

2025

HEALTH CARE COST TRENDS HEARING

WORKING TOGETHER TO SAFEGUARD THE
COMMONWEALTH'S COMMITMENT TO HEALTH
CARE AFFORDABILITY, ACCESS, AND EQUITY

RESEARCH PRESENTATION

**Health Care Cost Trends in Massachusetts
and the Imperative to Advance Affordability**

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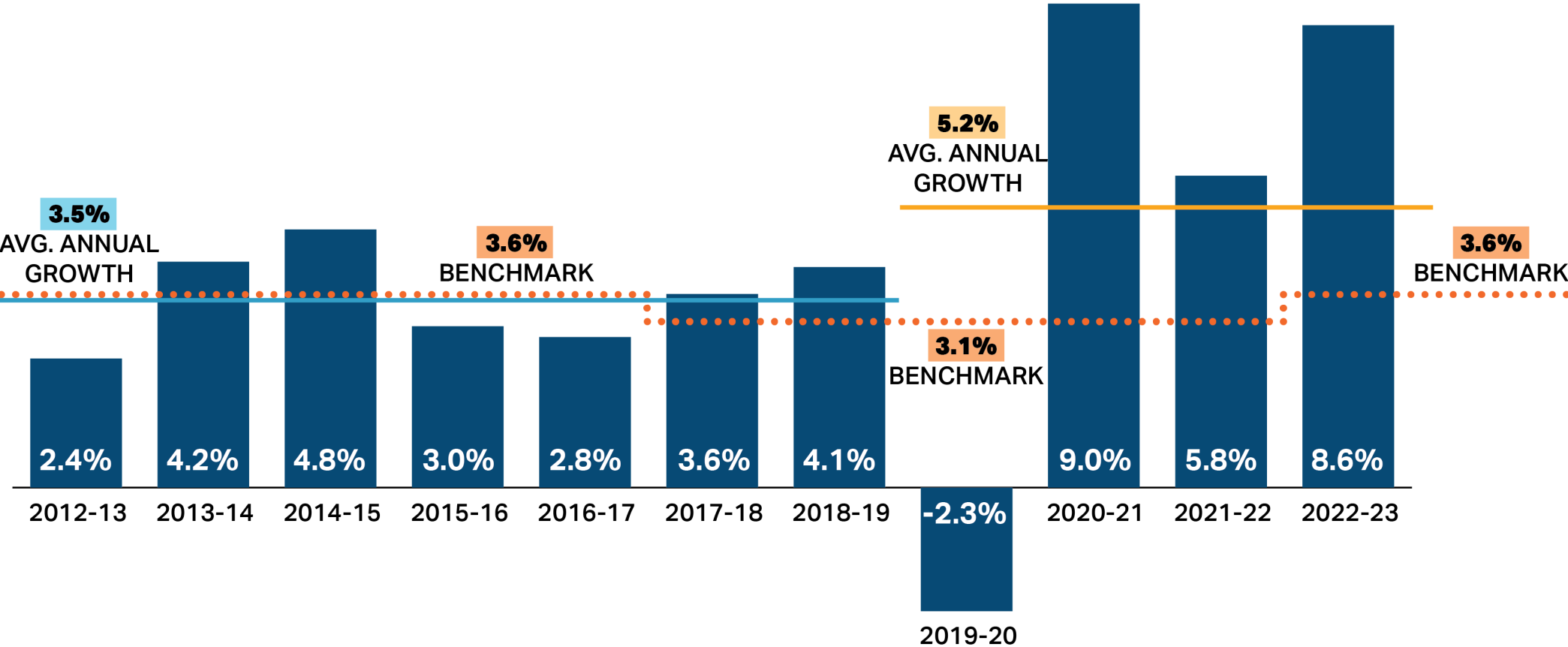


MASSACHUSETTS
HEALTH POLICY COMMISSION

In Massachusetts, health care spending growth was below the benchmark from 2012 to 2017 but has accelerated in recent years.



Annual growth in total health care expenditures per capita in Massachusetts, 2012-2022

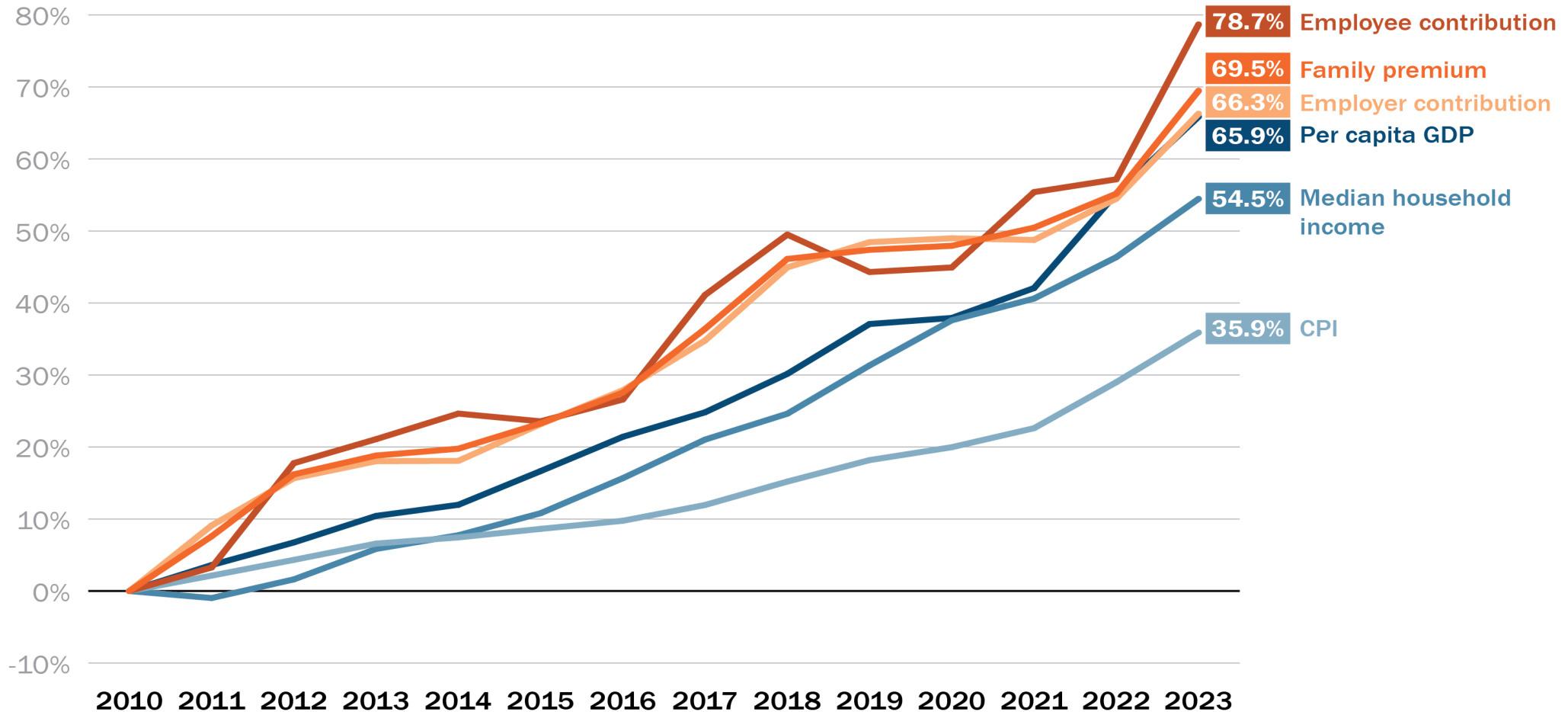


Source: Center for Health Information and Analysis, Annual Report on the Performance of the Massachusetts Health Care System 2013-2024.

The growth in health insurance costs in Massachusetts continues to far exceed increases in household income, inflation, and other indicators of economic growth.



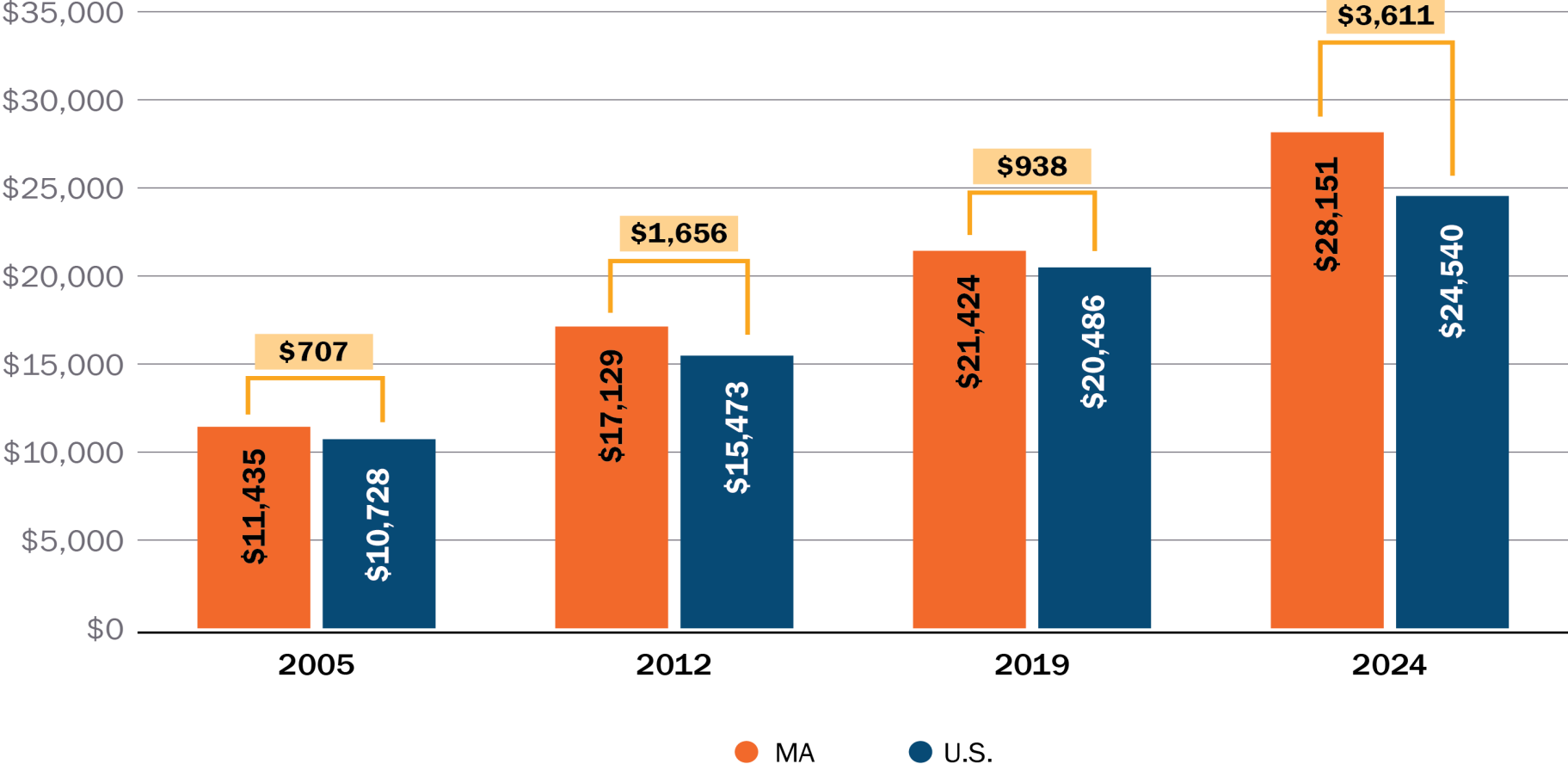
Cumulative growth since 2010 of various health care and economic indicators in Massachusetts



Premiums in Massachusetts, with growth outpacing national trends in recent years, grew an additional 7% in 2024, leading to the highest premiums in the U.S.



Average family premium for employer-based coverage, including employer and employee contribution

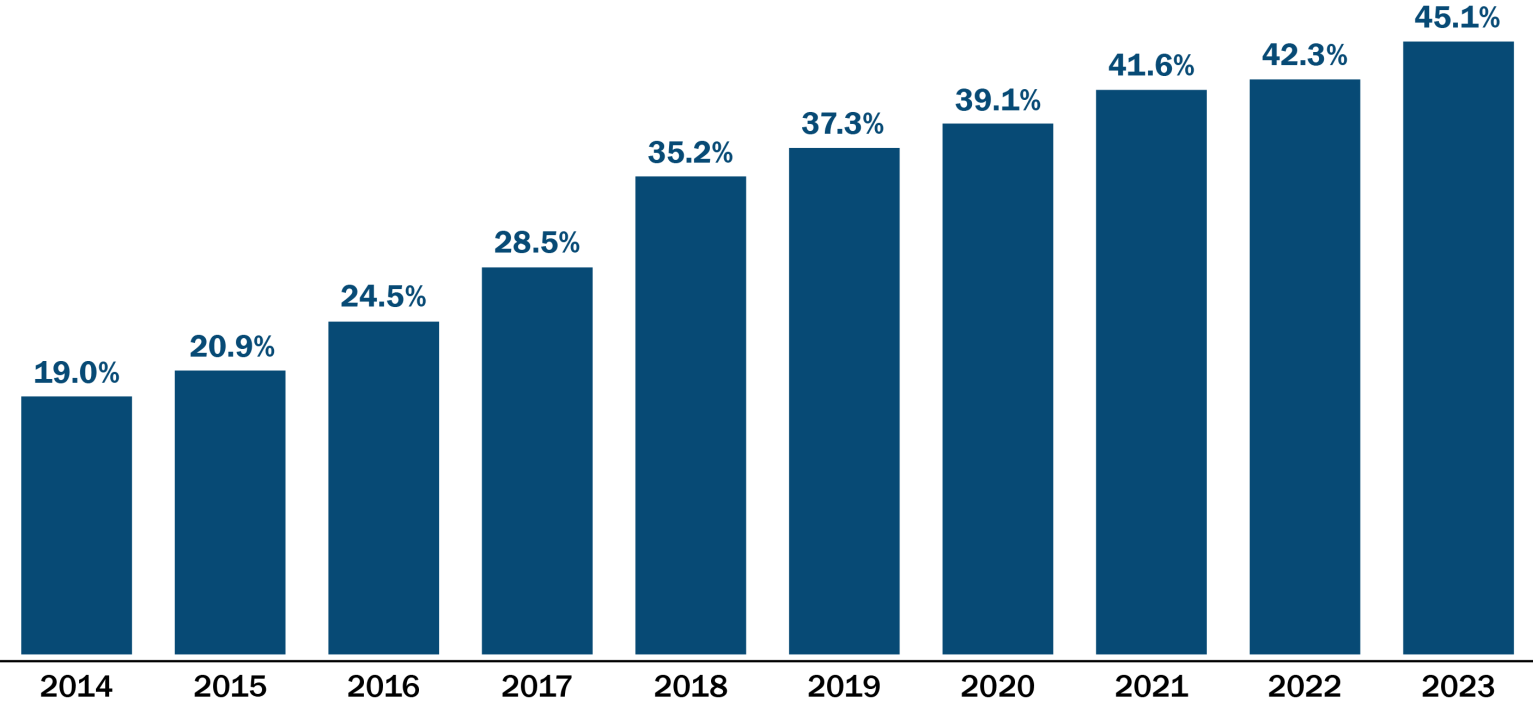


➤ Family health insurance premiums in Massachusetts exceeded the national average by \$3,611, or 15%, in 2024.

Out of pocket spending is also increasing as residents and businesses adopt high-deductible health plans (HDHP) to limit premium increases.



Percentage of Massachusetts commercial enrollees with a high-deductible health plan, 2014-2023



- The average deductible for a family plan rose from **\$2,377 in 2014 to \$3,128 in 2023.**
- Survey data from CHIA shows that those with HDHPs are **more likely to report having medical debt (19.5% vs. 11.6%)¹.**

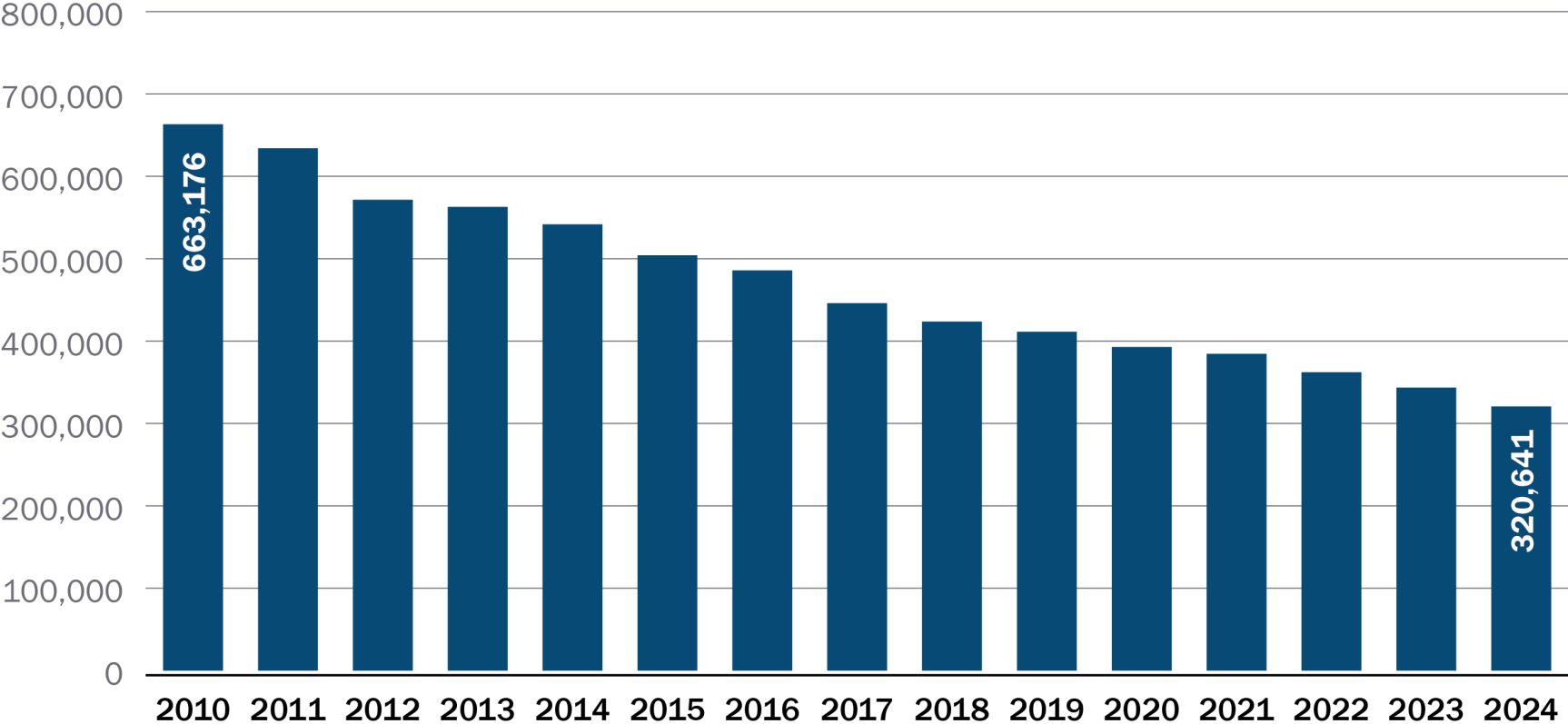
1. <https://www.chiamass.gov/assets/docs/r/publics/2021/Inside-Look-High-Deductible-Plans.pdf>

Notes: High-deductible plans are defined federally as a plan having a single/family deductible of \$1,250/\$2,500 in 2013-2014; \$1,300/\$2,600 in 2015-2017; \$1,350/\$2,700 in 2018-2019, \$1,400/\$2,800 for 2020-2022 and \$1500/\$3,000 for 2023. GIC plans do not allow high deductibles. Sources: Center for Health Information and Analysis, Annual Report on the Performance of the Massachusetts Health Care System, 2016-2025.

Small businesses face both higher premiums and higher deductibles than larger employer groups. Enrollment in the small group market has declined by more than half since 2010.



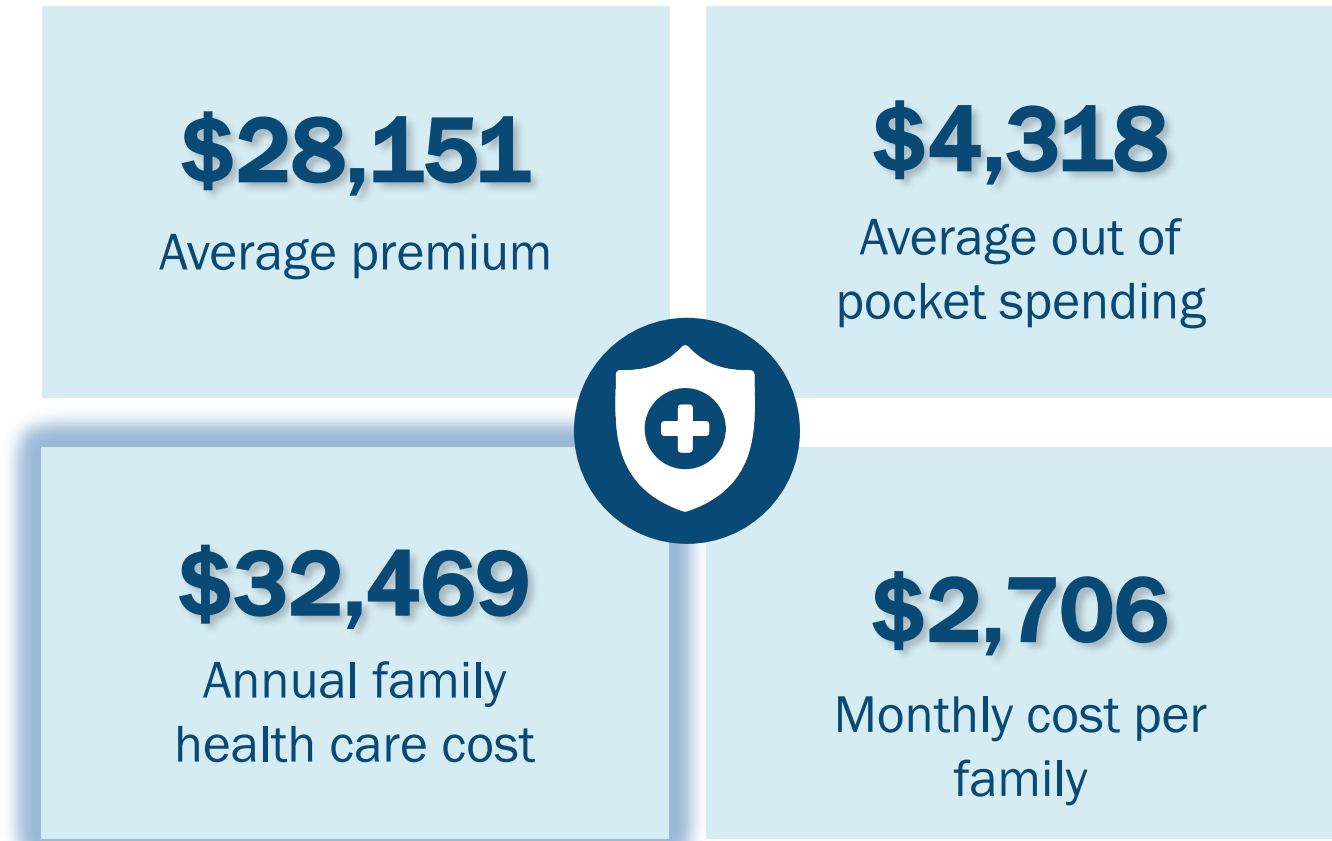
Small group enrollment, employer-sponsored insurance only, 2010–2024



- Average family deductibles for small business enrollees were **\$5,769 compared to \$3,377**.
- **76.5% enrollees were in a HDHP** in 2023.
- Premiums were also higher: **\$28,800 versus \$28,000**.
- **Out of pocket health care spending increased 12.7%** in 2023 for those receiving coverage through small businesses.

Notes: Enrollment reflects membership in commercial carriers and health maintenance organizations.
Source: HPC's analysis of enrollment data from Massachusetts Division of Insurance, Individual/Small Group Membership Report, 2010-2024 and Medical Expenditure Panel Survey (Insurance Component), Agency for Healthcare Research and Quality

Including out of pocket spending, the average cost of health care coverage for a Massachusetts family exceeded \$32,000 in 2024.



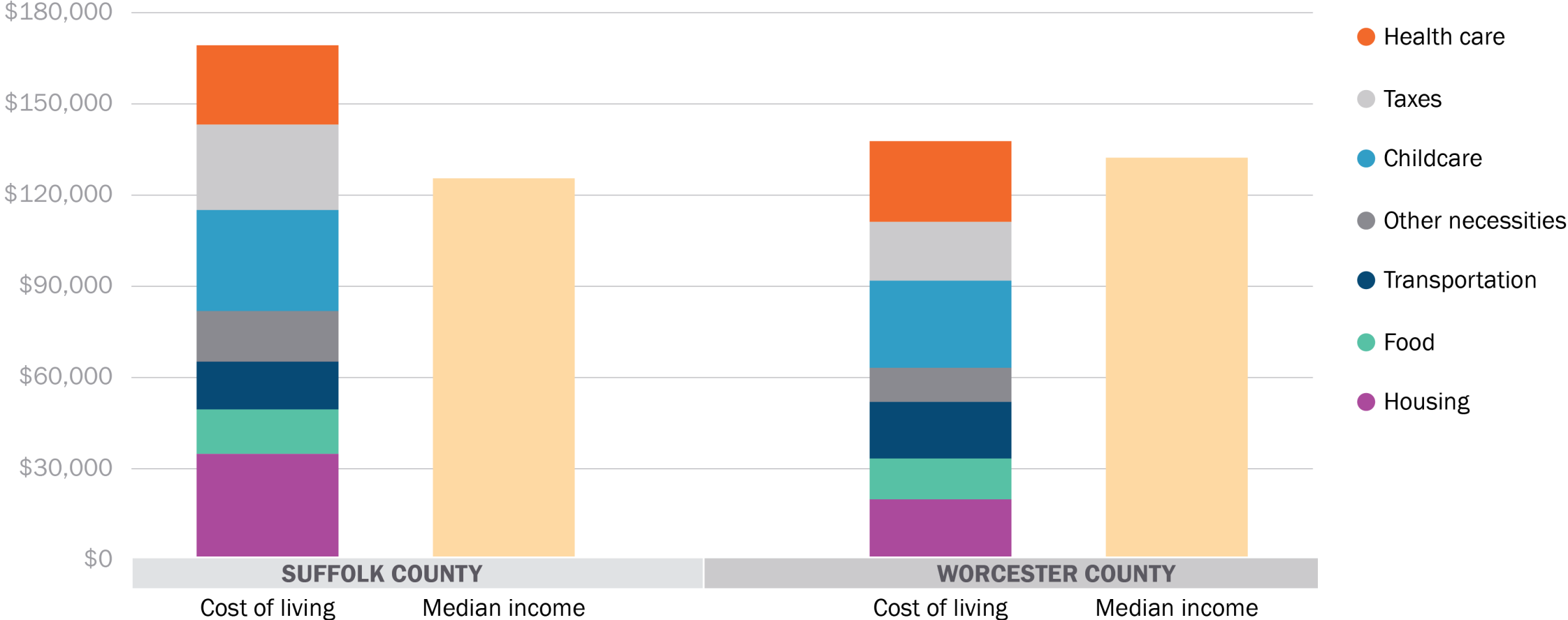
10% of premiums exceeded \$37,000

Notes: Cost sharing amount based on data on cost sharing relative to premium payments in from CHIA's Annual Report, 2024. Source: Agency for Healthcare Research and Quality: Medical Expenditure Panel Survey-Insurance Component and Center for Health Information and Analysis, Annual Report, 2024

High health care costs contribute to a cost of living that is increasingly unaffordable for middle-class families across Massachusetts.



Cost of living expenses and median income for a two-parent, two-child family in two Massachusetts counties, 2024



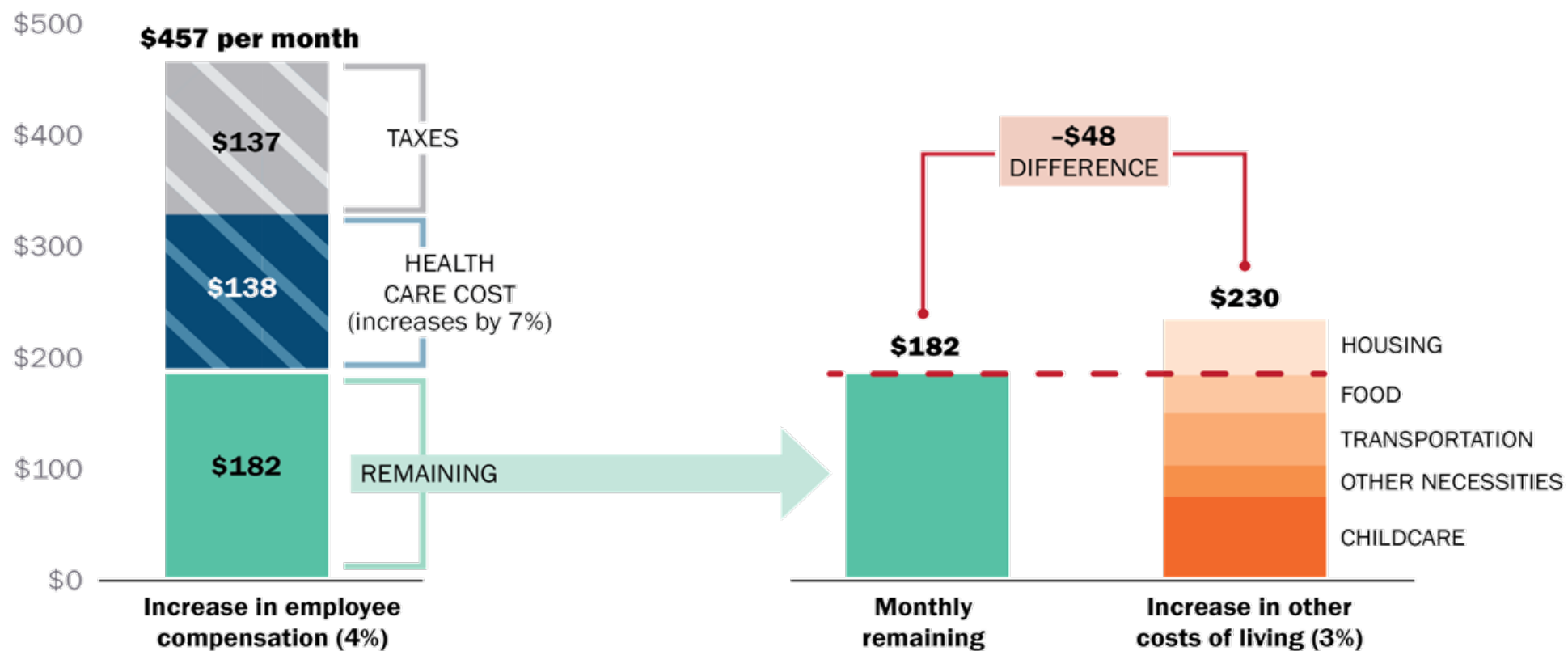
Notes: Budget data in 2024 dollars. Data based on a two-parent, two-child family. Health care costs reflect average family premiums and out of pocket spending for Massachusetts families with employer-sponsored coverage. Employer contribution to health care premium is included in income.

Source: HPC's analysis of Economic Policy Institute Family Budget Calculator, January 2025 and AHRQ Medical Expenditure Panel Survey, Insurance Component, 2024.

Affordability continues to worsen as the acceleration in health care costs leave families without enough take home pay to cover increases in basic costs of living.



Change in monthly income and expenses for a Massachusetts family with annual earnings of \$122,000 receiving a 4% increase in total compensation from their employer, a 3% increase in prices of other goods and a 7% increase in health insurance premiums and out of pocket spending

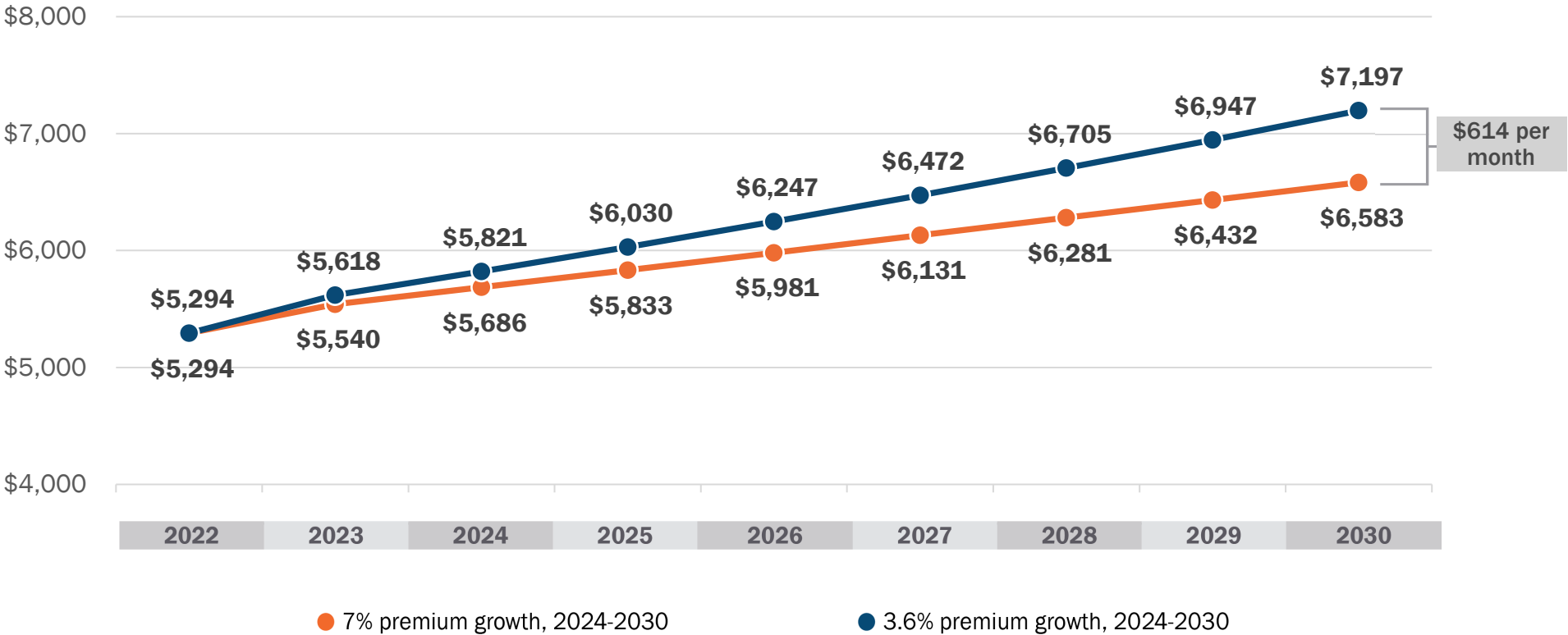


Notes: Data based on a two-parent, two-child family in 2024 with total earnings of \$122,000 and coverage through their employer. Health care costs reflect 2024 data. Employer contribution to health care premium is included in income. Calculation assumes 75% of employer premium payments are reflected as a deduction from total employee compensation for the employee shown. Prices for all other items are assumed to increase 3%. Marginal tax rate is assumed to be 30%. A 4% raise is slightly above average employee compensation increases in the Boston area in 2024. Source: HPC's analysis of Economic Policy Institute Family Budget Calculator, January 2025 and AHRQ Medical Expenditure Panel Survey, Insurance Component, 2024. Bureau of Labor Statistics CPI-U for Massachusetts and the Employment Cost Index for the Boston metro area and Massachusetts Division of Insurance.

If health care costs continue to grow at the current rate, an average family in Massachusetts would see a reduction in take-home pay of more than \$600 per month by 2030.



Projected monthly take-home pay after taxes and health care costs for an average Massachusetts household with employer-based coverage and 3.6% annual growth in total compensation from their employer under two scenarios of premium growth



➤ With long-run 7% premium growth, **average family premiums would reach \$42,300 in 2030** versus \$32,100 in the 3.6% growth scenario.

Notes: This analysis assumes out of pocket spending also grows at the rate of premium growth shown. Assumes that an employee taking up family coverage from their employer bears the full cost of the employee premium contribution and 75% of the employer contribution to their premium as reduced wages (with the remainder spread across the employer's workforce in general).