


MEMO

TO: Michigan House Health Policy Committee
FROM: David Q. Worthams, Director – Employment Policy 
DATE: April 20, 2023
Re: House Bill 4409 – Opposition

On behalf of the 1,750 members of the Michigan Manufacturers Association (MMA) who make up the largest sector of Michigan's economy, I write to express our opposition to House Bill 4409. This bill requires drug manufacturers to report information about research expenditures when the wholesale price of a drug increases more than 15 percent in a year or 40 percent over a three-year period. The impact of this bill, if enacted, will have a chilling effect on drug manufacturers in Michigan, harming the biopharmaceutical manufacturing sector that provides over 16,000 jobs and generates over \$1.4 billion in tax revenue in the Great Lakes State.¹

We are empathetic with those who must participate in prescription drug therapy. It is a critical component of health care for many Michiganders. Advances in pharmaceuticals bring new life-saving medications for many diseases people face every day.

We admit that the rising cost of these advancements are challenging for many consumers. On face value, the idea of increasing the transparency behind the costs to make a drug seems like a good idea. Empowering consumers with increased information should help them make informed decisions about providers, treatments, and insurance coverage.

Unfortunately, House Bill 4409 does not accomplish this goal. The bill arbitrarily selects a percentage increase to trigger the submission of potentially proprietary information that is to be given to the Department of Insurance and Financial Services (DIFS). This information is then to be used by DIFS to produce an annual report for the House and Senate Health Policy committees, your respective partisan policy offices and posted on the DIFS website.

What policymakers will find is that the information mandated by the bill yields data of little use to patients and healthcare professionals. This information does not account for the significant rebates and discounts often negotiated between manufacturers, health insurance carriers, and health insurance payers. In fact, the data collected will show that prescription drugs account for a small and fairly stable share of health care spending and are not driving overall health spending growth.

At the same time, the share of spending on prescription drugs that insurers cover has increased from 57 percent paid by the consumers in 1990 to 85 percent paid by insurers in 2018. Likewise, the average prices for generic drugs in the Medicare Part D and Medicaid programs have fallen in recent years: from \$57 in 2009 to \$50 in 2018 for Medicare Part D and from \$63 to \$48 in Medicaid for that same period. Largely driven by the increased use of generic drugs, this has put a downward pressure on the average price of a prescription.²

¹ <https://phrma.org/resource-center/state-map/michigan/>

² Congressional Budget Office. "Prescription Drugs: Spending, Use, and Prices," January 1, 2022. <https://www.cbo.gov/publication/57772>.

Requiring a pharmaceutical manufacturer to disclose the amount of money they spend on research damages their ability to protect their intellectual property. Our drug research system makes America the global leader in developing innovative medicines and bringing more new medicines into the market faster than the rest of the world. With a balanced public policy, the environment exists that will foster investment in research and development, increase access for patients to these products, and keep pharmaceutical manufacturing viable will into the future.

Increasing transparency for consumers is a laudable goal and gathering the right information for consumers is key to accomplishing that goal. That information must include the impact of wholesale distributors, administrative costs of health insurers, the formularies used by health plans, and impact of the pharmacy benefit managers. The impact of these factors has a much larger impact on the price of a drug than the money invested to make advances in these important medicines.

Because the bill negatively impacts the intellectual property of drug manufacturers, we oppose House Bill 4409.