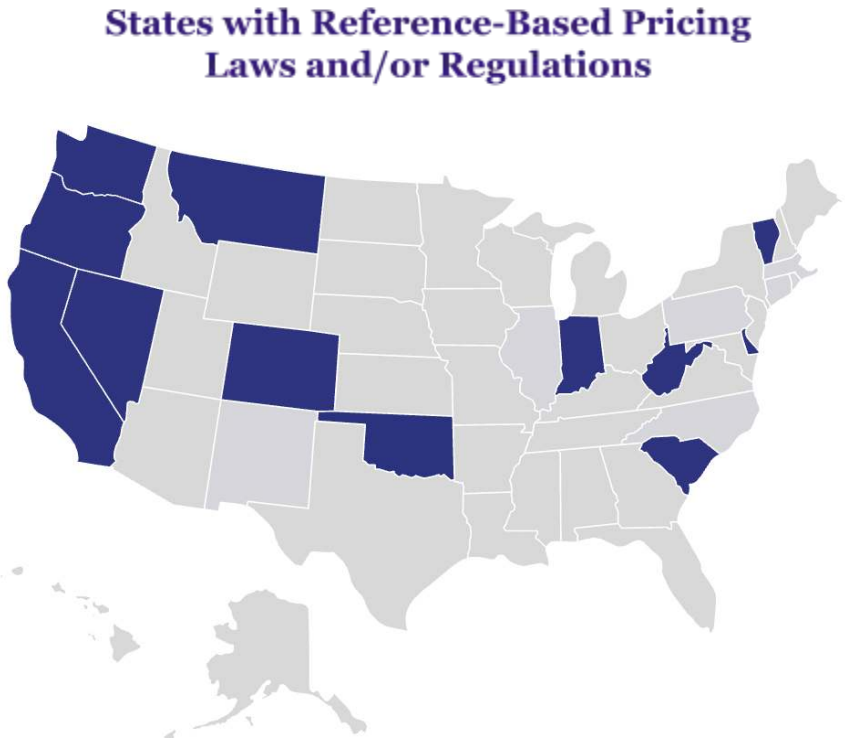
State Laws to Lower Costs through Reference-Based Pricing

One way states can take a more active role in lowering the high cost of care is by establishing direct limits on the prices hospitals can charge through reference-based pricing. This policy ties the price of services charged by hospitals to a "reference price," often a percentage of Medicare's payment rates, that's more in line with the actual cost of care. Doing so can yield significant savings for patients and states with manageable impact on hospital finances. This policy can apply to all providers in a state or more narrowly to specific markets or programs states oversee, such as their state employee health plans, allowing states significant flexibility to tailor this policy to meet their individual needs and achieve specific cost-saving goals.

In addition to lowering costs for consumers, states can also adapt reference-based pricing policies to achieve other policy outcomes. For example, as states continue to grapple with tight finances and federal funding challenges, reference-based pricing in state employee health plans can lead to meaningful savings for state budgets. States can also pair payment *caps* established through reference-based pricing with payment *floors* for certain providers or services, such as primary care or behavioral health services, to increase investment in certain forms of care.



State Laws to Implement Reference-Based Pricing

As of January 2026, **12 states have implemented reference-based pricing** in a segment of their health insurance markets through the legislative or regulatory process. The chart on the next few pages provides an overview of states' reference-based pricing policies and underscores the increasing interest by states to lower health care costs to help state budgets, employers, and patients. The chart does not include states that have considered or studied reference-based pricing solutions but haven't implemented them, such as North Carolina. Additionally, this chart only includes states with broad-based policies; reference-based pricing for individual services or billing types, including ground ambulances or surprising billing, are not reflected in this chart.

State	Law(s)/Regulation(s)	Plans affected
California	Regulation through contracts (implemented 2011) ● Established reference based pricing in the State Employee Health plan for certain hospital services, including knee and hip replacements, and later other services, including colonoscopies and cataract removal surgeries. ● Established rates vary by procedure using internal calculations informed by utilization levels, historical patterns, and other factors.	State Employee Health Plan (California Public Employees Retirement System (CalPERS))
Colorado	HB21-1232 (passed 2021, implemented 2023) ● Established the state's public option, known as Colorado Option plans, which began in 2023. ● Created an enhanced rate review process that allows the Department of Insurance to establish reference-based pricing for certain Colorado Option providers if insurers don't meet premium reduction targets. ○ Created a reimbursement methodology that pays hospitals and other providers no less than 155% and 135% of the Medicare rate, respectively. ○ Included upwards adjustments to these base rates for independent hospitals (+20%), hospitals with a disproportionate share of Medicare or Medicaid patients (+30%), hospitals efficient at addressing the underlying cost of care (+40%), among other considerations.	Colorado Option (public option) plans sold on the individual market
Delaware	HB 350 (passed 2024, implemented 2025) ● Established temporary reference-based pricing at, on average, 250% of the Medicare rate, through 2026, for all hospital services. ● Exempts hospitals that receive more than 45% of their revenue from Medicaid or uninsured patients.	Commercial plans, Medicaid (Delaware First Health), State Employee Health Plan (State Employee Benefits Committee)

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	• Beginning in 2026, rate-setting authority and hospital budget approval will transition to the new Diamond State Hospital Cost Review Board.	
Indiana	HB 1004 (passed 2025, implemented 2029) • Requires the state's Office of Management and Budget (OMB) to conduct a study of commercial inpatient and outpatient hospital prices by June 2026. • Requires OMB to establish reference-based pricing for all hospital inpatient and outpatient services, likely to be between 250 and 300% of Medicare rates, that hospitals need to achieve by June 2029. • Strips noncompliant hospitals of their nonprofit status for at least one year.	Commercial plans
Montana	Regulation through contracts (implemented 2016) • Established reference-based pricing in the State Employee Health Plan at, on average, 234% of the Medicare rate for all hospital inpatient and outpatient services, from 2016 through December 2022. • Beginning January 2023, the state contracts with Blue Cross Blue Shield to establish "alternative payment arrangements" for the State Employee Health Plan at no more than 200% of the Medicare rate, dropping down to 180% of the Medicare rate by 2026.	State Employee Health Plan (State of Montana Benefit Plan)
Nevada	SB 420 (passed 2021, implemented 2026) • Established the state's public option, known as Battle Born State Plans, which began in 2026. • Requires providers in public option networks to be paid at rates that are comparable to or better than Medicare rates.	Battle Born State (public option) plans sold on the individual market

State	Law(s)/Regulation(s)	Plans affected
Oklahoma	Regulation through contracts (date unknown) • Established reference-based pricing in the State Employee Health Plan at rates higher than Medicare but lower than commercial rates.	State Employee Health Plan (HealthChoice)
Oregon	SB 1067 (passed 2017, implemented 2019/20) • Established reference-based pricing for Oregon Public Employees' Benefit Board plans (beginning 2019) and Educators Benefit Board (beginning 2020) by capping payment for in-network hospitals at 200% of the Medicare rate and 185% of the Medicare rate for out-of-network hospitals. • Exempts rural critical access hospitals, hospitals with under 50 beds, or hospitals that receive more than 40% of their revenue from Medicare.	State Employee Health Plans (Oregon Public Employees' Benefit Board plans, Educators Benefit Board plans)
South Carolina	Regulation through contracts (implemented 2016) • Established reference-based pricing for the State Employee Health Plan by capping payment for certain services (radiology and lab imaging services, services provided in the ambulatory surgical center (ASC) care setting, and physician-administered medications) between the Medicare rate and the commercial rate.	State Employee Health Plan (Public Employee Benefit Authority plan)
Vermont	S 126 (passed 2025, to be implemented by 2027) • Directs the state's Green Mountain Care Board (GMCB) to establish reference-based pricing for all hospitals by 2027. • Allows the GMCB to expand reference-based pricing to services delivered in non-hospital settings in the future.	Commercial plans
Washington *(see here for more detail in our overview)*	SB 5526 (passed 2019, implemented 2021) • Established the state's public option, known as Cascade Select plans, which began in 2021. • Established reference-based pricing for Cascade Select plans by	**SB 5526:** Cascade Select (public option) plans sold on the individual market **SB 5083:** State Employee Health Plans (Public Employees Benefits Board and School

State	Law(s)/Regulation(s)	Plans affected
	capping hospital reimbursement at 160% of the Medicare rate and establishing a payment floor of no less than 135% of the Medicare rate for primary care services and 101% of the Medicare rate to critical access hospitals and sole community hospitals. SB 5083 (passed 2025, to be implemented by 2027) ● Establishes reference-based pricing in State Employee Health Plans by capping payment for in-network hospitals at 200% of the Medicare rate and 185% of the Medicare rate for out-of-network hospitals by 2027 and establishing a payment floor of no less than 150% of the Medicare rate for primary care and behavioral health services.	Employees Benefits Board plans)
West Virginia	SB 268 (passed 2023, implemented 2023) ● Established reference-based pricing in the State Employee Health Plan by establishing a payment floor of no less than 110% of the Medicare rate for "all providers" located within the state.	State Employee Health Plan (Public Employees Insurance Agency plan)