



Massachusetts  
Taxpayers Foundation

**MTF  
LEGISLATIVE  
SESSION  
PREVIEW**

**2025-2026**



# HEALTHCARE

Throughout the 2023 – 2024 legislative session, discussions regarding health care policy and funding centered around several major topics: 1) the end of the pandemic-era federal Public Health Emergency (PHE) and the continuous coverage mandate, and the implications for MassHealth spending and enrollment; 2) legislative proposals designed to control drug costs and increase health system oversight; and 3) the state response to the Steward Health Care crisis. In addition, a heightened focus on improving health equity outcomes and expanding access to behavioral health care led to a series of administrative, legislative, and funding actions.

Looking forward to the 2025 – 2026 legislative session, it's important to review the policy context and major actions taken last session. Each of the topics listed above will have significant implications on health care policy development over the next two years. At the same time, the new Presidential administration could profoundly affect the state/federal health care partnership. Legislative leaders and the Healey administration will have to consider these issues as they develop their policy priorities related to health care.

This health care preview establishes the larger health care system policy background, summarizes key policy actions from the previous legislative session, and poses several questions that policymakers will need to address this session.

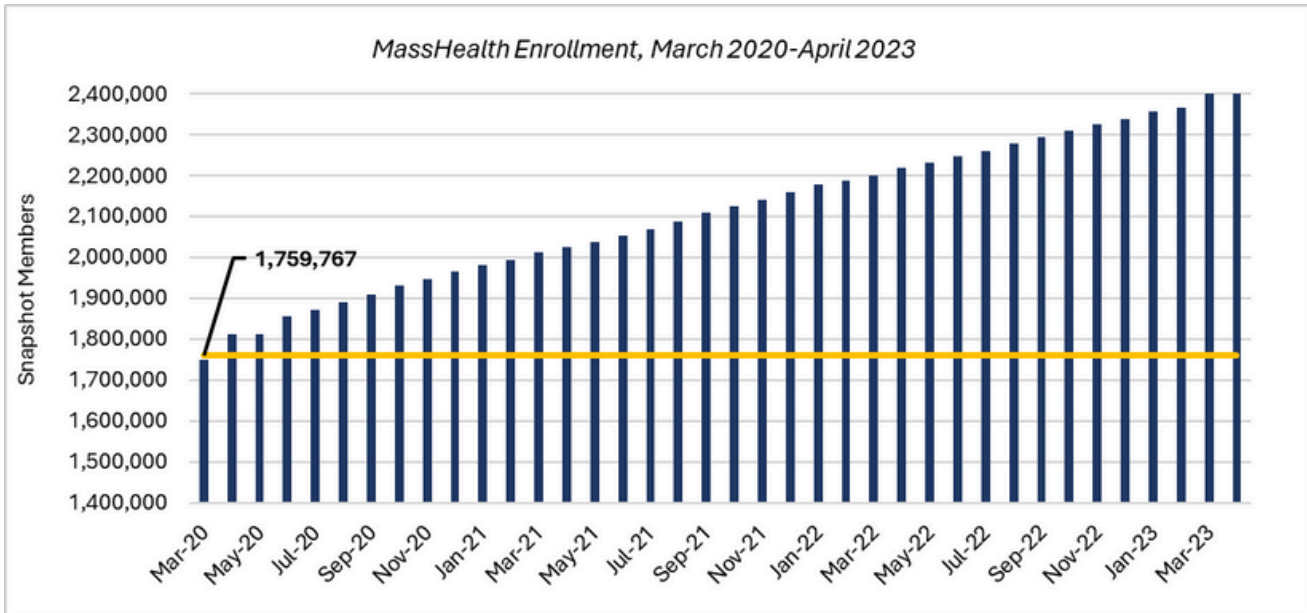
## Background & Policy Context

### The End of the Federal Public Health Emergency & Continuous Coverage

In March 2020, the federal government declared a public health emergency in response to the COVID-19 pandemic. At the same time, federal legislation (the Families First Coronavirus Response Act or FFCRA) made several temporary Medicaid changes that had a profound impact on the state's MassHealth program. The FFCRA provided states with an additional 6.2 percentage points in federal reimbursements in exchange for implementing a "continuous coverage" policy.<sup>[1]</sup> Continuous coverage, in this case, prohibited states from removing Medicaid enrollees from coverage during the duration of the PHE unless they voluntarily withdrew, moved out of state, or passed away.

For Massachusetts, the continuous coverage mandate had two major effects: an increase in federal reimbursement for each dollar spent on the MassHealth program, and a significant increase in MassHealth enrollment. During the PHE, Massachusetts received approximately \$1 billion in enhanced federal revenue each year, and MassHealth enrollment skyrocketed to 2.4 million individuals, an increase of 659K from the pre-pandemic enrollment level of 1.7 million (38 percent).

[1] The majority of state Medicaid spending is reimbursable from the federal government at a rate of 50 percent. During the pandemic, the additional 6.2 percentage points of reimbursement resulted in most spending being eligible for 56.2 percent reimbursement.



Heading into the 2023 – 2024 session, one of the most challenging health care policy and finance challenges was the unwinding of these COVID-era policies. Beginning in April 2023, the state was required to restart its normal redeterminations process and reassess eligibility for more than 2 million MassHealth enrollees over the course of 12 months. At the same time, between April and December 2023, the enhanced federal revenue rates were incrementally phased-out, returning to the standard reimbursement rate of 50 percent for most state Medicaid spending in January 2024.

*Phase-Down Schedule for Enhanced Federal Reimbursement in 2023*

Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
	5%			2.5%			1.5%	

The redeterminations process, its results, and the budget implications of the loss of enhanced federal reimbursements loomed over health care and budget policy in 2023 and 2024, and as discussed below, greatly impacted the MassHealth spending proposals in the FY 2024 and FY 2025 budgets.

For an in-depth review of MassHealth enrollment and funding during the pandemic, as well as the impacts of the federal PHE and continuous coverage, read MTF’s report, [MassHealth Enrollment Trends: The End of Continuous Coverage & Redetermination.](#)

## Increased Oversight for Pharmaceuticals and Healthcare Costs

Massachusetts has long been a leader in healthcare reform, and has succeeded in achieving nearly universal healthcare coverage among residents.[2] As a result, legislative efforts in recent years have focused on improvements to the system that would lower costs, improve access to care, and reduce disparities in health outcomes among minority populations.

In November 2023, the Senate passed *An Act related to pharmaceutical access, costs, and transparency* (“PACT” Act). This was the third time that the Senate acted on a version of this legislation, and major themes of the bill included:

- Increased oversight of pharmaceutical manufacturers, pharmacy benefit managers (PBMs), and drug prices by the Health Policy Commission;
- New licensing requirements for PBMs, including increased reporting to CHIA and the Division of Insurance; and
- Expanded access to medications and treatment by requiring insurance providers, including MassHealth and Group Insurance Commission plans, to cover one name brand and one generic for three chronic conditions (diabetes, asthma, and heart conditions).

In May 2024, the House passed *An Act enhancing the market review process*. This bill was a much-expanded version of legislation engrossed by the House during the 2021 – 2022 legislative session, focusing on several major elements:

- Created a new Division of Health Insurance separate from the current Division of Insurance, to oversee health insurance carriers and approve rates;
- Overhauled the existing health care benchmark process, replacing the current annual cost benchmark with a three-year benchmark cycle;
- Expanded the Health Policy Commission’s material change notification process, which conducts impact reviews of proposed health system changes; and
- Reformed the state’s Determination of Need process, used by the Department of Public Health, to approve provider operations changes.

Ultimately, both branches acted on their own versions of these two bills. While the bills were sent to a Conference Committee, formal sessions ended in July without compromises emerging. On December 30, 2024, one day before the end of the legislative session, conferees announced agreements for both bills.

[2] According to the 2023 Massachusetts Health Insurance Survey conducted by the Center for Health Information and Analysis (CHIA), the rate of uninsured individuals in Massachusetts in 2023 was 1.7 percent. <https://www.chiamass.gov/assets/docs/r/survey/mhis-2023/MHIS-2023-02-Health-Insurance-Coverage-and-Uninsurance.pdf>

While many of the major themes and policy proposals in the two bills remained intact, there were several notable provisions that were amended during conference.

Pharmaceutical Access, Cost and Transparency - The final version of the PACT Act maintained proposals to cap the costs of copays for a subset of treatments for three chronic conditions (one generic and one name brand medication each for diabetes, asthma and two prevalent heart conditions), create a licensure process for pharmacy benefit managers, and increase the oversight responsibilities of CHIA and the Health Policy Commission (HPC) as they relate to prescription drug costs and pharmaceutical access and affordability.

The final legislation did not include several major proposals put forward by the Senate and House. Not included are Senate proposals to give the HPC powers to review certain drugs and potentially require manufacturers to participate in drug access improvement plans. Similarly, a Senate proposal to implement a tax on pharmaceuticals that exceed certain cost thresholds is not included. The PBM licensure chapter included in the final bill is not as prescriptive in limiting PBM activities as the version proposed by the House.

Market Review and Oversight - The final version of the market review legislation updated the state's health care oversight system, modernizing several existing processes and creating new licensure requirements for urgent care centers and office-based surgical care centers. Major provisions in the bill include expanding the scope of CHIA and HPC oversight and data collection to include some aspects of private equity investment and provider interaction with health care real estate investment trusts. The bill also augments several existing oversight processes: the HPC's Market Review process, and the Department of Public Health Determination of Need and Essential Health Service closure processes. These process changes, along with the requirement that HPC create a state health resource plan are designed to better coordinate research and oversight and to account for additional considerations and factors in permitting approvals and policy planning.

As with pharmaceutical legislation, the final market review bill does not include a number of major House and Senate proposals. These include the House proposal to create a separate Division of Health Insurance, more significant changes to the makeup of the Health Policy Commission board, or any changes to the state's annual health cost growth benchmark. Many of the provisions that were included represent compromises from more far-reaching ideas included in original House and Senate legislation.

## Steward Health Care Crisis

In May 2024, Steward Health Care announced that it had filed for Chapter 11 bankruptcy; beginning a process through which the for-profit health system looked to restructure its debt and calling into question the future of eight hospitals in Massachusetts and the care of the residents they serve. The Healey administration worked through the bankruptcy process to facilitate the transfer of five hospitals (with 6 campuses) to new operators, while two hospitals (Nashoba and Carney) closed. The state has put forward an \$800 million financial package to maintain the surviving hospitals and transition to new operators, but the ultimate cost to the state and the larger system, as well as the sustainability of the former Steward hospitals is still to be determined.

## Key Actions in the 2023-2024 Legislative Session

**End of Continuous Coverage & MassHealth Redeterminations** – As required by the federal government, the continuous coverage mandate ended in April 2023, and over the course of 12 months MassHealth was required to redetermine the eligibility of all members. Additionally, over the course of nine months (April 2023 – December 2023), the enhanced federal reimbursement that the state received in exchange for continuous coverage was phased-out. Prior to the beginning of the renewal process, the Healey administration estimated that 300K to 400K members would be removed from coverage by the end of the redeterminations process, with total MassHealth enrollment expected to level out at approximately 2 million. As of September 2024, MassHealth enrollment stood at 2.05 million members, still more than 15 percent higher than prior to the pandemic.

During the FY 2024 and FY 2025 budget development processes, the end of continuous coverage and MassHealth redeterminations had a major impact on MassHealth spending and underlying revenue assumptions. FY 2025 represented the first full fiscal year in which the state received no additional federal support for Medicaid spending. The end of enhanced federal reimbursement was estimated to cost the state budget approximately \$820 million in lost revenue in FY 2025.

**Updated Assessments for Hospitals and Payors** – One of the most significant policy proposals included in the FY 2025 budget was related to ongoing assessments for both health care providers and insurance carriers. The final budget included a number of provisions to increase assessments on both groups and use the revenue generated to reinvest in the health care system and provide general budget relief.

- *Hospital Assessment* – The FY 2025 budget made significant changes to the hospital assessment and incentive payment structures put in place in 2022, as part of the state’s most recently negotiated Medicaid 1115 waiver. The changes increased the total assessment by \$604.1 million, to \$1.484 billion in total, while also increasing required payments to providers through the Safety Net Provider Trust Fund, and provider incentive payments. If approved by the federal government, the new arrangement would increase provider support by more than the amount of the new assessment and provide \$75 million in budget savings.
- *Insurance Carrier Assessment* – The FY 2025 budget also proposed consolidating six existing health insurer assessments into one and increasing the combined assessment by \$246 million. Insurers would receive increased Managed Care Organization rates in return, potentially mitigating the financial impact of the higher assessment. The proposal is also expected to provide \$57 million in revenue to the General Fund in FY 2025. Successful implementation of this assessment is predicated on federal approval and finalization of the carrier assessment and rate structure.

**Major Health Care Legislation** – On the final day of the legislative session, the House and Senate announced compromise agreements on two pieces of legislation related to drug costs and system oversight:

- *Drug Cost Legislation* – This legislation, concluded at the end of session, focused on proposals shared or similar in the House and Senate versions of the bill. This included incorporating pharmaceuticals more fully into HPC health care oversight hearings and CHIA data collection, creating a regulatory structure for pharmacy benefit managers (PBMs) and capping patient prices for commonly used medications for several chronic conditions.
- *Market Review & Oversight* – Completed in late December, along with pharmaceutical legislation, the final market review and oversight bill also stuck to proposals shared or similar in House and Senate versions. Notable elements of the final bill include: expanding the scope of HPC Market Impact Reviews, overhauling DPH’s Determination of Need process, creating new licensure processes for urgent care and surgery centers, and attempting to measure, assess and control the impact of private equity investment in health care.

**Maternal Health Legislation** – On August 23, 2024, Governor Healey signed into law *An Act promoting access to midwifery care and out-of-hospital birth options*. Major topics of the bill include:

- Requiring MassHealth to cover doula and midwifery services;
- Creating a new grant program for non-profits or community-based health centers addressing mental health conditions for perinatal individuals; and

- Directing DPH to regulate freestanding birth centers and create minimum staffing standards.

## Key Policy Questions for the 2025-2026 Legislative Session

As the administration and Legislature create their policy agendas and platforms related to healthcare, they will have some key questions to consider.

### ***How will the Steward crisis unfold and what is the role for the public sector?***

As MTF has summarized, there are a number of moving parts to the financing plan to transition five Steward hospitals to new operators, with a significant fiscal impact in FY 2025. The current estimate for costs could increase as the purchase price for the St. Elizabeth's property is finalized and as additional transition or operating needs emerge. Managing that outlay will add to fiscal pressures in FY 2025 and likely in FY 2026.

At the same time, even after the completion of market oversight legislation at the end of 2024, it is possible that additional legislation will be considered in the new session to address the Steward situation specifically, as well as the larger issues that have been raised about how well the state's health care monitoring and compliance system identifies and addresses provider solvency crises in time for constructive action.

### ***What is the trend line for MassHealth cost growth and how will it affect the budget?***

Between FY 2021 and FY 2023, even as MassHealth enrollment skyrocketed, the net budget impact of the increased caseload was offset by more generous federal reimbursements. Enhanced reimbursements are no longer available and the state's enrollment is still well above pre-pandemic levels, while the acuity of MassHealth clients appears to be higher than forecasted at the start of the current fiscal year. Both of these factors will place increasing strain on the state budget. Combine changes to the enrollment size and composition with the potential for a less generous federal approach to Medicaid and continued health care cost pressures related to workforce and the fiscal picture for MassHealth in FY 2026 becomes very cloudy. Managing MassHealth cost growth to sustainable levels will be a major priority for budget-makers in the coming session.



***What is next for major health care legislation and will the Healey/Driscoll administration file major health care legislation?***

The completion of two major health care bills at the very end of 2024 makes the legislative path for health care policy in the new session less clear. Given that scaled down versions of both pharmaceutical and market review and oversight legislation are now effect, it is unclear how much appetite there will be to return to these topics in both the House and Senate in 2025.

One major factor in the future of health policy legislation is the role of the administration. The Healey/Driscoll administration did not put forward a legislative proposal or package advancing their health care priorities in the 2023 - 2024 session. Filing their road map in the current session would give a clearer sense of their long-term goals for the system and could provide a vehicle for the House and Senate to act on proposals that have previously been included in separate bills. An administration omnibus health care bill is not a silver bullet – the Baker/Polito administration filed a large scale health care bill in 2021 that did not lead to a major health care bill becoming law – but it would help set the health care policy agenda for the session to come.

***How will persisting behavioral healthcare workforce shortages be addressed this session?***

MTF has published research highlighting the impact of persistent behavioral health workforce shortages on pediatric and adult care. The total workforce has bounced back from pandemic lows, but shortages remain significant in key positions and among providers that serve areas of the most critical need. MTF highlighted several programs in the state that are already working and could be expanded to help those entering the field attain licensure more easily, provide financial incentives for serving needy populations, and upskilling workers already in the field to take on critical roles that also provide better pay.

## **Related Research from the Massachusetts Taxpayers Foundation**

### **MassHealth**

- [MassHealth Budget Deep Dive](#)
- [MassHealth Redeterminations Report](#)

### **Healthcare Bill Summaries**

- [Market Review Bill Summary](#)
- [PACT Act Bill Summary](#)
- [Estate Recovery Bill Summary](#)

### **Behavioral Health Investments**

- [Massachusetts Pediatric Behavioral Health Chartbook](#)