

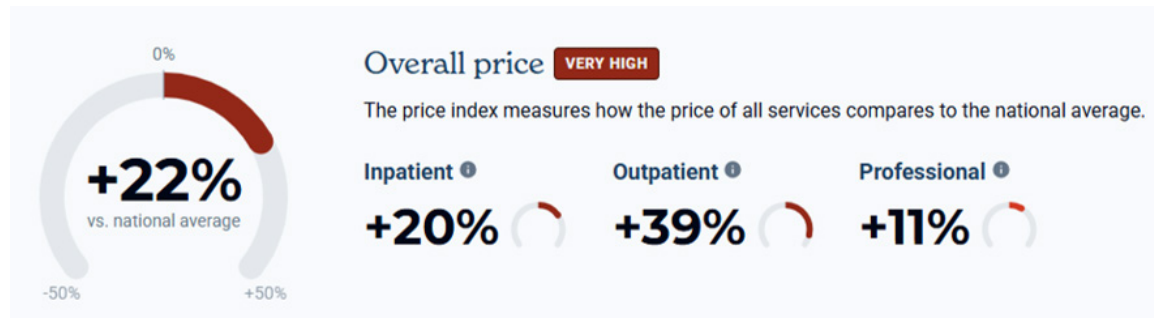
Health plans recently filed proposed premium rates and product offerings for the 2027 plan year, which the Department of Financial Services (DFS) is currently reviewing. Final rates are expected to be announced in August. This issue brief examines the factors contributing to health insurance premium increases.

**Health insurance premiums reflect the cost of care.** New York’s health care costs are among the highest in the country and overall health care spending is 30% higher than the national average according to the Health Care Cost Institute (HCCI). Rising hospital and provider prices, the growing use of expensive specialty drugs and rapid increases in the prices Big Pharma charges, coupled with government-imposed mandated benefits and taxes on insurance, adds to the cost of coverage for consumers and employers.

## The Major Factors Driving Premiums Rate Increases



**Hospital & Provider Prices:** Provider price pressure remains a leading driver of cost growth. According to HCCI, provider prices in New York are 22% higher than the national average with inpatient prices 20% and outpatient prices 39% above the U.S. average, while the state’s service mix, which measures the complexity of services, is 5% below the national average. PwC’s *Medical Cost Trend: Behind the Numbers 2027* noted reimbursement rates are increasingly driven by inflation and pressure from continued consolidation of providers and physicians.



source: HCCI’s Health Cost Landscape



**Prescription Drug Costs:** According to PwC, pharmacy trend continues to outpace overall medical trend, driven by high-cost specialty and physician-administered drugs and broader use of GLP-1 therapies. In January, Big Pharma hiked prices on more than 870 drugs, for a broad range of uses including vaccines against COVID, RSV and shingles, as well as blockbuster oncology drugs. This follows increases on more than 750 drugs in January 2025 and 775 brand named drugs in January 2024.

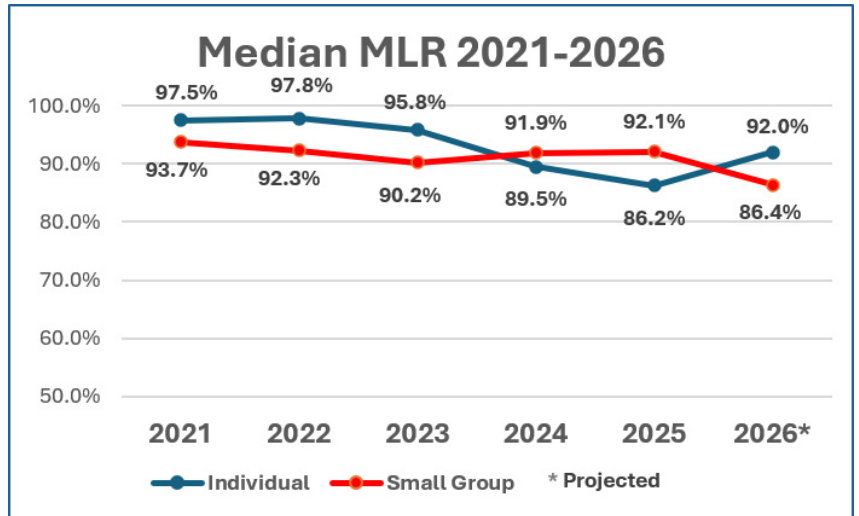
**Mandated Benefits:** New York mandates insurance policies include or “make available” more than 45 specific treatments or services, many of which go beyond the evidence-based guidelines recommended by major national health organizations. This session, the Legislature passed several new mandated benefits, as well as bills limiting cost sharing levels for certain services. These costs fall disproportionately on small and medium-sized employers and do nothing to lower the underlying price of medical care, leading to higher premiums.

**Health Insurance Taxes:** New York collects more than \$7 billion annually in taxes, assessments and surcharges on health plans. These include the Health Care Reform Act patient services and covered lives assessments that total more than \$5 billion, as well as a 1.75% premium tax on commercial health insurance policies and the DFS Section 206 assessments to fund the Department’s operations. The FY27 State Budget extended the Managed Care Organization (MCO) tax that will add \$165 million to commercial coverage in 2027. These taxes add more than \$1,000 to the annual premium for the average family policy.

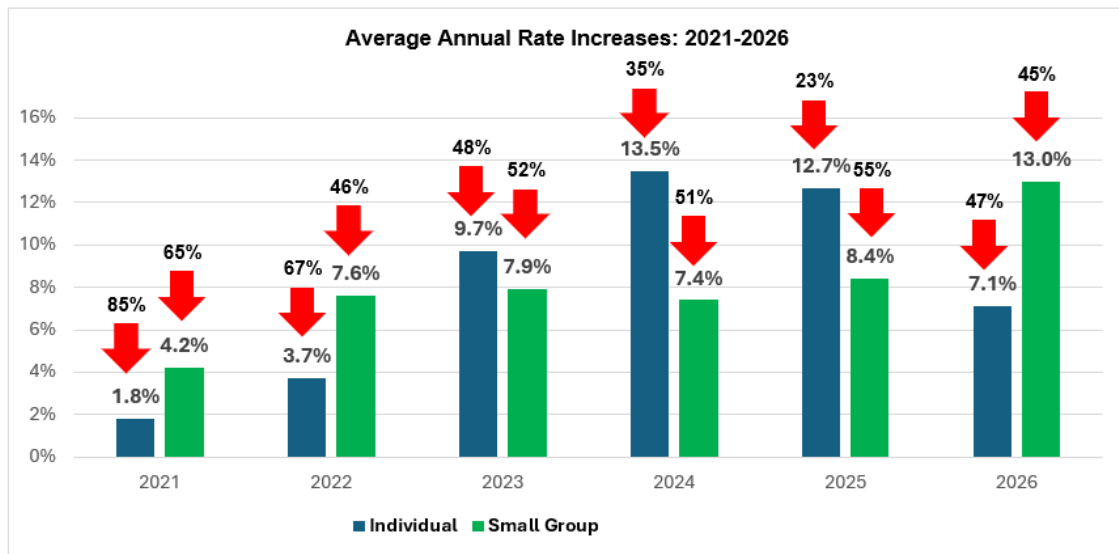


# Understanding the New York Individual and Small Group Markets

New York has one of the nation's most stringent standards for how the premium dollar is spent. In the individual and small group markets, **health plans must spend at least 82 cents of every premium dollar on health care services**, including doctor visits, diagnostic tests, prescription drugs and hospital stays. The state requires health plans to issue rebates to employers and individuals if they fail to meet these standards, ensuring that the bulk of the premium dollar is spent on medical care. When spending on medical care exceeds the minimum standard, it can result in plan losses. From 2021-2026, **median premium spent on medical care exceeded 86%**.



The rates health plans submitted in May reflect the factors driving higher health care costs: the significant growth in the prices hospitals, providers and drug companies charge; increased use of care; mandated benefits and restrictions on cost sharing; and government taxes and assessments on insurance. The chart below represents the final average rate increases that have been approved each year and the percentage reduction in health plans' requested rates that the State imposed.<sup>1</sup>



In the absence of state policy measures to rein in the major factors driving costs – specifically escalating hospital and pharmaceutical prices – the final approved premiums should fully recognize these elements as they reflect the cost of care in New York.

<sup>1</sup>Department of Financial Services press releases announcing approved premium rates, 2021-2025.