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Health insurers say drug costs, patient expectations tightening cost bind

Mass General Brigham Health Plan in 2025 saw 17 claims that exceeded \$1 million

Alison Kuznitz
Jun 16, 2026

STATE HOUSE, BOSTON, June 16, 2026.....Health insurers planning double-digit premium hikes for next year blamed escalating cost associated with pharmaceutical spending fueled by expensive specialty drugs and steep provider reimbursement rates that are difficult to negotiate down.

Nearly 700,000 Bay Staters who get their coverage through the so-called merged market, which encompasses individuals and small businesses, could see an average premium spike of 12.9% in 2027, according to proposals submitted to the Division of Insurance. Regulators last year rejected initial plans from Blue Cross Blue Shield of Massachusetts and WellSense Health Plan (also known as Boston Medical Center Health Plan) after deeming their proposed increases excessive.

During a hearing Tuesday, Deputy Insurance Commissioner Kevin Beagan probed insurers about why their proposed medical and prescription drug spending trends exceed the state Health Policy Commission's 3.6% cost growth benchmark.

Healthcare spending has eclipsed that target for years, and critics say the guardrail has failed to rein in spending as residents increasingly struggle to afford care. The Legislature has yet to produce concrete healthcare affordability solutions this session, though insurance regulators flexed their authority to limit cost-sharing increases to 3.6% for the merged market in 2027.

"Short-term we would recommend, hate to say this, but we believe the DOI should deny these rate increases, these average 13% rate increases," Retailers Association of Massachusetts President Jon Hurst said. "Force the insurers, and the big providers, and the big pharma back to the negotiating table because frankly, this is the only tool that we have at our disposal right now."

Merged market rates are expected to be finalized in August, Beagan said.

Christopher Carlozzi, Massachusetts director of the National Federation of Independent Business, said small businesses are grappling with unsustainable premiums increases at an "alarming rate." In a survey last year, one business owner said that insurance is no longer considered a benefit given the financial impacts of rising premiums and coinsurance payments, plus higher deductibles, Carlozzi said.

Blue Cross proposed an average 15.3% rate hike for its 166,384 members. Sara Wilcox, the insurer's vice president of actuarial pricing and pharmacy analytics, pointed to three overarching cost drivers: Members seeking more complex care, provider coding trends that are leading to higher costs, and rising rates charged by providers and drug manufacturers.

"We are fighting hard to keep provider rate increases at or below the state's 3.6% benchmark, routinely rejecting proposals that are three to five times that amount," Wilcox said. "But we also have to ensure that our members have a robust network, so that they can get care when they need it."

Wilcox said Blue Cross is working to expand "value-based programs" to reward providers for better health outcomes, plus introducing "outcome-based" contracts for costly gene and cancer therapies.

Health New England, a plan owned by Baystate Health that's focused on western Massachusetts residents, is also facing "growing pressure" to reimburse providers at higher rates, said chief actuary Mark Danburg-Wyld.

"In some cases, HNE has had to agree to higher increases than the benchmark due to verified cost data from the providers," Danburg-Wyld said. "Typically though in such cases where we are agreeing to a higher increase, it is to maintain critical access where there are limited alternatives given the provider's ability to insist on larger increases than we would prefer, and their being the only available option within a particular specialty or geography."

Danburg-Wyld said the plan is trying to move away from fee-for-service payments and toward value-based arrangements. The plan pitched an 11.1% rate increase for its 23,143 members.

WellSense proposed an average 11.9% increase for its 140,089 members. Paul Wingle, the insurer's chief product and sales officer, said WellSense continues to experience "tremendous pressure" from pharmacy costs even after eliminating coverage for GLP-1 drugs for weight loss.

WellSense chief actuary Bo Li pointed to "high growth in high-cost specialty" drugs, such as Humira and Skyrizi to treat conditions like rheumatoid arthritis and plaque psoriasis. While WellSense can negotiate and secure rebates through its pharmacy benefit manager contract, Li noted the insurer still lacks "direct control" over pricing. Li said WellSense recently implemented a medical drug management program "to make sure the high-cost therapies and outpatient drugs" are clinically appropriate.

Amid the rise of new therapies, Mass General Brigham Health Plan in 2025 saw 17 claims that exceeded \$1 million, compared to 11 the previous year, said chief actuary Sujata Sanghvi. The insurer is planning an average 13.5% rate increase, with its prescription drug spending expected to climb by 10.5% in 2027, according to a filing.

"What is being done to actually try to reduce that number?" Beagan asked about the pharmacy trend. "Because I think we see that as an unsustainable thing going forward."

Sanghvi said MGB Health Plan is working to negotiate lower drug costs within its formulary and implement step therapy programs when possible, in which patients start with cheaper drugs before moving onto more expensive alternatives. Sanghvi said insurers are also dealing with evolving treatment recommendations, including the American Diabetes Association saying GLP-1 drugs "should be a first-line treatment" for patients with cardiovascular or obesity comorbidities.

"The average cost for a GLP-1 is, after rebates and everything that we do for contracting, about \$600 a month," Sanghvi said. "The average cost of Metformin, which was the older drug that was used as a first-line treatment, is \$4 a month."

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