

Montana 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	Does not have the authority to modify or reject premium rate increases	Montana does not have the authority to approve or deny rate filings in the individual, small group, or large group market. If a proposed rate is found to be excessive, inadequate, unjustified, or unfairly discriminatory, the carrier may voluntarily lower the rate increase. If the insurer decides to use the rate anyway, the commissioner will issue a public finding announcing that the rate is unjustified.
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	From 2016 to 2023, Montana’s State Employee Benefit Plan used a reference-based pricing strategy, contracting with hospitals to reimburse inpatient services at 220–225% of Medicare rates and outpatient services at 230–250%. The program ended in 2023 after the state moved its employee health plan to Blue Cross Blue Shield, which allowed the insurer to use reference-based pricing or other negotiated reimbursement models, in some cases exceeding the original caps. In 2025, lawmakers considered SB 554, which proposed limiting nonprofit hospitals to 300% of Medicare rates and imposing an excise tax on hospitals exceeding that threshold, but the bill 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	
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 does not operate a Basic Health Plan	
State-Based Premium Subsidies	 State does not offer supplementary state-funded premium subsidies	



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
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 Montana 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)	Montana 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 Fee-for-Service (FFS) programs and pharmacists are required to substitute a generic version of a drug	Montana has policies or tools to promote mandatory generics.



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 does not prohibit pharmacy benefit managers from engaging in spread pricing	Montana passed a law in 2025 that effectively bans spread pricing in the state by requiring PBMs to reimburse pharmacies at standardized rates beginning October 1, 2025.
Pharmacy Benefit Manager Reimbursement and Clawbacks	 State does not prohibit 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	



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State Does Not Have an Active Policy or Program



No Source, or Limited Information Found

Curb Excess Costs in the System

Medicaid Costs

Policy	Status as of June 2025	Summary
Medical Loss Ratio Remittances (MLR) for Medicaid Managed Care Population	 State does not use managed care, with or without MLR remittances	Montana does not use Medicaid MCOs.
Medicaid Site Neutral Payments	 State has not enacted Medicaid site neutral payment legislation*	



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No Source, or Limited Information Found

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