UNPREDICTABILITY OF CONSUMER COST SHARING AMONG COMMERCIALLY-INSURED MASSACHUSETTS RESIDENTS

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INTRODUCTION

Out-of-pocket health care spending, or "cost sharing," is a high and growing burden for Massachusetts residents. Despite near universal health care coverage in the Commonwealth, almost half of residents (41.3 percent) reported having difficulty affording care in 2023.[1] This burden was higher among lower-income residents, with most affordability issues resulting from out-of-pocket health care spending. The increasing cost of care is also driving residents to avoid needed care; in 2023, about one-third of residents (28.8 percent) reported that they or their family members went without health care services due to cost.[1]

Cost sharing has increased in recent years in part due to the increase in both prevalence and the dollar amount of annual deductibles. The percentage of commercially-insured Massachusetts residents enrolled in high-deductible health plans increased from 19 percent to 45 percent from 2014 to 2023.[1] Deductibles are used by employers and health plans to offset rising premiums. However, annual deductibles can erode the financial protection health insurance aims to provide and add uncertainty and unpredictability to patients' health care spending. Increasing reliance on the deductible will further drive affordability challenges for Massachusetts residents.

OBJECTIVES

To better understand the burden of cost sharing and its unpredictability for commercially-insured Massachusetts residents, the Health Policy Commission (HPC) explored cost sharing across broad areas of care for residents of the Commonwealth. Because unpredictable out-of-pocket spending is associated with deductibles, the HPC also examined whether cost sharing was paid through copayments, coinsurance, or deductibles by categories of care.

STUDY DESIGN

The HPC used the Massachusetts All-Payer Claims Database v2023 (MA APCD) from 2019 to 2023, including medical and pharmacy claims from six large commercial payers in Massachusetts. Medical and pharmacy services were grouped using the Restructured Berenson-Eggers Type of Service (BETOS) Classification System (with minor modifications), the Agency for Health Care Research and Quality (AHRQ) Surgery Flags Software, and by location (e.g. ambulatory) based on revenue codes, site of service, and/or claim types. Care categories included inpatient (including professional and facility spending), ambulatory, pharmacy (prescription drugs), care received out-of-network, and all other care (DME, SNF, hospice, home health, and ambulance services). Ambulatory care was further divided into sub-categories of care. Analysis included Massachusetts residents aged 0-64 with 12 months of medical and pharmacy coverage and non-zero spending.

RESULTS

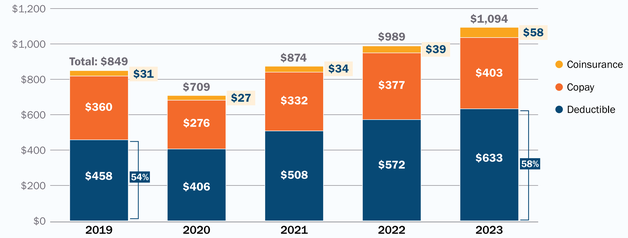
From 2019 to 2023, average annual cost sharing per person grew 29 percent, increasing from $849 in 2019 to $1,094 in 2023 (**Exhibit 1**). Deductible spending grew 38 percent between these years, in contrast to 12 percent growth in copay spending. In 2023, deductible spending represented 58 percent of total out-of-pocket spending, an increase from 54 percent since 2019.

While cost sharing on average was over $1,000 in 2023, half of residents (50.6 percent) incurred less than $500 in out-of-pocket expenses, while about 10 percent of residents paid more than $3,000 dollars in 2023 (**Exhibit 2**). Since 2019, the percentage of residents paying $5,000 or more doubled from 1.5 percent to 3.1 percent in 2023.

By broad category of care, cost sharing incurred by residents in 2023 (per member per year) was largely for ambulatory care ($785), followed by pharmacy services ($205) and inpatient care ($46). Among sub-categories of ambulatory care, evaluation and management (E&M) services ($257), imaging procedures ($150), and diagnostic labs and tests ($117) represented the sub-categories with highest annual out-of-pocket expenses per member in 2023 (**Exhibit 3**). These sub-categories, not surprisingly, represented areas of care with the highest percentage of members with any utilization, ranging from 93 percent for E&M services to 43 percent for imaging procedures (data not shown). In contrast, only 3 percent of members had any inpatient care in 2023.

Among ambulatory sub-categories, the share of cost sharing represented by deductible spending varied widely. While 89 percent of cost sharing for labs and tests was attributable to deductible spending, only 46 percent of cost sharing for E&M services was deductible spending (**Exhibit 3**). Cost sharing for pharmacy and E&M services was largely attributable to copayment spending (73 percent and 53 percent, respectively).

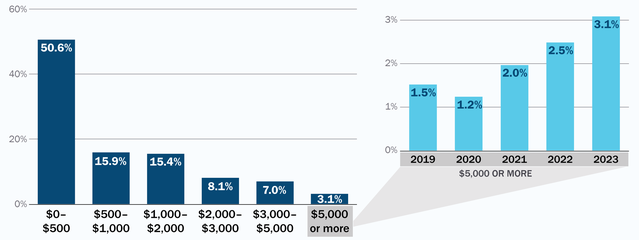
EXHIBIT 1. Cost sharing per member per year by the type of cost sharing, 2019–2023



Notes: Data represents cost sharing among commercial members with full year medical and pharmacy coverage ages 0-64 with non-zero spending.

Sources: HPC analysis of Center for Health Information and Analysis All-Payer Claims Database V2023, 2019-2023.

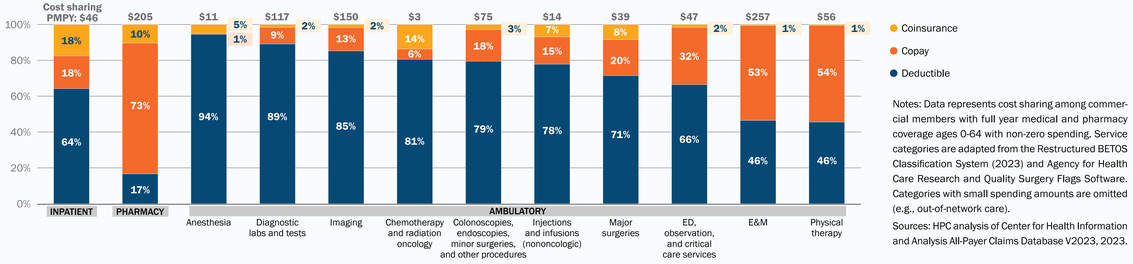
EXHIBIT 2. Distribution of out-of-pocket spending per member (2023) and percentage of members with $5,000 or more of out-of-pocket expenses (2019–2023)



Notes: Data represents cost sharing among commercial members with full year medical and pharmacy coverage ages 0-64 with non-zero spending. Federal law requires most health plans to impose an annual limit on member cost sharing, typically referred to as an out-of-pocket maximum. After members exceed their out-of-pocket maximum, plans are required to pay for all in-network covered services without cost sharing. In 2023, the out-of-pocket maximum was $9,100 for an individual and $18,200 for a family.

Sources: HPC analysis of Center for Health Information and Analysis All-Payer Claims Database V2023, 2019-2023.

EXHIBIT 3. Distribution of deductible, copay, and coinsurance spending with cost sharing per member per year by service category, 2023



Notes: Data represents cost sharing among commercial members with full year medical and pharmacy coverage ages 0-64 with non-zero spending. Service categories are adapted from the Restructured BETOS Classification System (2023) and Agency for Health Care Research and Quality Surgery Flags Software. Categories with small spending amounts are omitted (e.g., out-of-network care).

Sources: HPC analysis of Center for Health Information and Analysis All-Payer Claims Database V2023, 2023.

CONCLUSIONS

Deductibles are becoming a larger share of cost sharing for Massachusetts residents, which is the type of spending that is more unpredictable for patients. Both for routine and acute care, deductible spending represents a significant portion of the patient-paid amount, which leads to highly variable patient obligations for care episodes. Additionally, insurance benefit design for different care categories can influence a patient's experience with cost sharing. For example, labs and tests that are largely paid for by patients under the deductible are very common services. Patients often receive multiple lab services a year and therefore may receive multiple unanticipated bills. Finally, a higher percentage of patients are paying a higher amount of dollars out-of-pocket over time, likely due to both an increase in the prevalence of and the dollar amount of deductibles.

POLICY IMPLICATIONS

High out-of-pocket expenses drive additional problems in the health care system, including affordability issues, care avoidance, and medical debt. Further, benefit designs that feature high deductibles add unpredictability to a patient's cost sharing responsibilities.

The Massachusetts Division of Insurance's recent action to limit growth in cost sharing to the rate of inflation[2] may help to mitigate these affordability issues associated with high out of pocket health care spending, though it is currently unclear how insurers will respond to this action.

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1. Center for Health Information and Analysis. Findings from the 2023 Massachusetts Health Insurance Survey. June 2024. Available at: https://www.chiamass.gov/assets/docs/r/survey/mhis-2023/2023-MHIS-Report.pdf

2. Filing Guidance Notice 2025-J. Division of Insurance, Office of Consumer Affairs and Business Regulation. 2025 March 12. Available at: https://www.mass.gov/doc/filing-guidance-2025-j-addressing-affordability-with-in-cy26-merged-market-filings/download