



EXECUTIVE OFFICE OF HEALTH AND HUMAN SERVICES
COMMONWEALTH OF MASSACHUSETTS
OFFICE OF MEDICAID
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August 28, 2026

Chair Michael J. Rodrigues
Senate Committee on Ways and Means
State House, Room 212
Boston, MA 02133

Chair Aaron Michlewitz
House Committee on Ways and Means
State House, Room 243
Boston, MA 02133

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

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

Dear Chairs:

Chapter 9 of the Acts of 2025 line item 4000-0300 requires the Executive Office of Health and Human Services (EOHHS) to submit a report on MassHealth pharmaceutical spending and utilization. This report includes the total spending related to pharmaceutical utilization for fiscal year (FY) 2025; estimated spending related to pharmaceutical utilization for FY26; the actual and estimated revenue amounts, both in the form of supplemental rebates and federal financial participation (FFP), received in FY25 and FY26 as a result of total pharmaceutical spending; total or projected savings amounts delivered from supplemental rebate negotiations in FY25; and the relative impact of price and utilization of pharmaceutical drugs added to the MassHealth drug list within FY25 and FY26.

EOHHS has been working to lower MassHealth drug costs to manage the program's spending while ensuring robust access for members at a time when rising drug prices have driven overall budget growth. With approval from the Legislature, in July 2019, EOHHS received the authority through the FY20 budget to directly and more effectively negotiate with drug manufacturers to come to supplemental and value-based rebate agreements. This has provided EOHHS with effective tools to pursue the best value for the Commonwealth through these agreements. This authority has also dramatically increased the pace at which EOHHS can enter into these agreements.

As of February 1, 2026, EOHHS has active supplemental rebate contracts on 97 drugs with 40 manufacturers, including 11 value-based agreements, with a total annual rebate value of approximately \$650 million.¹

¹ Due to the dynamic nature of drug pricing, all rebate values in this report have been calculated compared to a base period of Q4 FY2025 pricing. It is anticipated that the total annual rebate value may be higher when compared to CY2025 pricing; however, this is unavailable at the time of this report. This pricing will be reflected in the October 2026 legislative report.

Direct negotiations have not had any negative impact on consumer access. EOHHS continues to provide MassHealth members access to all covered outpatient drugs approved by the Food and Drug Administration (FDA), regardless of whether the manufacturer signs a supplemental rebate agreement with EOHHS. Supplemental rebate agreements are negotiated to determine a drug's positioning within the MassHealth formulary, not coverage of the drug for MassHealth members.

In FY25, MassHealth spent \$3.01 billion on pharmaceuticals before rebates and Federal Financial Participation (FFP). MassHealth received \$1.69 billion in total rebates. The actual spend for FY25 is consistent with the estimated spend and rebate collection, as well as FFP projected in the previous report.

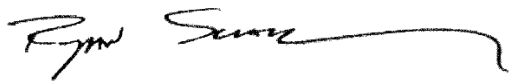
In FY26, MassHealth estimates it will spend \$3.36 billion on pharmaceutical utilization before rebates and FFP. MassHealth estimates it will receive about \$1.75 billion in total pharmaceutical rebates. The growth in pharmacy spend is driven by an increased utilization of high-cost drugs.

Aggregate FFP was 65.5% for FY25 and is expected to be 65.5% for FY26.

In FY25, 71 drugs were added to the MassHealth Drug List (MHDL) and, to date in FY26, 34 drugs were added to the MHDL. MassHealth spent approximately \$27.0 million in FY25 on these 71 drugs and estimates \$6.7 million for FY26 on these 34 new drugs, based on data through December 2025. The addition of a new pharmaceutical drug to the MHDL typically has a delayed fiscal impact because initial utilization is often very low for the first few quarters a drug is available.

Thank you for your continued support of the MassHealth program. Please feel free to contact Sarah Nordberg-Dunlea at Sarah.Nordberg@mass.gov should you have any questions about this report.

Sincerely,

A handwritten signature in black ink, appearing to read "Ryan Schwarz", with a long horizontal flourish extending to the right.

Ryan Schwarz, MD, MBA