



April 29, 2026

Senator Sarah E. Anthony
Chair, Senate Appropriations Committee
Michigan Senate
Post Office Box 30036
Lansing, MI 48909-7536

Re: Opposition to SB 857, Section 1622 – Most Favored Nation Pricing in Michigan Medicaid

Chair Anthony and Members of the Senate Appropriation Committee,

On behalf of the Michigan Biosciences Industry Association, the statewide organization representing the life sciences community, including the pharmaceuticals sector, I write to respectfully oppose the inclusion of Section 1622 in SB 857, which would introduce a Most Favored Nation (MFN) pricing model into Michigan's Medicaid program.

While well-intentioned, this proposal raises significant concerns regarding patient access, health equity, and Michigan's leadership in the life sciences sector.

1. MFN imports flawed foreign price-setting systems into Michigan Medicaid

MFN pricing effectively ties U.S. medicine prices to those set by foreign governments that often rely on cost-effectiveness frameworks that undervalue innovation and patient need. These systems frequently use metrics such as quality-adjusted life years (QALYs), which have been widely criticized for disadvantaging seniors, individuals with disabilities, and underserved populations.

2. The proposal lacks clarity and risks disrupting Medicaid's current structure

Section 1622 provides little operational detail and does not clearly define how MFN pricing would interact with existing federal Medicaid requirements. Michigan's current approach - leveraging voluntary, negotiated supplemental rebates - has proven effective, with manufacturers rebating approximately \$2 billion annually (about 65% of drug spending). Undermining this system risks unintended consequences without clear savings.

3. MFN threatens patient access and provider flexibility

Experience and federal analysis indicate that MFN-style policies may lead to reduced availability of medicines if providers cannot obtain them at mandated prices. Patients could face delays in care, be forced onto less effective therapies, or forgo treatment altogether.

4. It risks worsening health outcomes and exacerbating inequities

Countries that rely on similar pricing models have significantly lower access to new medicines compared to the United States. Reduced access has been linked to worse outcomes, including diminished survival gains in serious diseases.

5. MFN undermines Michigan's life sciences economy and innovation ecosystem

Government price setting reduces investment in research and development, threatening future medical

breakthroughs. Evidence suggests that reduced R&D investment directly leads to fewer new medicines and diminished economic activity, including job losses across the biopharmaceutical sector. Michigan's life sciences cluster has been losing ground to other regional hubs - now is not the time to impose policies that further erode our state's competitiveness for jobs and economic impact.

6. It fails to address the real drivers of drug costs

MFN does not target key contributors to high drug costs in the U.S., including pharmacy benefit managers (PBMs), supply chain inefficiencies, and distortions within programs like 340B. In fact, a significant portion of drug spending - over 40% - is retained by intermediaries rather than manufacturers.

Michigan policymakers should instead pursue reforms that:

- Increase transparency and accountability among PBMs and other intermediaries
- Ensure savings from rebates and discounts are passed directly to patients
- Preserve flexible, market-based negotiation tools within Medicaid
- Support continued investment in biomedical innovation and manufacturing

Section 1622 would introduce significant uncertainty and risk into Michigan's Medicaid program without addressing underlying cost drivers. We respectfully urge you to reject the inclusion of MFN language in SB 857 and focus instead on policies that protect patients, promote innovation, and strengthen Michigan's health care system.

Thank you for your leadership and consideration.

Sincerely,



Stephen Rapundalo, PhD
President and CEO