



**Statement by The ERISA Industry Committee  
to the  
Michigan Senate Health Policy and Health and Human Services Committee**

**September 24, 2020**

Chairman VanderWall, Vice-Chair Brinks, and members of the committee. Thank you for this opportunity to testify on Senate Bill 612. I am James Gelfand, Senior Vice President at The ERISA Industry Committee – ERIC for short – a national association that advocates for large employers. ERIC member companies are leaders in every sector of the economy and have a large number of employees and beneficiaries in the state of Michigan. We represent our member companies in their capacity as sponsors of employee benefit plans for their own workforce.

ERIC member companies offer comprehensive health benefits to employees, their families, and often retirees too. Employer health plans use medical management techniques like prior authorization and step therapy to protect patient safety, prevent unnecessary, inappropriate, and potentially harmful care, and to lower health care costs for all.

For example, when individuals purchase expensive prescription drugs instead of more affordable alternatives that might be part of a step therapy regimen, costs increase for every single patient on the plan.

Senate Bill 612 radically allows the Michigan government to intervene in private contracts by mandating whether and how medical management techniques can be used. This is a direct overreach of government that would stifle competition in the free market. The legislation includes measures – such as requiring prior authorization denials to be given by board-certified physicians who do not work for the plan sponsor – measures that are designed to simply make step therapy impossible.

SB 612 unduly influences the execution of contracts that exist between private parties – in this case, employers and insurers. It is these private parties who should determine what medical management techniques are used, how best to serve patients, and how to keep costs under control – these determinations are not only outside the scope of government, but the government simply has no idea how to do it.

This government interference in the design of health benefits serves only to further the interests of Big Pharma. Big Pharma wants to eliminate medical management, so they can keep patients on their super expensive branded medications, rather than cheaper alternatives. They funnel money to patient groups who advocate for the same policies Pharma supports. And Pharma writes bills like this – which we know because a specific Pharma company is widely known to have authored a version of this bill that was introduced here in the US Capitol, by Senator Lisa Murkowski from Alaska. Similar bills have been introduced in other states, spearheaded by Pharma efforts through groups where state legislators convene, such as ALEC and NCSL.

While deeply flawed, SB 612 does include transparency measures that may help patients. We support efforts to help beneficiaries understand their benefits - and employers want transparency throughout the health care system.

Overall, this bill provides a vehicle for the government to interfere in private contracts and in employers' benefits design decisions. It stifles competition within the health care marketplace, ultimately hurting patients, raising costs, reducing competition, and providing windfall profits for Big Pharma. Employers cannot support such legislation.

I thank Chair VanderWall, Vice-Chair Brinks, and members of the committee for the opportunity to speak and am happy to answer any questions.