



November 21, 2025

Deborah Devaux, Chair
Health Policy Commission
50 Milk Street, 8th Floor
Boston, MA 02109

Senator Cindy Friedman
Chair, Joint Committee on
Health Care Financing
State House, Room 313
Boston, MA 02133

Representative John Lawn
Chair, Joint Committee on
Health Care Financing
State House, Room 236
Boston, MA 02133

RE: Health Policy Commission's 2025 Health Care Cost Trends Hearing

Dear Chair Devaux, Senator Friedman, and Representative Lawn,

On behalf of the Massachusetts Association of Health Plans (MAHP), representing 13 health plans and one behavioral health organization that together cover nearly 3 million Massachusetts residents across every line of business, including the commercial market, the Health Connector, the MassHealth MCO/ACO program and integrated care programs like One Care and Senior Care Options, we appreciate the opportunity to submit written comments following this year's Health Care Cost Trends Hearing.

Over the past decade, affordability has remained the number one challenge facing consumers and employers seeking to purchase health insurance in Massachusetts, as rising costs continue to strain households, businesses, and the overall system. Today Massachusetts has the dubious distinction of having the highest health care costs in the nation, despite the fact that we have the first-in-the-nation health care cost growth benchmark. The Commission's own analysis shows that health care expenditures grew by 8.6% in 2023, more than double the 3.6% benchmark, reaching \$78 billion and putting added pressure on premiums, deductibles, and the small businesses that provide coverage. Pharmacy spending alone rose by \$1 billion last year, with the median launch price for a new drug now exceeding \$300,000 and nearly 1,000 drugs experiencing price increases. GLP-1 drugs have driven a 57% increase in per-member costs since January – all while pharmaceutical manufacturers continue to post profit margins averaging about 20% annually. Meanwhile, many hospitals continue pursuing expansions and investing in high-cost services while seeking rate increases of 30–40%. These dynamics translate directly into rising premiums and cost-sharing for families and small businesses.

MAHP recognizes the significant pressures facing the health care system, including substantial financial losses among the state's health plans and some hospitals. At the same time, recent congressional and Trump Administration actions will leave close to 300,000 Massachusetts without subsidized health insurance coverage and strip billions in federal funding from the Medicaid program, putting additional strain on the Commonwealth's budget. Given these challenges, this is not the time to retreat from the affordability discussion. Instead, Massachusetts must double-down on efforts to ensure that residents at risk of losing coverage have access to affordable health insurance options. Preserving the state's long-standing leadership in coverage and access requires strengthening shared accountability across all parts of the health care system. Health plans cannot fix the affordability challenges alone. All participants in the health care system, including hospitals, providers and the pharmaceutical industry must be part of the solution.

Today, health plans are the only entities in the health care system that are subject to direct rate review. Only health plans have stringent medical loss ratio requirements that dictate how much can be spent on administration and how much can be spent on direct patient care – the highest standards in the nation – and only health plans have a 1.9% cap on surplus. If health plans exceed this target, they can have their rates denied. These standards do not apply to other sectors whose pricing decisions directly shape premiums. At the same time, the Division of Insurance must consider affordability during rate review, even as core health plan cost-management tools continue to be constrained.

The HPC has been given the authority to file legislation, and MAHP respectively requests that the Commission use that authority to advance a comprehensive package that incorporates the cost containment proposals it has developed over the years. These reforms, if enacted, would meaningfully bend the cost curve. A key aspect of this legislation should be establishing default payment rates for out-of-network surprise billing, banning the unchecked spread of facility fees, and eliminating price variation based on the site of care. Adopting site-neutral payment policies would provide enormous savings and protect patients from paying more for the same service simply because it is delivered in a hospital owned setting. Strengthening safeguards against unwarranted billing practices, such as hospital upcoding, is also essential to reduce unnecessary costs and reinforce important patient protections. Finally, any effort to set a minimum payment floor for providers, community health centers, or hospitals with lower relative prices, must be offset with a rate cap for the highest paid providers to avoid inflationary pressure and ensure true system-wide balance.

MAHP also supports expanding transparency and accountability in pharmaceutical pricing. Passage of Chapter 342 of the Acts of 2024, the PACT Act, and the creation of the HPC's Office of Pharmaceutical Policy and Analysis were critical initial steps. Building on them by extending the HPC's authority to review commercial drug pricing, similar to its authority in Medicaid, and by establishing a Prescription Drug Affordability Board with the power to set upper payment limits for egregiously priced drugs, would provide meaningful consumer protection and help ensure that drug prices reflect appropriate value.

Improving hospital efficiency is another critical area for state action. Hospitals in the Commonwealth remain outliers on avoidable readmissions, length of stay, and low-value care. States across the country are exploring or implementing hospital efficiency standards, which could be tied to a state health care cost growth benchmark. In addition, for entities seeking expansions or acquisitions while exceeding the benchmark, stronger accountability measures – or a temporary pause on all expansions until a statewide plan is finalized – would help ensure that growth is aligned with affordability and statewide capacity needs.

Health plans also play a meaningful role in reducing administrative burden, and many MAHP member plans are already making progress by piloting electronic prior authorization tools, removing requirements where appropriate, and supporting greater interoperability. Continued investment in shared health information infrastructure – such as interoperable electronic health records and real-time admission, discharge, and transfer notifications, like those contemplated in the Governor's Economic Development bill – would further streamline processes and reduce system-wide administrative complexity. National estimates suggest that electronic prior authorization alone could save more than half a billion dollars annually.

Massachusetts already offers one of the most comprehensive benefit packages in the country. As premiums continue to rise, adding new mandated benefits – costs that fall disproportionately on small businesses and individuals – poses real affordability challenges. The Center for Health Information and Analysis (CHIA) estimates that the cost of mandated benefits now accounts for \$4.15 billion annually,


representing 24% of the premium dollar. MAHP urges caution in adding new mandates until statewide cost growth is under control and the system consistently meets the benchmark.

Massachusetts has long been recognized as a leader in health reform, but other states, including Colorado, Washington, Rhode Island, California, Oregon, Montana, and Maryland, are advancing more aggressive affordability initiatives. The Commonwealth should review these approaches and consider adopting strategies that have proven effective elsewhere.

Many participants at the Cost Trends hearing called for health care leaders come together and make difficult but necessary compromises. MAHP strongly agrees that improving affordability requires partnership across the system, but it also requires timely action. We stand ready to participate in any group convened to address these challenges. At the same time, filing a comprehensive bill may help frame the debate for stakeholders, signal statewide commitment, and provide the foundation for a voluntary agreement among stakeholders.

We appreciate the opportunity to offer these comments. Please feel free to contact me directly should you have any questions or need additional information on our comments.

Sincerely,



Lora Pellegrini
President & CEO, Massachusetts Association of Health Plans

Cc:

Secretary Kiame Mahaniah, MD, Executive Office of Health and Human Services
Michael Caljouw, Commissioner, Division of Insurance
David Seltz, Executive Director, Health Policy Commission
Coleen Elstermeyer, Deputy Executive Director, Health Policy Commission
Martin Cohen, Health Policy Commission Vice Chair
Sandra Cotterell, Health Policy Commissioner
Umesh Kurpad, Health Policy Commissioner
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Steve Walsh, Health Policy Commissioner
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