



TO: Members, Assembly Committee on Health

FROM: Rachel Ver Velde, Director of Workforce, Education and Employment Policy

DATE: February 16, 2022

RE: Opposition to Assembly Bill 718

Wisconsin Manufacturers & Commerce (WMC) appreciates the opportunity to comment on Assembly Bill 718. WMC is concerned that this legislation was introduced and is opposed to its passage.

WMC is the largest general business association in Wisconsin, representing approximately 3,800 member companies of all sizes, and from every sector of the economy. Since 1911, our mission has been to make Wisconsin the most competitive state in the nation to do business. According to our most recent CEO survey, our members say that making health care more affordable is the best way that state government can help businesses in Wisconsin.

The high cost of health care has consistently been a top concern of WMC's membership over the years and that is for good reason. Wisconsin is an outlier when it comes to the cost of health care. In fact, a 2021 study by WalletHub found that Wisconsin is the 9th highest state for the cost of health care nationwide¹. Often we hear that the cost of health care is high because our quality of health care is much better than other states. Unfortunately, that is not quite the case. The same WalletHub analysis shows Wisconsin has slipped to 13th for health care outcomes. That is down four spots from WalletHub's same analysis in 2018.

The good news is that it is possible to be a high quality, low cost state. For example, Rhode Island is the 4th lowest in cost and the 8th best in outcomes. Even our neighbor, Minnesota, is better than Wisconsin ranking 2nd lowest in cost and 9th best in outcomes. Wisconsin needs to keep its employer-based health insurance system and promote consumer-driven health care. The state legislature creating additional hurdles, as is done in AB 718, eliminates employers' ability to innovate and provide quality, low cost health care to their employees and their families.

AB 718 removes important tools that slow and sometimes even reduce health care costs for employers. The bill eliminates a process called white bagging that health insurers and employers have sometimes implemented to deliver clinically administered drugs directly to providers. This process allows payers to control the costs of these drugs since hospitals impose massive markups on these medications. A study by The Moran Company shows that 83% of hospitals charge patients

¹ WalletHub, Best and Worst States for Health Care: <https://wallethub.com/edu/states-with-best-health-care/23457>

and insurers more than double their acquisition cost for medicines². But, shockingly, the analysis is even worse when more closely examined. One-in-ten hospitals markup drugs 900% or more, with 320 hospitals marking up medicines over 1000%.

With this stark of numbers, it is easy to see why employers and health insurers have turned to other options, such as white bagging, to provide affordable clinician administered drugs to their employees and patients. If AB 718 would become law, there would be no tool to get hospitals to the table and negotiate the price of these drugs. And, as the data shows above, it is imperative that the hospitals are held accountable for their markups on prescription drugs. It is quite shocking that the legislature would consider giving hospitals a monopoly on these drugs and push other competition out of the market.

Employers currently are challenged to provide quality, affordable health care to their employees and their families. The trend of increasing hospital markups on medication is unsustainable. Nine-in-ten plan sponsors say high drug prices already jeopardize the affordability of employer-provided health coverage³. The legislature should be doing all it can to promote innovation and price transparency in order to create more competition, not less.

WMC urges members of the Assembly Committee on Health to oppose this interference in private contracts that will take away an important tool for employers throughout Wisconsin to contain the costs of health care, while creating a monopoly in the market for clinician-administered drugs.

² The Moran Company, Hospital Charges and Reimbursement for Medicines – Analysis of Cost-to-Charge Ratios: <https://www.themorancompany.com/wp-content/uploads/2018/09/Hospital-Charges-Reimbursement-for-Medicines-August-2018.pdf>

³ PLANSPONSOR, Employers Remain Optimistic About Health Benefits Despite Higher Projected Costs: <https://www.plansponsor.com/employers-remain-optimistic-health-benefits-despite-higher-projected-costs/>