



June 5th, 2024

RE: Testimony in Support of HB 5350

Chair Carter and Members of the House Insurance and Financial Services Committee:

Thank you for the opportunity to provide testimony on House Bill 5350. My name is Katelyn Kane, and I represent Alcona Health Center. I am writing to express support for HB-5350, which amends the Public health code, by adding section 17757c which would prohibit 340B contract pharmacy arrangement discrimination. As the Director of Pharmacy for Alcona Health Center (AHC), I believe we should be doing everything possible to expand care and benefit patients who are most in need. HB 5350 represents a thoughtful approach to a complex issue, and AHC supports the approach established in this bill.

Alcona Health Center (AHC) meets the needs of communities across six northern Michigan counties, serving more than 34,000 patients annually with 138,017 total visits. AHC provides high-quality medical, dental, behavioral health and pharmacy services to families and individuals of all ages. Over 60% of AHC patients are either on Michigan Medicaid, Medicare or uninsured.

Congress enacted 340B in 1992 in a bipartisan effort to provide safety-net providers resources to serve more patients in need and provide comprehensive services they otherwise would not be able to offer. The law requires drug companies to offer discounted prices to eligible safety-net providers on certain outpatient drugs. In return, Congress approved having Medicaid and Medicare Part B cover the participating companies' products, a deal that has been highly lucrative for drugmakers.

The 340B program has been especially important in the face of rising drug prices and chronic underpayments from Medicare and Medicaid. A recent report by the Department of Health and Human Services (HHS) found that between July 2021 and July 2022 drug prices increased by an average of 31.6% for over 1,200 drugs — many of which are used to treat cancer and other chronic conditions. These staggering drug price increases have led to higher expenses for Community Health Centers, compounding an already precarious financial situation and critical workforce shortages.

While some manufacturers continue to maintain their commitment to provide discounted pricing to eligible providers, a growing group of companies has been restricting the required 340B discounts when the drugs are dispensed to providers' patients through community or specialty pharmacy partnerships. Some of these companies are refusing to provide discounts to contract pharmacies. Others are tying access to discounts to unlawful demands for patient



claims data that are unrelated to the mission of 340B. These actions are causing tremendous damage to Community Health Centers, like AHC and the patients we serve.

HB 5350 aims to address these threats by barring manufacturers from limiting the number of pharmacies they contract with. HB 5350 also looks to prohibit denial, conditioning, discriminating against, refusing, or withholding of 340B pricing for drugs. This would ensure that patients can utilize the pharmacy of their choice and cannot be penalized or steered away from 340B covered entities; and protect covered entities and contract pharmacies in the 340B program from disparate treatment.

Legislation prohibiting discrimination against 340B pharmacies has been successful in nearly two-dozen states thus far. These laws are an essential step for AHC, and its fellow health centers and Michigan should pursue action to protect health centers while awaiting consideration of a federal solution. This will ensure health centers receive the 340B savings we are entitled to, given the 340B statute, and protect the contract pharmacies they use to dispense discounted medications to their patients.

The 340B program creates savings that enable AHC and other health centers to provide high-quality and affordable care to the most vulnerable and underserved communities. Health centers are the largest primary care network across the country and the safety-net for millions of vulnerable patients in underserved communities. Yet, our mission goes beyond health care and extends to services that improve overall quality of life. Central to that mission is the 340B program. It promotes health equity by expanding access to patients in underserved communities by creating savings to address social determinants of health like transportation, food insecurity, life skills training, and social support services. 340B savings fill in the gaps to better meet community and patient needs. Restrictions placed on the 340B program are chipping away at health centers' financial stability.

These reasons make it more important now more than ever to take deliberate actions, to protect the 340B program from pharmaceutical manufacturers.

Thank you for your time and attention.

Sincerely,
Katelyn Kane, PharmD, MBA
Director of Pharmacy
Alcona Health Center