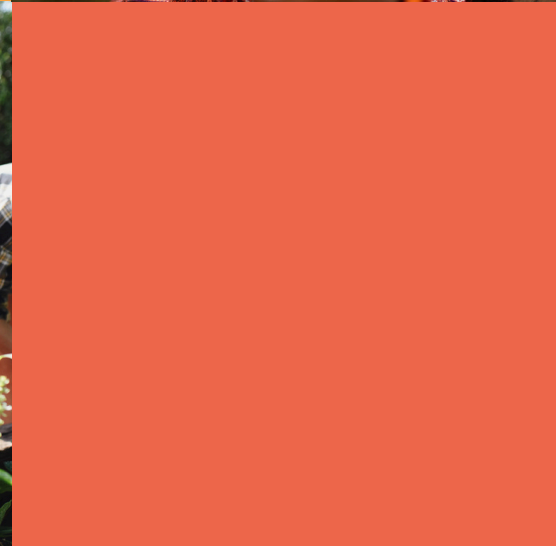


WHAT'S AT STAKE

WHAT THE INFLATION REDUCTION ACT MEANS FOR OLDER ADULTS AND PEOPLE WITH DISABILITIES

**MEDICARE
RIGHTS** CENTER
Getting Medicare right



This fact sheet explains what the Inflation Reduction Act of 2022 means for older adults, people with disabilities, and the health care system.

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, however, some stakeholders and lawmakers have targeted IRA policies for revision or repeal, especially the law's Medicare Drug Price Negotiation Program.³ For example, the partisan 2025 budget reconciliation bill—HR 1—has narrowed the negotiation program by exempting more drugs from negotiation.⁴ This change is projected to lead to at least \$5 billion in increased Medicare spending and resulting higher costs for beneficiaries.⁵

Why the IRA Was Needed

When it was instituted, Medicare Part D did not include an out-of-pocket cap, meaning that people with extremely high prescription drug costs did not find any relief from those expenses. This was especially troubling because Part D was also not permitted to negotiate drug prices due to the “noninterference” clause in the original statute.⁶ Combined, these flaws in the program left people with Medicare at the mercy of pharmaceutical companies and drug benefit managers who had little incentive to lower costs.

And the effects were severe. In 2021, over five million people with Medicare were estimated to have had difficulty paying for their prescriptions, with Black and Latino beneficiaries being disproportionately affected.⁷ That same year, nearly 20% of older adults said they had not filled

a prescription in the past two years, most citing cost concerns.⁸

Bipartisan public support for adding drug price negotiation and a Part D out-of-pocket cap was extremely high. A KFF poll found that nearly 90% of respondents supported these changes.⁹

The IRA delivered price negotiation, a restructuring of the Part D program, and other changes to improve health care and prescription drug access for people with Medicare. The cost-lowering provisions were predicted to reduce \$400 in out-of-pocket Part D costs for an estimated 19 million enrollees, \$759 for another 8 million enrollees, and at least \$1,000 to \$2,500 on average for an additional nearly 2 million—a 66% decrease relative to their current costs.¹⁰

Medicare Drug Price Negotiation

Negotiated prices for the first set of high-cost drugs will go into effect on January 1, 2026. 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: Eliquis, Jardiance, Xarelto, Januvia, Farxiga, Entresto, Enbrel, Imbruvica, Stelara, and NovoLog.¹¹

Medicare spending for the 10 selected drugs was growing rapidly before the negotiations started. It represented around 19% of all Part D spending or \$46.4 billion in 2022, up from \$20 billion in 2018.¹²

CMS estimates that, if the IRA had been in place in 2023, the negotiated prices for these drugs would have saved \$6 billion, with \$1.5 billion in savings for beneficiaries.¹³

Additional medications are slated to be selected for negotiation each year: 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.¹⁴ For 2027, the selected drugs include blockbuster diabetes medications like Ozempic.¹⁵

Part D Out-of-Pocket Cap and Redesign

Starting in 2025, Part D had an out-of-pocket cap of \$2,000, indexed annually for growth in Part D costs.¹⁶ For 2026, the cap is \$2,100.¹⁷

Also starting in 2025, people with high drug expenses are 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



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).¹⁹ This improvement is important because previous research²⁰ tragically showed that many insulin-dependent diabetics ration their insulin due to high costs and that over 20% of older adults in

2020 did not take one or more medications as prescribed due to costs.²¹ 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.²²

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.²³ The U.S. Department of Health and Human Services Office of the Assistant 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%.²⁴



Medicare Part B Rebate Program

The IRA's Medicare Prescription Drug Inflation Rebate Program allows Medicare to better address rising drug costs, including through financial penalties for drug companies that raise prices faster than inflation.²⁵

Since April 1, 2023, some people with Medicare have been paying less for certain inflation-busting Part B drugs.²⁶ 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.²⁷

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 the federal poverty level (FPL), while a partial subsidy, which provided less help, was available to people between 135% and 150% of the FPL. The IRA increased the income limit for the full subsidy to 150% of the FPL, reducing costs for around 300,000 people.



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