



Reduced Drug Prices, Enhanced Medicare Benefits Under the Inflation Reduction Act

Frequently Asked Questions (FAQs)

October 5, 2022

The Inflation Reduction Act will provide meaningful financial relief for millions of people with Medicare by improving access to affordable treatments and strengthening the Medicare Program both now and in the long-run.

1. How does the new law impact Medicare?

The Inflation Reduction Act makes improvements to Medicare that will expand benefits, lower drug costs, keep prescription drug premiums stable, and improve the strength of the Medicare program.

Because of this new law, Medicare will be able to negotiate directly with drug manufacturers to lower the price of some of the costliest single-source brand-name Medicare Part B and Part D drugs. This means people with Medicare will pay a lower cost-sharing for these drugs because their cost-sharing will be based on the Medicare negotiated price. In addition, if drug companies raise their drug prices at a rate faster than the rate of inflation, they must pay Medicare an inflation rebate.

2. How will this law lower costs for people with Medicare?

Beginning January 1, 2023, people with Medicare drug coverage who take insulin will see their out of pocket costs capped at \$35 for a month's supply of each covered insulin product. Also, a Part D deductible won't be applied to covered insulin products. In addition, starting July 1, 2023, people with Traditional Medicare who take insulin through a traditional pump covered under Medicare's durable medical equipment benefit, a deductible won't apply and cost-sharing will be capped at \$35 for a month's supply of that insulin.

People with Medicare could also save money on vaccines. Starting January 1, 2023, Part D-covered adult vaccines recommended by the Advisory Committee on Immunization Practices (ACIP), including the shingles and Tetanus-Diphtheria-Whooping Cough vaccines, will be available with no deductible and no cost-sharing to people with Medicare prescription drug coverage.

Beginning in 2024, people with Medicare Part D coverage who have drug costs high enough to reach catastrophic coverage won't have to pay any cost-sharing once they reach the catastrophic phase of the benefit for their covered Part D drugs.

Beginning in 2025, people with Medicare Part D won't pay more than \$2,000 per year in out-of-pocket costs for covered Part D drugs (and for subsequent years, this amount will be indexed by inflation). Part D enrollees will also be able to choose to pay their out-of-pocket Part D costs in monthly amounts spread over the plan year.

3. How soon will drug costs go down for people with Medicare?

Savings start as soon as 2023 for many people with Medicare.

People with Medicare prescription drug coverage will begin to see lower costs as early as 2023 when covered Part D adult vaccines that are recommended by the Advisory Committee on Immunization Practices (ACIP), such as the shingles vaccine, will be available at no additional cost to people with Medicare Part D coverage. For Part D, starting January 1, 2023, out of pocket costs for a one-month supply of each covered insulin product will be capped at \$35. Medicare Part D deductibles won't apply to covered insulin products.

In addition, beginning July 1, 2023, under Medicare Part B, the deductible will not apply and cost-sharing will be capped at \$35 for a month supply of covered insulin used with a traditional pump covered under Medicare's durable medical equipment benefit.

Beginning in 2024, people enrolled in Medicare Part D will see additional savings when changes occur to limit Part D premium increases and out-of-pocket drug costs.

Individuals with Medicare Part D who have low incomes will benefit from expanded financial help with prescription drug cost-sharing and premiums. The low-income subsidy program (LIS or "Extra Help") under Medicare Part D will be fully available to certain people with Medicare with limited resources who earn less than 150% of the federal poverty level starting in 2024.

Beginning in 2025, people with Medicare Part D won't pay more than \$2,000 per year in out-of-pocket costs for covered drugs. For subsequent years, this amount will be increased by inflation.

4. How will this law impact Medicare premiums in 2023?

This law won't directly impact Medicare Part D premiums for 2023. As announced in July 2022, Medicare Part D premiums for a basic plan on average will decrease by 1.8 percent in 2023.

5. What does it mean for Medicare to negotiate drug prices?

Medicare will be able to negotiate directly with drug manufacturers for the price of certain high-spending brand-name Medicare Part B and Part D drugs that don't have competition. This means people with Medicare will pay lower cost-sharing amounts for these drugs because their cost-sharing will be based on the Medicare negotiated price.

In 2023, Medicare will publish the first 10 drugs selected for price negotiation from a list of the drugs with the highest Medicare Part D spending that don't have any generic or biosimilar competition. Certain drugs, such as orphan drugs, are excluded from

negotiation. Negotiated drug prices for this first group of 10 drugs will be effective in 2026. Manufacturers who don't follow the negotiation requirements will have to pay a tax, and will have to pay penalties if they don't fulfill other manufacturer requirements.

6. Do these changes also apply to drug coverage in Medicare Advantage plans?

People who have drug coverage through a Medicare Advantage plan will also benefit from this new law.

7. How will this law impact Medicare costs for people who don't take any prescription drugs?

Individuals who are enrolled in a Medicare Part D plan will benefit from the law's lower cost for Part D-covered vaccines. For the first time, Medicare Part D plans will be prohibited from applying a deductible or cost-sharing for covered Part D adult vaccines, including the shingles vaccine, that are recommended by the Advisory Committee on Immunization Practices.

8. Do people with Medicare need to take any action?

People with Medicare should continue to review and compare their health and drug plan options during Open Enrollment, which runs from October 15 until December 7 every year. People should choose the plan that best meets their needs and budget. People with Medicare who take insulin are encouraged to get help comparing plans this year because of the recent changes from this new law by calling 1-800-MEDICARE or contacting a local SHIP counselor.

9. Will the Inflation Reduction Act impact Marketplace coverage?

The Inflation Reduction Act extends through 2025 the enhanced financial help for Marketplace coverage, which was first made available under the American Rescue Plan. Individuals will continue to see this help reflected in lower premiums when shopping for 2023 coverage during the Marketplace Open Enrollment Period, which starts on November 1, 2022.

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