



December 06, 2024

Re: Michigan SB. 1179

Majority Leader Brinks, Minority Leader Nesbitt, and Members of the Senate:

I write to express my organization's strongest possible opposition to [SB 1179](#), legislation that defies all common sense and conventional wisdom by effectively expanding the number of contract pharmacies eligible to participate in the corrupt and wasteful 340B discount prescription drug program.

What began 32 years ago as a well-meaning effort to assist low-income and at-risk patients to receive needed medications from hospitals and their affiliated providers, the 340B program has become a poster child for government waste and taxpayer abuse across the nation, and Michigan is no exception. The explosive growth of the 340B program, up 23 percent last year to over \$66 billion, has largely been to the benefit of boosting the profit margins of large healthcare conglomerates.

The program was created to help vulnerable patients, not maximize profits for large hospitals and the Pharmacy Benefit Managers (PBMs) that are [increasingly dominating](#) the contract pharmacy market. These middlemen, especially the three major players (CVS Health, Express Scripts, and OptumRx), leverage their market power to drive up profits while adding little value for patients.

Indeed, my organization [conducted a statewide survey in Michigan](#) earlier this year and your constituents told us by a margin of 2/3rds that the 340B program needed reform -- specifically greater oversight and accountability -- not expansion.

The Michigan voters we surveyed were rightfully upset when they learned that the largest hospital chains were gaming the system by charging insurers full price on prescription medications and pocketing the money instead of using these funds to assist low-income patients. With soaring profit margins, hospitals have been using this infusion of cash to expand profits even further by gobbling up contract pharmacies, many of which are in wealthy areas that do not serve the poor.

It is abundantly clear that the 340B program does not warrant further expansion, but serious reform. A demand for full transparency and accountability on how 340B revenue is utilized would be an excellent start, given how participants have shrouded their activities in darkness. The number of people considered "vulnerable" when the 340B program was initiated in 1992 now stands at half that figure, yet hospitals and their affiliated providers have seen a 374 percent increase in revenue. Any action that expands 340B to additional pharmacies will only result in more consolidation among healthcare providers, higher profits to the flush hospital chains, with little benefit to vulnerable and high-risk patients.

Like the 340B program itself, SB 1179 may have been drawn up with good intentions to help low-income Americans receive higher-quality healthcare, but like the program it seeks to modify, it is overwhelmingly likely to be abused by providers who have become disturbingly adept at profiting at the expense of

taxpayers and the less fortunate. We urge you to review the record of Michigan's participation in the 340B program and take a stand for reform, not expansion.

Sincerely,

A handwritten signature in black ink, appearing to read "Gerard Scimeca".

Gerard Scimeca
Chairman
Consumer Action for a Strong Economy (CASE)

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