



HOUSE BILL 5941: PRESCRIPTION DRUG PRICING TRANSPARENCY

MAHP POSITION: SUPPORT

SUMMARY OF HOUSE BILL 5941

House Bill 5941 creates a Drug Manufacturer Data Reporting Act that requires drug manufacturers to disclose to the Department of Insurance & Financial Services (DIFS) the costs and pricing of prescription drugs. DIFS would be responsible for preparing an annual report to the Legislature and for sharing general aggregated prescription drug pricing data.

DRUG MANUFACTURERS WOULD HAVE TO NOTIFY DIFS OF THE FOLLOWING:

- Any prescription drug with wholesale costs exceeding \$40 for a 30-day supply that increases by more than 5% in one year or 15% over three years.
- Any new prescription drug that exceeds the Medicare Part D specialty drug threshold.

NOTIFICATION TO DIFS WOULD INCLUDE THE FOLLOWING ON EACH DRUG:

- 1 Name of the prescription drug and whether there is a cheaper generic or biosimilar drug, as well as information on the drug manufacturer's patent exclusivity.
- 2 Effective date of the change in price and any research and development costs associated with the increase.
- 3 Lobbying and advertising marketing costs, as well as government subsidies associated with the cost of the prescription drug.

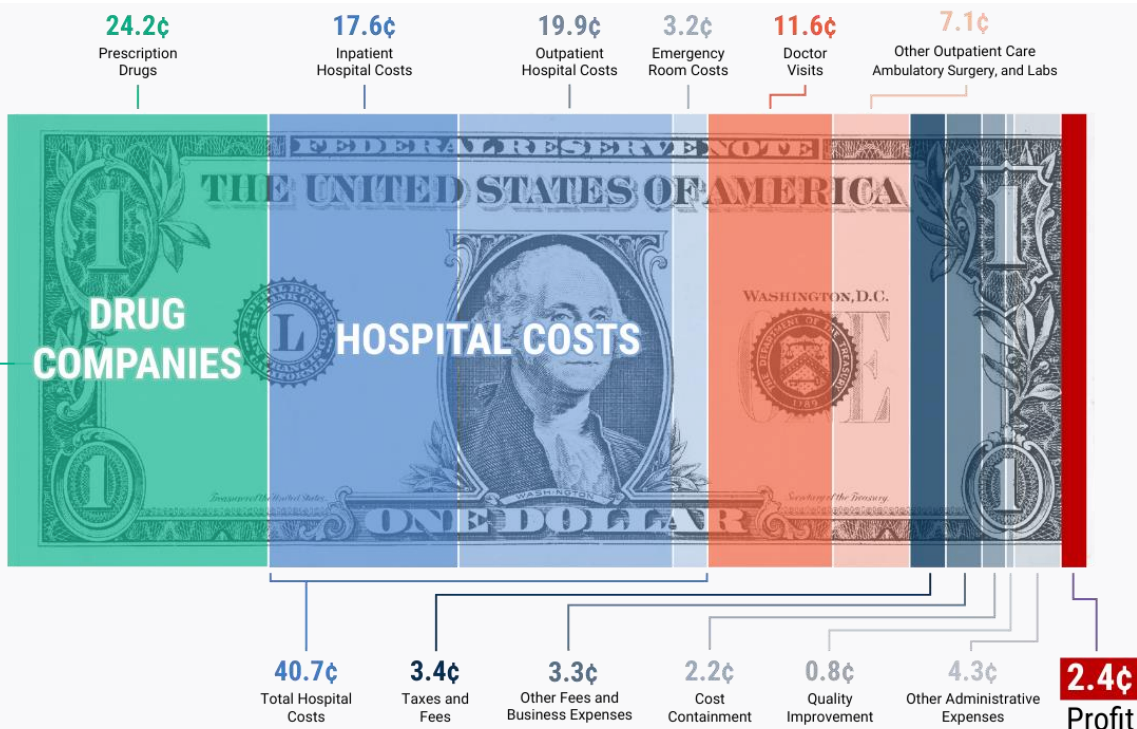
BACKGROUND ON TRANSPARENCY

Michigan citizens are concerned about the rising high cost of medications. The increasing costs of prescription drugs threaten the sustainability of healthcare coverage for patients, employers, and health insurers. As such, state policymakers and regulators deserve access to information about drug pricing and affordable alternatives in Michigan.

For years, policymakers have attempted to control prescription drug costs by imposing customer cost-sharing caps, reducing utilization controls, and mandating coverage of certain prescription drugs on health plans. These efforts have only exacerbated the ongoing skyrocketing costs of prescription drugs.

[According](#) to the US Department of Health and Human Services, Americans pay higher prices for prescription drugs than in other countries. Prescription drugs are more than 2.5 times higher than in other similar high-income nations.

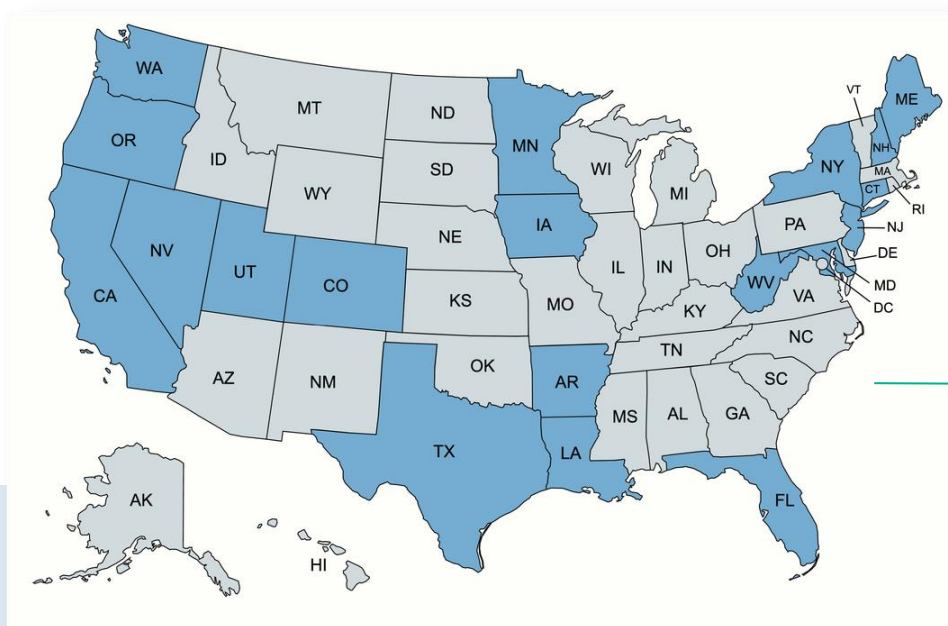
Prescription drug costs have skyrocketed over the last decade and now account for the fastest-growing sector of total healthcare costs, higher than any other spending category, more elevated than outpatient and inpatient hospital costs. **Prescription drugs accounted for 6% of total health care costs in 2006, but now have risen to over 24%.** Drug pricing has far outpaced inflationary increases in the Consumer Price Index.



Centers for Medicare and Medicaid Services (CMS) has [reported](#) that **prescription drug spending is projected to outpace growth in all other major healthcare sectors**, averaging 6.1 percent annually through 2027.

To date, **19 states** have adopted laws putting in place state laws providing for prescription drug price transparency.

According to the National Academy of State Health Policy, **25 legislative proposals have been introduced in 14 states** calling for prescription drug transparency.



ARGUMENTS FOR TRANSPARENCY

INFORMATION IS **EMPOWERING**



- Drug price disclosure will equip policymakers and regulators with the necessary information to help consumers access affordable and accessible prescription drugs.
- Transparency will provide objective data to help policymakers and regulators understand the problem and identify appropriate solutions.
- Requiring prescription drug manufacturers to provide drug pricing information to state regulators and policymakers will better hold them accountable to justify their increases.

LACK OF REGULATION MAKES REPORTING NECESSARY

- Because drug manufacturers and prescription drug prices are not regulated in Michigan's commercial healthcare market, policymakers and regulators are uninformed on the prescription drug costs and prices health plans and customers face.
- This legislation will better identify and illustrate the high costs of prescription drugs that consumers are facing in Michigan.
- The federal government recently [opened doors](#) to allowing states to control drug pricing by regulating drug manufacturers. The FDA recently [permitted](#) states to create importation programs to help health plans access lower prescription drugs.
- If policymakers want to lower prescription drug costs, gathering information on drug pricing in Michigan is the first step to making wise policy decisions.

THE GROWING **INTEREST OF OTHERS**



- The Centers for Medicare & Medicaid Services (CMS) has required drug price transparency since 2023, which will assist the agency in negotiating drug pricing for Medicare, which began last year. This model is for other states to follow in the commercial health care market.
- **19 states have enacted drug pricing transparency**, and **14 states have introduced legislation** on the subject matter.