Pharmacy Amendment to Montana HB 740 Will Cost the State Over $800 Million In Increased Prescription Drug Costs

The core mission of pharmacy benefit managers (PBMs) is to reduce prescription drug costs for health plan sponsors so that consumers have affordable access to needed prescription drugs. PBMs offer a variety of services to their health plan sponsor clients and patients that improve prescription adherence, reduce medication errors, and manage drug costs.

The proposed Montana legislation will seriously undermine the ability of PBMs to control drug costs and manage their pharmacy networks, and as a result, drug spending in Montana will soar. The proposed legislation includes provisions to restrict the use of **preferred pharmacy networks and implement a mandatory dispensing fee for independent pharmacies**. Although some of the provisions are subject to interpretation, enacting just the bill provisions discussed below could cost the state of Montana almost **$65 million in excess drug spending** in the first year alone and over **$800 million** over the next 10 years.

Projected 10-Year Increases in Prescription Drug Spending in Montana, 2025–2034 (millions)

	Self-Insured Group Market	Fully Insured Group Market	Individual Direct Purchase Market	Total
Restrict Pharmacy Networks	$255	$137	$73	$465
Implement Mandatory Dispensing Fees for Independent Pharmacies	$186	$100	$53	$340
Maximum Costs – Two Provisions	**$441**	**$238**	**$126**	**$805**

Methodology: The methodology used to create these cost projections was that used by Visante in the January 2025 paper "Increased Costs Associated With Proposed State Legislation Impacting PBM Tools." Dispensing fee methodology: A $2 dispensing fee was assumed as a baseline for all prescription fills.[1] Projected increases in costs for dispensing fees are the difference between all prescriptions filled with a $2 dispensing fee and all prescriptions filled with $15 dispensing fee. The count of prescription fills in each state was held constant at 2023 levels, the most recent year for which fill data is available. Given the increasing trajectory of prescription drug fills, this is likely an undercount of the number of drug fills and, therefore, an underestimation of the costs associated with dispensing fee mandates. The upper dispensing fee limit of $15 is used because the bill mandates that dispensing rate. The commercial market includes prescriptions covered by commercial payers (group fully insured, group self-insured, and individual direct purchase) as well as some government programs, such as the Children's Health Insurance Program, Veterans Administration, and Indian Health Service. The number of commercial prescriptions is divided into each insurance market segment proportional to their population. The methodology is derived from PCMA's "Dispensing Fee Mandates Increase Prescription Drug Spending" report.

Data: PCMA acquired 2023 IQVIA data. The statements, findings, conclusions, views, and opinions contained and expressed in this report are based in part on data obtained under license from the following IQVIA Institute information service: IQVIA PayerTrak data for PCMA, 2022, IQVIA Inc. All rights reserved.

[1] The Commonwealth Fund. "Competition, Consolidation, and Evolution in the Pharmacy Market." 2021.

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Bill Provisions Descriptions

HB 740 would restrict the use of preferred pharmacy networks, specialty pharmacies, and mail-order pharmacies.

- PBMs require pharmacies to compete on service, price, convenience, and quality to be included in preferred networks. Pharmacies that agree to participate in such arrangements are designated as 'preferred' and become members of a preferred pharmacy network. These types of networks have gained traction among plan sponsors and deliver tangible savings for patients.
- Nearly 80% of employers believe that mail-order specialty pharmacies are the lowest-cost site of service compared with retail community pharmacies and other options.[2] The bill guts the ability for health plans and PBMs to create preferred pharmacy networks for plans by mandating an "any willing provider"(AWP) requirement. According to the Federal Trade Commission[3] and academic analysis,[4,5,6] this type of mandate leads to less competition and higher prices for consumers.
- When applied to specialty pharmacies, the consequences of AWP legislation are even greater. Because specialty drugs are dispensed in such low volumes and target rare conditions, it is infeasible for most retail drugstores to stock these medications and provide the specialized services patients require. States do not legally differentiate specialty pharmacies from traditional pharmacies. These payer-aligned specialty pharmacies must meet payers' terms and conditions to be included in preferred pharmacy networks. Of the roughly 64,000 pharmacies in the U.S., only about 400—less than 1%—are accredited as specialty pharmacies by the independent Utilization Review Accreditation Commission.[7]

HB 740 would implement prescription drug reimbursement mandates.

- Requiring PBMs to reimburse independent pharmacies at mandated levels of the National Average Drug Acquisition Cost (NADAC) plus a $15 dispensing fee will cause spending on prescription drugs to soar. Research also shows that mandating reimbursement at NADAC levels will cause drug spending to go up,[8] adding to the hundreds of millions of dollars in extra costs.

- For purposes of the amendment, independent pharmacy is defined as follows:
  (4) "Independent pharmacy" means a pharmacy as defined in 37-7-101 that is:
  (a) licensed with the board of pharmacy as a pharmacy; and
  (b) located in the state; and
  (c) not owned or operated by or a subsidiary or affiliate of a for-profit entity with more than 10 pharmacy locations nationwide, a pharmacy benefit manager, or a publicly traded entity.

For more details, please contact: Tonia Sorrell-Neal at 425-246-2785; Amy Nerison at 651-383-2067, Jon Metropolis at 406-461-4296 or Greg VanHorssen at 406-439-0495.

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[2] PBMI. "Trends in Specialty Drug Benefits". 2018.
[3] FTC letter to CMS. "Contract year 2015 policy and technical changes to the Medicare advantage and the Medicare prescription drug benefit programs." Mar. 7, 2014.
[4] Klick, Jonathan and Wright, Joshua D., "The Effect of Any Willing Provider and Freedom of Choice Laws on Prescription Drug Expenditures." Am. L. & Econ. Rev. 192 (2015).
[5] Atlantic Economic Journal. Durrance, C., "The impact of pharmacy-specific any-willing-provider legislation on prescription drug expenditures." 2009.
[6] DHS. Reforming America's Healthcare System Through Choice and Competition. 2018.
[7] URAC. "2022 Specialty Pharmacy Performance Measurement." 2023.
[8] The Menges Group. "Pennsylvania Medicaid MCO Prescription Drug Repricing: Cost Impacts of Using NADAC Payment Structure." 2019.

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