INFLATION REDUCTION ACT – MEDICARE PART D REDESIGN/ PATIENT OUT-OF-POCKET CAP



Share of brand-name drug costs paid by:

Part D Plans

Medicare

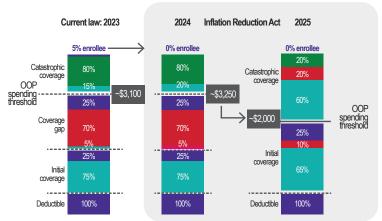
Drug manufacturers

Enrollees

OVERVIEW MEDICARE PART D BENEFIT RESTRUCTURE

The IRA restructures the Medicare Part D benefit to provide financial protections for beneficiaries and changes the contribution structure for plans, the government, and manufacturers.

Changes to Medicare Part D for Brand-Name Drug Costs



NOTE: OOP is out-of-pooket. The out-of-pooket spending threshold will be \$7,400 in 2023 and is projected to be \$7,750 in 2024 and \$8,100 in 2025, including what beneficiaries pay directly out of pooket and the value of the manufacturer discount on brand-name drugs in the covoerage gap phase. These amounts translate to out-of-pooket spending of approximately \$3,100, \$3,250, and \$3,400 (based on brand-name drug use only).

- 1. Beneficiary OOP threshold lowered to \$2,000 starting in 2025 (will help ~1 million Medicare beneficiaries)
- 2. Coverage gap eliminated starting in 2025
- 3. Beneficiary cost sharing in catastrophic phase eliminated starting in 2024 (*currently they pay 5% -- will help ~1.5 million Medicare beneficiaries*)
- 4. Permits smoothing of beneficiary OOP costs
- 5. Cost sharing for insulin would be set at no more than \$35
- 6. Vaccines would be covered under Part D with no deductible, coinsurance, or other cost sharing

Reduction in Medicare Reinsurance Amount	From 80 to 20 percent where a drug is subject to the new Manufacturer Discount Program, and from 80 to 40 percent where a drug is not subject to the program (Takes effect in 2025).
Premium Stabilization Changes	Premium growth (base beneficiary premium) capped at 6% year from 2024-2029.
Expands Low-Income Subsidy (LIS) Eligibility	Modifies Part D LIS eligibility such that beneficiaries with incomes up to 150% of the federal poverty level will be eligible for more significant low-income subsidy benefits (takes effect in 2024).
Manufacturer Discount Program	Starting in 2025, manufacturers participating in Part D are required to enter a Manufacturer Discount Program agreement to provide discounts off the negotiated price under Part D for applicable drugs dispensed to applicable beneficiaries (replaces coverage gap discount program).
Small Company Phase-In	Applies to LIS spending for companies whose Part D drugs are <1% of Part D spending AND whose Part B drugs are <1% Part B spending. This also applies to non-LIS spending for companies who meet the above criteria and where one of the company's Part D drugs comprises 80% or more of all their Part D spending.

IMPORTANT DATES

JANUARY 1, 2023 JANUARY 1, 2024 MARCH 1, 2024 JANUARY 1, 2025



Insulin and vaccine

coverage changes

go into effect



Premium stabilization changes, elimination of cost-sharing in catastrophic phase, and expansion of LIS program benefits go into effect Deadline for manufacturer to enter into manufacturer discount program agreement for 2025 Manufacturer discount program, lowering the beneficiary OOP threshold to \$2,000, elimination of the coverage gap program, optional smoothing of beneficiary OOP costs, and lowering of the Medicare reinsurance payment amount go into effect