



Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536

BILL ANALYSIS



Telephone: (517) 373-5383
Fax: (517) 373-1986

House Bill 4472 (Substitute H-3 as reported without amendment)
Sponsor: Representative John Bizon, M.D.
House Committee: Health Policy
Senate Committee: Health Policy

CONTENT

The bill would amend the Public Health Code to do the following:

- Authorize a pharmacist to dispense an interchangeable biological drug product in lieu of a prescribed biological drug product.
- Require a pharmacist to notify the prescriber within five days after dispensing an interchangeable biological drug product, unless there were no U.S. Food Drug Administration (FDA) licensed interchangeable biological drug product for the prescribed product or the prescription were refilled with a product that was dispensed on a previous filling.
- Require the Michigan Board of Pharmacy to maintain on its website a link to the current FDA list of interchangeable biological drug products.
- Require the Michigan Department of Health and Human Services to submit to the Legislature an annual report containing certain information on biological drug products that the FDA had determined to be therapeutically equivalent, beginning June 1, 2018.

MCL 333.17702 et al.

Legislative Analyst: Stephen Jackson

FISCAL IMPACT

Implementation of the legislation would result in reduced costs for the State and local governments as employers and for the State's Medicaid program.

State and Local Government: According to a June 2015 white paper by Milliman, Inc. (a firm that provides actuarial services and products), as of 2013, insurance companies spent about \$22 per member per month on biologics (biological drugs). Indications are that per-person expenditures on biologics have increased by at least 25% since 2013, so an updated baseline biologic spending estimate would be \$29 per member per month. Experience from Europe indicates that the price differential between biologics and biosimilar medications ranges from 10% to 30%; that is, the price of biosimilar drugs is 10% to 30% below the price of biologics in situations where biosimilar drugs are available.

A 2017 report by RAND Corporation examined a decade's worth of studies and found that estimated biosimilar savings ranged from 10% to 51% and the market share for biosimilars as a percentage of the total biologic market ranged from 5% to 60%. RAND's estimate, based on 2016 sales data, was that the availability of biosimilars would lead to a 4.0% reduction in total biologic spending.

Four percent of \$29 per month is \$1.16 per month or about \$14 per individual per year. Based on current employment data, this would mean savings of \$700,000 for State government

(roughly half GF/GP), \$850,000 for institutions of higher education, \$1.4 million for local units of government, and \$2.0 million for schools.

The bill would have no fiscal impact on the Department of Licensing and Regulatory Affairs, which houses the Michigan Board of Pharmacy. The annual report required in the bill would lead to minor costs for the Department of Health and Human Services.

Medicaid: There are no specific data on biologics in Medicaid. Based on the share of pharmaceutical costs in the general population and changes in total pharmaceutical spending in Medicaid, it appears that biologics represent about \$250.0 million Gross of combined fee-for-service and managed care pharmaceutical costs.

Savings of 4% of total biologic spending in Medicaid would be about \$10.0 million Gross, \$3.6 million GF/GP.

Long-Term Trends: The above figures are static estimates based on recent health care spending. There is a clear trend toward greater use of biologics and, if the legislation were enacted, there would be greater use of biosimilars in Michigan. In future years, whether or not the legislation is enacted, it is likely that use of biologics will increase significantly. Such an increase would increase the level of potential savings tied to the legislation.

Date Completed: 1-31-18

Fiscal Analyst: Steve Angelotti