

Minnesota Strategies to Curb Excess Costs in the System

Premium Rate Review

States can limit excessive health insurance premium increases through rate review, in which regulators assess proposed hikes to ensure they reflect accurate data and reasonable cost projections. The Affordable Care Act (ACA) set federal standards for effective review, and states meeting these are recognized by the Centers for Medicare and Medicaid Services (CMS). States may also establish the authority to approve or deny rate increases and incorporate affordability criteria into their evaluations. Strategies examined in this section include:

- Effective Rate Review Per CMS
- Authority to Modify or Reject Premium Rate Increases
- Affordability Criteria Included in Premium Rate Review

Hospital Price Regulation

Some states have pursued hospital cost control through reference-based pricing or global budgets. Reference-based pricing sets payment at a fixed rate, typically a multiple of Medicare, while global budgets establish a prospective annual payment for defined services, shifting responsibility to providers and payers to manage costs within that limit. This section tracks states that utilize:

- Medicare Reference-Based Pricing
- Hospital Global Budgets

Affordable Coverage

States can expand access to affordable coverage by offering state-funded premium subsidies for Marketplace plans or by operating subsidized health coverage such as a Public Option or Basic Health Plan. Public Options are state-administered insurance programs designed to increase competition and control costs through negotiated provider rates. These program designs vary across states, with differences in cost-containment strategies, network adequacy requirements, and reimbursement structures. Strategies examined in this section include:

- Whether the State has Implemented a Public Option
- Whether the Public Option Includes a Provider Participation Mandate
- If the state Operates a Basic Health Plan
- If the State Provides State-Based Premium Subsidies for Marketplace Coverage



Prescription Drug Pricing

Rising prescription drug costs continue to strain households, employers, and state budgets, with specialty drugs driving a growing share of spending. Unlike most consumer goods, drug prices in the U.S. often increase year over year, even after launch, and lack of transparency across the supply chain enables sustained price escalation. Manufacturers and pharmacy benefit managers (PBMs) use rebates, coupons, and contracting practices that can obscure true costs and shift expenses to consumers.

States are adopting a range of strategies to improve transparency, promote generic utilization, and curb excessive pricing. These include regulating PBM practices such as spread pricing, restricting the use of manufacturer coupons, requiring rebate transparency, and establishing collaborative purchasing or rebate arrangements. This section examines whether states have implemented tools to lower drug prices, enhance accountability, and expand access to affordable medications through:

- Prescription Drug Pricing Consortia
- Prohibitions on Drug Manufacturer Coupons for Specialty Drugs
- Prohibitions on Copay Accumulator Programs
- Biologic Substitution Laws to Increase Generic Utilization
 - Authorization Flexibilities
 - Notification Requirements
- Drug Carve Outs in Medicaid Managed Care
- FFS Policies to Promote Generic Utilization
 - Mandatory Generics
- Supplemental Rebate Programs or Arrangements
- Drug Rebate Transparency and Reporting Requirements
- Spread Pricing Restrictions
- Prohibitions on Retroactive Claims Reductions or “Clawbacks”
- Prohibitions on Cost-Disclosure and Gag Clause Restrictions

Medicaid Costs

Medical Loss Ratio remittance ensures managed care organizations (MCOs) spend a minimum percentage of premium revenue on actual medical care and quality improvement rather than administrative costs or profit. If they fail to meet the threshold, excess funds are returned to the state. By enforcing MLR standards, states help guarantee that Medicaid beneficiaries receive value for the funds allocated to their care, improving transparency and trust in managed care systems. Returned funds can be reinvested into Medicaid programs, expanding coverage or enhancing benefits without increasing state budgets.

Site-neutral policies standardize reimbursement rates across care settings (e.g., hospital outpatient departments vs. physician offices), reducing incentives for providers to steer patients toward higher-cost settings. Aligning payments helps curb unnecessary spending and mitigates cost growth in Medicaid programs, which is critical for states managing tight budgets.

- States Utilize Medical Loss Ratio Remittance
- Medicaid Site Neutral Requirements



Curb Excess Costs in the System

Premium Rate Review

Policy	Status as of June 2025	Summary
Effective Rate Review per Centers for Medicare and Medicaid Services (CMS)	 Has an effective rate review process	
Authority to Modify or Reject Premium Rate Increases	 Has the authority to modify or reject premium rate increases*	Minnesota has the authority to approve or deny rate filings in the individual and small group market. We are unable to corroborate whether the state has approval authority over fully-insured large group health plans in 2025.
Affordability Criteria Included in Premium Rate Review	 Does not incorporate affordability criteria into premium rate review	



State Has Active Policy or Program



Policy or Program Partially Implemented



State Does Not Have an Active Policy or Program



No Source, or Limited Information Found

Curb Excess Costs in the System

Hospital Price Regulation

Policy	Status as of June 2025	Summary
Medicare Reference-Based Pricing	 State does not use reference-based pricing tied to Medicare rates to regulate hospital pricing	In 2025, Minnesota considered a bill (SF 622) that would have permitted health carriers to offer a reference-based pricing health plan as a percentage relative to Medicare, but it did not pass.
Hospital Global Budgets	 State has not implemented hospital global budgets	



State Has Active Policy or Program



Policy or Program Partially Implemented



State Does Not Have an Active Policy or Program



No Source, or Limited Information Found

Curb Excess Costs in the System

Affordable Coverage		
Policy	Status as of June 2025	Summary
Public Option	❌ State does not offer an active public option insurance plan	Minnesota had previously passed legislation to establish a public option, anticipating that it would be available to the public in 2027. However, the state legislature repealed permission to seek federal approval for a public option during the 2025 legislative session, citing budgetary constraints.
Public Option Includes Provider Participation Mandate	❌ State does not does not offer a public option, with or without a participation mandate	
Basic Health Plan	● State operates a Basic Health Plan	Minnesota offers a Basic Health Plan for low-income enrollees earning 133-200% FPL or legal residents earning 0-200% FPL who do not qualify for Medicaid. Notably, the state has authorized the Commissioner of Commerce to submit a 1332 waiver to the federal government related to implementing a Minnesota public option plan through the Basic Health Plan program and has allocated funds in its 2025 budget for that purpose.
State-Based Premium Subsidies	❌ State does not offer supplementary state-funded premium subsidies	

Curb Excess Costs in the System

Prescription Drug Pricing

Policy	Status as of June 2025	Summary
Biologic Substitution Laws: Prescriber Permission Requirements	State does not require express authorization for biologic substitution	
Biologic Substitution Laws: Prescriber Notification Requirements	Pharmacists are required to notify prescribers of biologic substitution	Pharmacists in Minnesota are required to notify the prescribing physician of a substitution within five business days.
Drug Purchasing Consortium	State participates in a drug purchasing consortium (see note)	Minnesota is a member of the National Medicaid Pooling Initiative.
Drug Coupon Prohibitions	State does not prohibit the use of drug manufacturer coupons*	
Medicaid Managed Care Organization (MCO) Carve Out	State Medicaid does not carve out any drug classes from their MCO benefits*	
Mandatory Generics in Medicaid Fee-for-Service (FFS)	Medicaid FFS programs and pharmacists are not required to substitute a generic version of a drug	



State Has Active Policy or Program



Policy or Program Partially Implemented



State Does Not Have an Active Policy or Program



No Source, or Limited Information Found

Curb Excess Costs in the System

Prescription Drug Pricing		
Policy	Status as of June 2025	Summary
Supplemental Rebate Programs	Medicaid Pharmacy Supplemental Rebate Agreement (SRA) in place	
Drug Rebate Transparency and Reporting Requirements	Pharmacy benefit managers are required to report rebate data to the state	
Spread Pricing Restrictions	State prohibits pharmacy benefit managers from engaging in spread pricing	
Pharmacy Benefit Manager Reimbursement and Clawbacks	State prohibits PBMs from retroactively reducing reimbursement to pharmacies (“clawbacks”)	
Cost-Disclosure and Gag Clause Restrictions	State law prohibits gag clauses in pharmacy contracts	
Prohibits Copay Accumulator Programs	State does not prohibit copay accumulator programs	Minnesota lawmakers introduced legislation in 2025 that would have prohibited copay accumulator programs, however the bills did not pass.

Curb Excess Costs in the System

Medicaid Costs

Policy	Status as of June 2025	Summary
Prohibits Balance Billing for Ground Ambulance Services	 Does not prohibit balance billing for out-of-network ground ambulance services	
Prohibits Short-Term, Limited Duration Health Plans	 State law has eliminated short-term, limited duration health plans	STLD health plans aren't explicitly banned in the state, but strict regulations have effectively removed them from the market.

November 2025

healthcarevaluehub.org



With support from Arnold Ventures, the Healthcare Value Hub provides free, timely information about the policies and practices that address high health care costs and poor quality, bringing better value to consumers. The Hub is part of Altarum, a nonprofit organization with the mission of creating a better, more sustainable future for all by applying research-based and field-tested solutions that transform our systems of health and health care.