MAHP
MASSACHUSETTS ASSOCIATION of HEALTH PLANS

June 20, 2025

Michael Caljouw, Commissioner
Massachusetts Division of Insurance
One Federal Street, Suite 700
Boston, MA 02110-2012

RE: 2026 Merged Market Rate Filings and Underlying Health Care Cost Drivers

Dear Commissioner Caljouw:

On behalf of the Massachusetts Association of Health Plans (MAHP), representing 13 health plans and one behavioral health organization that together provide coverage to nearly 3 million Massachusetts residents, we appreciate the opportunity to provide context on the 2026 merged market rate filings. These filings come at a time of significant instability and disruption in the health insurance market, both nationally and in Massachusetts, and must be considered with a full understanding of the unprecedented pressures facing the industry.

The uncertainty surrounding federal policy developments, including possible reductions in Medicaid funding, changes to individual market subsidies, and proposed tariffs that could intensify already high pharmaceutical costs, pose significant challenges to the rate setting process. These threats not only risk raising costs but also jeopardize coverage for hundreds of thousands of Massachusetts residents. Any loss of membership in the merged market would only intensify the financial strain that health plans are already experiencing, as they grapple with increasing provider payment demands and unprecedented pharmaceutical expenditures.

The financial realities facing Massachusetts health plans are acute. Many plans are currently operating at a loss, drawing on reserves to sustain comprehensive coverage. The two largest nonprofit plans in the state each reported hundreds of millions of dollars in losses in 2024. Many health plans report that the trajectory is not improving in 2025. These circumstances must be weighed carefully in the Division's rate review process. While some may characterize the proposed rates as high, they are not excessive. In fact, the continued financial losses experienced by health plans indicate that current premiums are likely insufficient to cover the actual cost of care. Premiums and cost sharing directly reflect the underlying costs of delivering health care, and those costs continue to rise sharply.

Across the country, health plans are contending with similar pressures:

- In New York, health plans have requested rate increases of 13.5 percent for individual products and 24 percent for small group coverage.
- Vermont's individual and small group markets experienced rate increases of 16 percent and 12 percent, respectively.
- In Washington, carriers filed for increases as high as 21 percent in the individual market.

These trends reflect a broader, nationwide reckoning with escalating health care costs, and Massachusetts is no exception.

In Massachusetts, the root causes of premium increases are well-documented. More than 40 reports from state entities, including the Health Policy Commission and the Office of the Attorney General, have consistently identified provider and pharmaceutical prices as the main drivers of rising health care spending. Despite this, efforts to constrain those costs have been repeatedly blocked. Today, hospitals routinely seek annual rate increases of 20 to 40 percent and disregard the state's cost growth benchmark. Over the past 15 years, state policies have permitted hospitals to expand into new geographic markets, merge with competitors, and vertically integrate by acquiring primary care practices and other provider types. These actions have contributed to unprecedented market leverage, allowing many providers to dictate prices in rate negotiations with health plans.

Pharmaceutical pricing trends are equally alarming. In 2024, the median launch price for new therapies reached $370,000. In 2025, nearly 1,000 drugs saw price increases without clear justification. Pharmaceutical companies continue to report profit margins in excess of 20 percent annually. GLP-1 weight loss drugs alone contributed to nearly $1 billion in financial losses for the Commonwealth's two largest nonprofit health plans. These figures underscore the structural imbalance in our health care system, where the costs borne by plans and consumers are increasing at unsustainable rates.

It is important to emphasize that the merged market is not uniquely affected; the financial strain is system-wide. The Group Insurance Commission faced a $240 million shortfall this year, and MassHealth is confronting a $1 billion budget deficit. Moreover, the continued passage of new legislative mandates is exacerbating the problem. Seven mandates enacted in the last legislative session are projected to add nearly $1 billion in new health care spending for the merged market. An additional 188 benefit mandate bills are currently under consideration, any of which could further increase premiums, particularly for small employers and individuals.

At the same time, vital health plan containment tools, including cost sharing, prior authorization, and step therapy, are under increasing scrutiny. Curtailing or eliminating these mechanisms will only serve to increase costs further. Health plans are being asked to do more with less while the sectors primarily responsible for driving cost growth continue to operate without parallel accountability.

In addition to the increasing costs, health plans face unique regulatory constraints that do not apply to other segments of the health care system. Under existing regulations, plans are subject to a 1.9 percent cap on contributions to surplus. If they exceed this cap, their rates can be rejected by the Division of Insurance. No such limitations exist for hospitals or pharmaceutical companies. Plans must also comply with the highest medical loss ratio requirement in the country, with 88 percent of every premium dollar required to be spent on direct medical care. Administrative spending is tightly controlled, and failure to meet these requirements results in the obligation to issue rebates to policyholders. Hospitals and pharmaceutical manufacturers face no comparable constraints on administrative spending or profit margins. And while health plan rate filings undergo extensive actuarial review by the Division, there is no comparable oversight mechanism for hospital charges or drug pricing.

Without enforceable cost controls on providers and pharmaceutical manufacturers, health plans cannot be expected to make health care more affordable on their own. Other states have recognized this reality and acted accordingly. Rhode Island, Maryland, Colorado, and Oregon have each enacted reforms aimed at improving transparency, promoting accountability, and reining in excessive costs. Massachusetts must do the same.

To that end, MAHP urges the Commonwealth to implement a comprehensive set of policy reforms to address the underlying drivers of health care costs. We support:

- **Lowering the Cost of Prescription Drugs by:**
    - Creating a prescription drug board and authority for the Health Policy Commission to set an upper payment limit for certain high-cost medications, as recently proposed in the Senate budget;

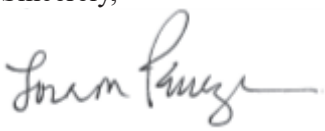
    - Holding pharmaceutical manufacturers to the same reporting requirements and accountability to the cost growth benchmark as payers and providers are today; and
    - Expanding the Health Policy Commission's drug pricing review authority to include drugs with a financial impact on the commercial market.
- **Lowering the Prices Charged by Hospitals and Providers by:**
    - Prohibiting providers from charging excessive prices;
    - Setting a default out-of-network reimbursement rate at the median in-network rate;
    - Limiting the scope of facilities permitted to charge facility fees; and
    - Requiring site neutral payments for ambulatory services commonly provided in office-based settings
- **Halting the Addition of New Health Care Spending by:**
    - Placing a moratorium on new coverage mandates, legislation, and regulation that would increase health care premiums until the Commonwealth can demonstrate adherence to the cost growth benchmark; and
    - Pausing the Determination of Need process until the state has completed the system-wide planning required under Chapter 343 of the Acts of 2025.
- **Making Health Care Administration Easier by:**
    - Requiring health plans to leverage technology to assist in administrative processes like prior authorization.

Collectively, these measures could yield as much as $4-$6 billion in annual savings, benefiting employers, consumers, MassHealth, and the Group Insurance Commission.

We urge the Division to avoid repeating the mistakes of 2010, when the rejection of health plan rate filings under the Patrick Administration resulted in $100 million in losses for the health plans and significant disruption across the market, without addressing the underlying cost drivers. Since that time, MAHP has consistently advocated for cost containment, offering constructive solutions to the Legislature and actively opposing provider expansions that threaten to raise costs without improving value. When expansions have moved forward, we have successfully advocated for constraints on prices and mandatory reporting to ensure accountability.

Denying the rate increases proposed by health plans will not bend the cost curve. It will only weaken the very plans working to ensure access to high-quality, affordable coverage. At this critical juncture, all stakeholders, hospitals, providers, drug manufacturers, and health plans, must be held accountable for the prices they charge. Massachusetts must lead once again on health care cost containment. We stand ready to work with the Administration and Legislature to implement meaningful reforms that will stabilize the market and deliver real savings to the residents and businesses of the Commonwealth.

Sincerely,



Lora M. Pellegrini
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Massachusetts Association of Health Plans