Michigan Manufacturers Association | SMALL BUSINESS Association of MICHIGAN Focusing the power of small business. | GRAND RAPIDS AREA CHAMBER OF COMMERCE | MICHIGAN CHAMBER OF COMMERCE

MEMORANDUM

To: Members of the House Insurance Committee

From: Wendy Block, Michigan Chamber of Commerce
Andy Johnston, Grand Rapids Area Chamber of Commerce
Delaney McKinley, Michigan Manufacturers Association
Tony Stamas, Small Business Association of Michigan

Subject: Job Providers Oppose HB 5876 and HB 5877

Date: November 13, 2014

As representatives of business large and small, we know that the rising cost of health care is one of the largest barriers to competition and economic growth for Michigan job-providers. House Bills 5876 and 5877 will drive up the cost of prescription drug coverage, one of the fastest growing components to rising health care costs. As a result, we are opposed to HB 5876 and 5877 and ask that committee members consider the following concerns:

- **Limiting Employer Options in the Face of Ever Increasing Health Care Costs**
  In the face of ever rising health care costs, employers often utilize tools such as exclusive networks, mail-order pharmacies and financial incentives to control pharmaceutical costs. HB 5876-5877 will tie employers' hands and restrict their ability to set pharmaceutical plan design to contain costs.
- **Prohibiting Exclusive Networks Will Lead to Higher Costs for Employers and Patients**
  HB 5876-5877 would prohibit health plan sponsors from selectively negotiating and contracting with pharmacies to create exclusive networks. It is estimated that an exclusive network can save $0.50 to $1.50 per claim. This savings would be eliminated under the proposed legislation. Further, increasing the number of pharmacies in a network will add to overhead costs and will limit ability to root out fraud – all of these increased costs will be passed along to employers and enrollees.
- **Restrictions on Mail-Order Pharmacy Will Drive Up Costs**
  HB 5876-5877 would essentially eliminate mail-order pharmacy savings by barring drug plans from rewarding enrollees that use lower-cost mail-order options. This will reduce competition between pharmacies, thereby raising prices and reducing access to prescription drugs.
- **Interference with Private Contracts**
  HB 5876-5877 interfere with private contract negotiations between drug plans, drug manufacturers and pharmacies.
- **Picking Winners and Losers**
  HB 5876-5877 benefit local pharmacies to the detriment of employers, patients and taxpayers.

Our organizations support competitive bidding among drug plan stakeholders in an environment free of government intrusion. This legislation runs contrary to a competitive and free process. **Please oppose House Bills 5876 and 5877**.