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CONTACT

Stacy Leick

989.600.9928

stacy@mihpc.org

New Study: Michigan Hospitals Marking Up Lower-Cost Alternative Drugs, Charging More than Brand Name Medicine

LANSING, MI – Patients who are prescribed a lower-cost alternative to an important biologic medication wind up paying significantly more than the higher-cost brand name medicine at more than 3 out of 4 Michigan hospitals and clinics, according to [a shocking new analysis from the Michigan Health Purchasers Coalition \(MIHPC\)](#).

Physicians across Michigan have been prescribing a lower-cost “biosimilar” medicine to save their patients’ money on their health care, but Michigan hospitals have responded to doctors’ good will and cost-saving attempts by secretly charging patients significantly more for the cheaper medicine than if they’d been prescribed the name brand drug.

Remicade is a biologic drug used to treat serious conditions and diseases, like Crohn’s disease, ulcerative colitis, rheumatoid arthritis and more. In 2016 the FDA approved a lower-cost “biosimilar” medicine called Inflectra to create market competition and save patients’ money. The government benchmark pricing for Remicade is \$32.42 per unit, and significantly lower for Inflectra, at \$24.22 per unit.

“The impact of Michigan hospitals’ secret mark-up scheme is devastating for patients and employers who provide health insurance coverage,” said Bret Jackson, President of MIHPC. “The drug designed to reduce costs is being marked up at nearly twice the rate of the brand-name drug it was designed to replace, and hospitals aren’t telling patients they’re doing it.”

(MORE)

According to the new analysis, 77% of acute care hospitals and clinics in Michigan priced both drugs significantly above government benchmark pricing.

Worse, while Michigan hospitals charged 116% above reference price for the name brand medicine, they charged a staggering 219% above reference pricing for the lower-cost biosimilar. **Some hospitals marked-up the lower-cost alternative by nearly 700%!**

The most significant connection to the hospital drug pricing markup is use of the 340B Drug Pricing Program. In Michigan, 81% of 340B hospitals from the report use upside-down pricing – charging patients more for the cheaper medicine – compared to just 19% that charge less for the cheaper medicine.

The federal 340B program was created to allow “safety net” hospitals to purchase steeply discounted medications from pharmaceutical companies to provide care for low-income, uninsured, and underinsured patients. However, hospitals are not required to pass these massive discounts on to patients. Evidence shows that 340B hospitals in Michigan typically inflate these discount drug costs, charging poor patients significantly more than they paid, and pocketing the difference.

In Michigan, 47 cents on the dollar of commercial health plan premiums is spent on hospital services. For employers that means higher annual premium increases, reduced ability to invest in wages and workforce growth, increased cost shifting to employees, and difficulty recruiting and retaining talent.

For more information, or to [review MIHPC's study](#), please visit [the coalition's website here](#).

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