

WHAT'S AT STAKE

Medicare Reforms in the Inflation Reduction Act



Over time, policy ideas gain and lose popularity, including several that threaten the effectiveness of major health care programs like Medicare, Medicaid, and the Affordable Care Act (ACA). In this series—What’s at Stake—we explore some of these reform ideas and how they could affect coverage, care, and outcomes for older adults and people with disabilities.

The Inflation Reduction Act (IRA) of 2022¹ made key changes in Medicare law and coverage to improve prescription drug affordability for older adults and people with disabilities.² Since its passage, some stakeholders and lawmakers have targeted IRA policies for revision or repeal, especially the law’s Medicare Drug Price Negotiation Program.³

Background

In 2021, over 5 million people with Medicare were estimated to have had difficulty paying for their prescriptions, with Black and Latino beneficiaries being disproportionately affected.⁴ That same year, nearly 20% of older adults said they had not filled a prescription in the past two years, most citing cost concerns.⁵

The IRA took several important steps to improve health care and prescription drug affordability for people with Medicare. Some of the reforms took effect relatively quickly, while others will phase in over the coming years. Once fully in place, the IRA’s cost-lowering provisions will

¹ Pub. L. No: 117-169.

² Medicare Rights Center, “President Biden Signs the Inflation Reduction Act into Law” (August 18, 2022),

<https://www.medicarerights.org/medicare-watch/2022/08/18/president-biden-signs-the-inflation-reduction-act-into-law>.

³ See, e.g., Robert King, “‘Go after it’: GOP strategists say Republicans need to hit Biden on drug pricing” (August 29, 2023),

<https://www.politico.com/news/2023/08/29/biden-drug-prices-gop-00113404>; Lauren Gardner, “Drugmakers, trade groups push back against Medicare drug price negotiations,” (August 29, 2023), <https://www.politico.com/news/2023/08/29/drugmakers-trade-groups-push-back-against-medicare-drug-price-negotiations-00111936>; Georgetown University, “Health Care Litigation Tracker: Inflation Reduction Act” (last visited March 5, 2024), <https://litigationtracker.law.georgetown.edu/issues/inflation-reduction-act/>.

⁴ Assistant Secretary for Planning and Evaluation (ASPE) U.S. Department of Health & Human Services, “Prescription Drug Affordability among Medicare Beneficiaries” (January 19, 2022), <https://aspe.hhs.gov/reports/medicare-prescription-drugs>.

⁵ AARP, “Consumer Views on Prescription Drugs Survey” (July 2021),

https://www.aarp.org/content/dam/aarp/research/surveys_statistics/health/2021/drug-prices-older-americans-concerns.doi.10.26419-2Fres.00476.001.pdf.

reduce out-of-pocket costs for an estimated 19 million Medicare Part D enrollees by about \$400; over 8 million enrollees will see a \$759 reduction, and nearly 2 million people will save at least \$1,000 to \$2,500, on average—a 66% decrease relative to their current costs.⁶

2023 Changes

Insulin

Starting in 2023, the IRA limited Part D enrollee cost sharing for insulin to \$35 for a month's supply of each covered medication. A study in mid-2023 comparing shifts in insulin fills for Part D enrollees aged 65 to 74 found they filled nearly 4,000 more prescriptions per month after this change took effect (from January through April of 2023) than before (from September through December of 2022).⁷ This improvement is important because previous research⁸ showed that many insulin-dependent diabetics tragically ration their insulin due to high costs and that over 20% of older adults did not take one or more medications as prescribed in 2020 due to costs.⁹ Importantly, the study also looked at any access changes for people aged 60 to 64 years without Medicare and found that insulin fills declined for this cohort, pointing to the need for robust prescription drug affordability interventions across the health care system.

At the beginning of July 2023, the cost-sharing limit also went into effect under Part B for insulin used with an infusion pump.¹⁰

Vaccines

Also starting in 2023, certain-recommended preventive adult vaccines are free of charge for people with Part D coverage, including shingles; Respiratory Syncytial Virus (RSV); tetanus/diphtheria (Td); tetanus, diphtheria, and pertussis/whooping cough (Tdap); hepatitis A; and hepatitis B.¹¹ The U.S. Department of Health and Human Services Office of the Assistant

⁶ Assistant Secretary for Planning and Evaluation (ASPE) U.S. Department of Health & Human Services, "Medicare Part D Enrollee Out-Of-Pocket Spending: Recent Trends and Projected Impacts of the Inflation Reduction Act" (July 7, 2023), <https://aspe.hhs.gov/sites/default/files/documents/93a68f3c5ca949dcf331aa0ec24dd046/aspe-part-d-oop.pdf>.

⁷ Rebecca Myerson, et al., "Insulin Fills by Medicare Enrollees and Out-of-Pocket Caps Under the Inflation Reduction Act," *Journal of the American Medical Association* (July 24, 2023), <https://jamanetwork.com/journals/jama/article-abstract/2807812>; Andrew Hellpap, "Inflation Reduction Act's Cap on Insulin Out-of-Pocket Costs Boosts Prescription Fills" (July 24, 2023), <https://www.med.wisc.edu/news-and-events/2023/july/inflation-reduction-act-insulin-cap/>.

⁸ Medicare Rights Center, "New Research Shows Need for Better Insulin Access Beyond Medicare" (October 27, 2022), <https://www.medicarerights.org/medicare-watch/2022/10/27/new-research-shows-need-for-better-insulin-access-beyond-medicare>.

⁹ Medicare Rights Center, "Study Finds Older Adults Skipping Medications Due to Cost" (May 25, 2023), <https://www.medicarerights.org/medicare-watch/2023/05/25/study-finds-older-adults-skipping-medications-due-to-cost>.

¹⁰ Medicare Rights Center, "The Inflation Reduction Act's Part B Insulin Price Takes Effect July 1" (June 29, 2023), <https://www.medicarerights.org/medicare-watch/2023/06/29/the-inflation-reduction-acts-part-b-insulin-price-takes-effect-july-1>.

¹¹ Department of Health & Human Services, "Inflation Reduction Act Toolkit" (last visited February 2, 2024), <https://www.hhs.gov/inflation-reduction-act/toolkit/index.html>; Medicare Part B already covers flu, pneumococcal, COVID-19, and certain other vaccines without cost-sharing for people with Medicare. See, e.g. Medicare Interactive, "Vaccines and immunizations" (last visited February 2, 2024), <https://www.medicareinteractive.org/get-answers/medicare-covered-services/preventive-services/vaccines-and-immunizations>.

Secretary for Planning and Evaluation (ASPE) released figures showing IRA vaccine provisions saved beneficiaries over \$400 million in 2023 and sharply increased uptake. For example, compared to 2021, uptake of the shingles vaccine increased 42% while Tdap increased 114%.¹²

Medicare Part B Rebate Program

The IRA's Medicare Prescription Drug Inflation Rebate Program will allow Medicare to better address rising drug costs, including through financial penalties for drug companies that raise prices faster than inflation.¹³ Although full program implementation will take several years, it is expected to have an impact on pricing behaviors much sooner.

In addition, since April 1, 2023, some people with Medicare have been paying less for certain inflation-busting Part B drugs.¹⁴ Under the IRA, their coinsurance amounts are based on what Medicare would have paid had the drug's price not outpaced inflation. The Centers for Medicare & Medicaid Services (CMS) announces which Part B drugs are subject to this adjustment on a quarterly basis.¹⁵

2024 Changes

Low-Income Subsidy Expansion ("Extra Help")

The Part D Low Income Subsidy (LIS)—also known as "Extra Help"—provides Part D coverage with no deductible, no premiums, and fixed, lowered copayments for certain medications. Before the IRA, the full subsidy was available for people with incomes up to 135% of poverty, while a partial subsidy, which provided less assistance, was available to people between 135% and 150% of poverty. The IRA increased the income limit for the full subsidy to 150% of poverty, reducing costs for around 300,000 people.

¹² Bisma A Sayed, et al., "Inflation Reduction Act Research Series: Medicare Part D Enrollee Vaccine Use After Elimination of Cost Sharing for Recommended Vaccines in 2023" (May 3, 2024), <https://aspe.hhs.gov/sites/default/files/documents/3854c8f172045f5e5a4e000d1928124d/part-d-covered-vaccines-no-cost-sharing.pdf>.

¹³ Centers for Medicare & Medicaid Services, "Fact Sheet: Medicare Prescription Drug Inflation Rebate Program Revised Guidance" (December 2023), <https://www.cms.gov/files/document/fact-sheet-medicare-prescription-drug-inflation-rebate-revised-guidance.pdf>; Centers for Medicare & Medicaid Services, "Fact Sheet: Medicare Prescription Drug Inflation Rebate Program Initial Guidance" (February 2023), <https://www.cms.gov/files/document/inflation-rebate-fact-sheet-february-2023.pdf>.

¹⁴ Centers for Medicare & Medicaid Services, "Fact Sheet: Medicare Prescription Drug Inflation Rebate Program Part B Rebateable Drug Coinsurance Reduction" (March 2023), <https://www.cms.gov/files/document/fact-sheet-part-b-rebateable-drug-coinsurance-reduction.pdf>.

¹⁵ See, e.g., Centers for Medicare & Medicaid Services, "Reduced Coinsurance for Certain Part B Rebateable Drugs under the Medicare Prescription Drug Inflation Rebate Program" (December 2023), <https://www.cms.gov/files/document/fact-sheet-part-b-coinsurance-q1-2024.pdf>.

Part D Out-of-Pocket Cap and Redesign

Also as of 2024, Part D enrollees are no longer required to pay 5% coinsurance after they reach the catastrophic threshold. According to a KFF report, this means that in 2024, Part D enrollees will pay no more than about \$3,300 for all brand-name drugs they take that year.¹⁶

2025 Changes

Part D Out-of-Pocket Cap and Redesign

Starting in 2025, the out-of-pocket cap will be \$2,000, indexed annually for growth in Part D costs.¹⁷

Also in 2025, people with high drug expenses will be able to opt into a program to pay deductible and copay costs in monthly amounts spread over the whole year rather than all at once, a feature known as “smoothing.”¹⁸

2026 Changes

Medicare Drug Price Negotiation

The first set of high-cost drugs have been selected for Medicare drug price negotiation, and price negotiations between CMS and the participating drug manufacturers are underway.¹⁹

The medications were chosen based on criteria outlined in the IRA. The law requires CMS to prioritize drugs with the highest Medicare spending and no competition, among other factors. The resulting list includes medications that millions of Medicare beneficiaries rely on to treat conditions such as cancer, diabetes, blood clots, heart failure, autoimmune conditions, and chronic kidney disease.

¹⁶ Juliette Cubanski & Tricia Neuman, “The New Help for Medicare Beneficiaries with High Drug Costs That Few Seem to Know About” (December 12, 2023), <https://www.kff.org/policy-watch/the-new-help-for-medicare-beneficiaries-with-high-drug-costs-that-few-seem-to-know-about/>.

¹⁷ Department of Health & Human Services, “Inflation Reduction Act Toolkit” (last visited February 2, 2024), <https://www.hhs.gov/inflation-reduction-act/toolkit/index.html>; <https://www.medicareinteractive.org/get-answers/medicare-covered-services/preventive-services/vaccines-and-immunizations>

¹⁸ Medicare Rights Center, “Study Finds Older Adults Skipping Medications Due to Cost” (May 25, 2023), <https://www.medicarerights.org/medicare-watch/2023/05/25/study-finds-older-adults-skipping-medications-due-to-cost>.

¹⁹ Medicare Rights Center, “Administration Provides More Data on First 10 Drugs Subject to Price Negotiation” (January 4, 2024), <https://www.medicarerights.org/medicare-watch/2024/01/04/administration-provides-more-data-on-first-10-drugs-subject-to-price-negotiation>; Protect Our Care, “NEW: Profiles on the Selected 10 High-Cost Drugs Underscore the Need for Negotiation for Lower Drug Prices” (January 29, 2024), <https://www.protectourcare.org/new-profiles-on-the-selected-10-high-cost-drugs-underscore-the-need-for-negotiation-for-lower-drug-prices/>.

Medicare spending for the 10 selected drugs—Eliquis, Jardiance, Xarelto, Januvia, Farxiga, Entresto, Enbrel, Imbruvica, Stelara, and NovoLog—represented around 19% of all Part D spending at \$46.4 billion in 2022. This is up from \$20 billion in 2018.²⁰

Beneficiaries paid around \$3.4 billion out-of-pocket for these drugs in 2022.

CMS will publish the final prices in the fall of 2025, and they will take effect in 2026. Additional medications will be selected for negotiation in the coming years: up to 15 more Part D drugs for 2027, up to 15 more Part B or Part D drugs for 2028, and up to 20 more Part B or Part D drugs each year after that.²¹

²⁰ Assistant Secretary for Planning and Evaluation (ASPE) U.S. Department of Health & Human Services, “Medicare Drug Price Negotiation Program: Understanding Development and Trends in Utilization and Spending for the Selected Drugs” (December 14, 2023), <https://aspe.hhs.gov/sites/default/files/documents/4bf549a55308c3aad74b34abcb7a1d1/ira-drug-negotiation-report.pdf>.

²¹ Centers for Medicare & Medicaid Services, “Inflation Reduction Act: CMS Implementation Timeline” (October 5, 2022), <https://www.cms.gov/files/document/10522-inflation-reduction-act-timeline.pdf>.