lead to the loss of public health insurance coverage for many Massachusetts residents, compounding the financial instability of high public payer hospitals and community health centers that disproportionately serve these patients. The adequacy of Massachusetts support for such providers from the Health Safety Net Fund will be tested if the underlying growth in health care costs is not moderated to a more sustainable rate in the years to come.

Unaddressed, these profound challenges to health care affordability and health care access in the Commonwealth will also exacerbate existing disparities in health outcomes, especially for low-income communities, people of color, LGBTQ+ individuals, and other populations in the Commonwealth, which will further increase spending. The Blue Cross Blue Shield of Massachusetts Foundation estimated that avoidable health care spending due to health inequities totals \$1.5 billion each year, underscoring the imperative to confront these interrelated challenges.

¹ <https://www.chiamass.gov/massachusetts-health-insurance-survey>

THE HEALTH POLICY COMMISSION RECOMMENDS THAT:

In 2026, policymakers and health care leaders should recommit to the health care cost growth benchmark and convene to develop a consensus on a comprehensive set of reforms, consistent with the long-standing Massachusetts values of shared responsibility and shared sacrifice, for a greater public good. Massachusetts should once again be the national leader in reimagining our health care system from the status quo to one capable of delivering affordable, accessible, and equitable care for all residents.

The Health Policy Commission further recommends that any meaningful effort to improve health care affordability should address the following known drivers of health care costs, as documented by this and past Cost Trends Reports:

- 1. ADMINISTRATIVE COMPLEXITY.** Within Massachusetts and nationally, there is significant administrative complexity in health care that adds costs without improving value or accessibility of care. The costs of such complexity are borne by payers and providers and, ultimately, passed on to employers and residents of the Commonwealth in the form of higher premiums and cost sharing and diverts time and resources that could otherwise be devoted to patient care and from other activities that improve health. Excessive complexity also drives provider consolidation and workforce burnout and presents a barrier to value-based clinical decisions. The Commonwealth should take action to dramatically reduce these costs by adopting policies that reduce, standardize, centralize, and/or automate common administrative tasks, prioritizing those that impede care for patients and burden primary care clinicians and support staff (e.g., prior authorization).
- 2. HEALTH CARE PRICES.** Prices continue to be a primary driver of health care spending growth in Massachusetts and there is persistent, significant variation in prices between Massachusetts providers for the same sets of services without commensurate differences in quality. This dynamic continues to divert resources away from high-value providers in the community, many of which serve a higher proportion of patients with public coverage (who will be disproportionately impacted by future coverage disruptions), toward generally larger and more well-resourced systems that typically serve a higher proportion of patients with commercial coverage. Many states are implementing policy solutions that seek to limit

excessive prices for services above a fair, reasonable threshold or to moderate price growth to a sustainable rate. The Commonwealth should consider these approaches and others to address excessive prices for which a competitive market have failed to meaningfully constrain prices and other policies such as reducing unwarranted price differences for routine health care services tied to the site of care.

- 3. PHARMACEUTICAL SPENDING.** Net of rebates, pharmacy spending per enrollee grew an average of 8.6% per year from 2019 to 2023, contributing significantly to the state's overall health care cost growth rate. The uptake of blockbuster drugs (e.g., GLP-1s) and the introduction of new high-priced specialty drugs and gene therapies, among many other market developments, suggest these spending trends will continue. Recent legislative action established new tools for enhancing the transparency and oversight of pharmaceutical manufacturers and pharmacy benefit managers (PBMs), including through the HPC's new Office of Pharmaceutical Policy and Analysis (OPPA) and the Division of Insurance (DOI). These new authorities represent a critical first step in identifying policy opportunities that can deliver savings and recommending reforms that can improve pharmaceutical market functioning. In addition to considering policies implemented by other states, the Commonwealth should consider recommendations developed in the coming year by OPPA and DOI.
- 4. LOW VALUE CARE AND AVOIDABLE UTILIZATION.** HPC research shows that Massachusetts residents receive a substantial and costly amount of care that is recognized by clinicians as not based on evidence and typically unnecessary for any patient (low value care), and that the provision of such care by provider organizations varies widely. This care not only adds to premiums and out-of-pocket spending, but it adds considerable time and health risk burdens to patients and absorbs health care resources from providers that could be devoted to care that is truly needed. The Commonwealth should encourage providers and payers to adopt strategies to reduce low value care and avoidable emergency department (ED) use, ED boarding, and readmissions, and shift lower acuity care to the most appropriate setting. Fundamental to the success of these efforts is to expand access to primary care and behavioral health care. Limited access to primary care can lead to potentially avoidable ED and inpatient hospital use and is associated higher spending and worse patient outcomes, especially for patients managing chronic conditions. The Commonwealth should take immediate action on the recommendations of the **Primary Care Access, Payment, and Delivery Task Force**, aimed at rebalancing

spending to prioritize primary care (including pediatric care), rebuilding the primary care workforce, unlocking innovative care delivery and payment models, and ensuring timely patient access to high-quality care. In addition to primary care, there should be continued support and investment in the broader Massachusetts health care workforce, which continues to experience disruption, with high turnover and shortages of care providers in many roles throughout the care continuum, especially in behavioral health care and long-term care. These workforce trends have resulted in patient access issues, interruptions to care continuity, bottlenecks in transitions, and discharge delays, all of which impede efforts to ensure patients receive the right care in the right place at the right time.

The HPC is committed to supporting these efforts with data insights and independent policy leadership.

THE WORK AHEAD FOR THE HPC

In 2026, the HPC will continue to develop its oversight and planning capabilities, as authorized in the two significant health care laws passed in January 2025 (Chapters 342 and 343 of the Acts of 2024), drive primary care and maternal health care reforms through the Primary Care Access, Payment, and Delivery Task Force and the Maternal Health Access and Birthing Patient Safety Task Force, and execute its core statutory mandates to monitor health care spending trends and provide actionable policy insights.

Through the new Office of Pharmaceutical Policy and Analysis (OPPA), the HPC will be analyzing data and information from pharmacy benefit managers (PBMs) for the first time and will issue its first annual report, including recommendations on pivotal matters related to pharmaceutical policy. OPPA will also provide greater insight into the objective value of medicines and treatments, including the impact of pharmaceuticals on medical spending and health outcomes,

Through the new Office of Health Resource Planning (OHRP), the HPC will contribute a comprehensive study of maternity service closures and capacity assessment in support of the Maternal Health Access and Birthing Patient Safety Task Force's final report. OHRP will lead the Commonwealth's first comprehensive state health planning initiative in decades, using robust data analysis and strategic planning to promote the alignment of health care resources with population needs.

Through the new Behavioral Health Workforce Center (BHWC), the HPC will issue a comprehensive analysis of payments for behavioral health services by both private and public payers and recommendations for payment policies that can develop and sustain the Commonwealth's behavioral health workforce. In a forthcoming policy brief, the BHWC highlights actionable strategies for reducing barriers to obtaining licensure and certification in select behavioral health professions.