

# Market Meltdown: The IRA's Impact on Medicare



COUNCIL FOR AFFORDABLE  
HEALTH COVERAGE

**HEALTH CLAIM FORM**

**MEMBER TO ATTACH ORIGINAL RECEIPTS/ITEMIZED BILLING STATEMENT AND PROOF OF CLAIM MUST BE SUBMITTED WITHIN 90 DAYS**

# About Us

CAHC is a non-profit, non-partisan coalition that was founded in 2001 to ensure all Americans have access to affordable coverage

We support market-based reforms that expand coverage options, lower costs, and create better value for patients and taxpayers

We believe:

1. *All Americans Should Have Access to Affordable Coverage*
2. *Consumers Need Lower Premiums and Out-of-Pocket Costs*
3. *Patients Want More Choices and More Transparency*

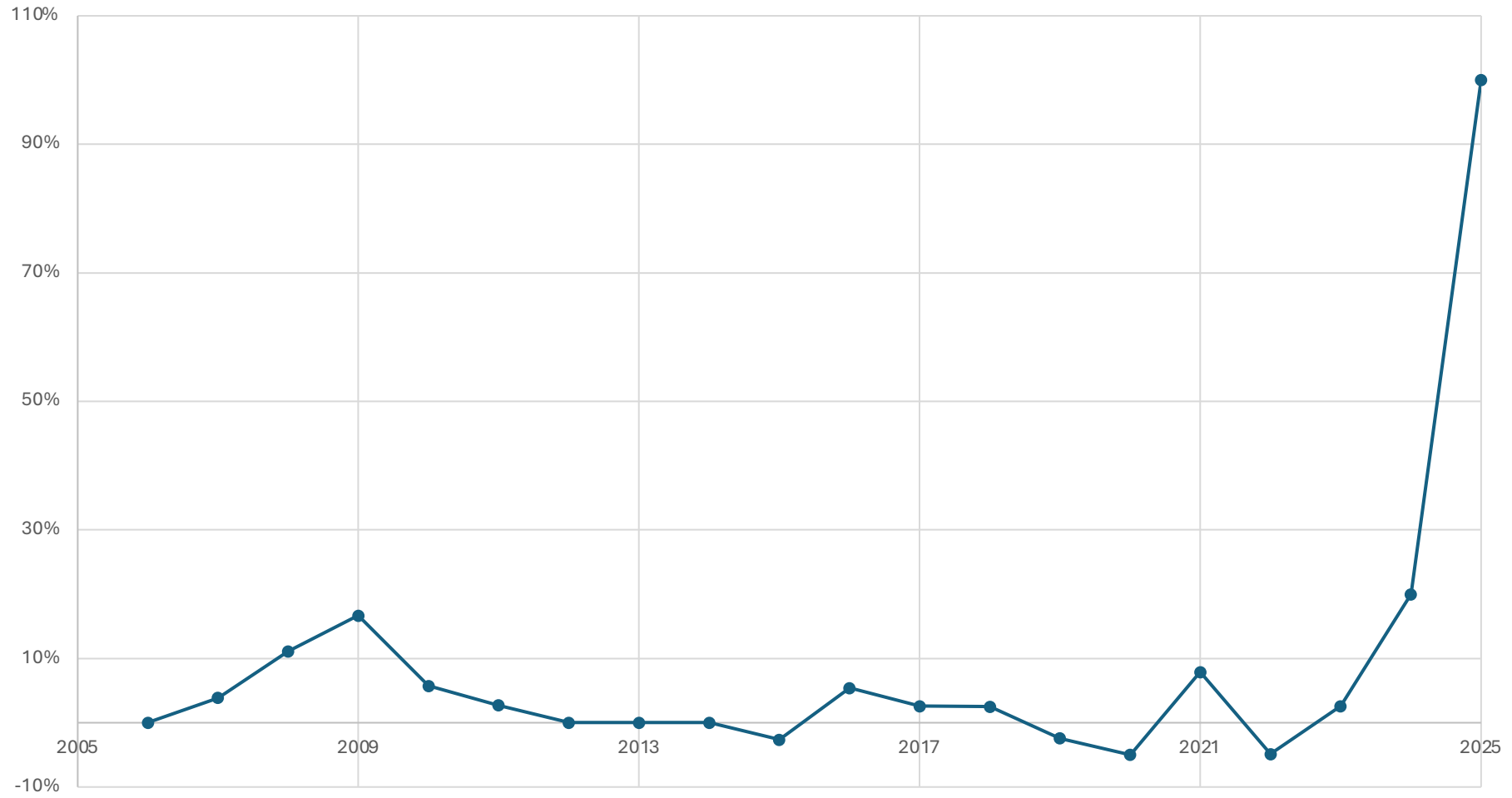
Our membership represents a broad range of interests – small and large employers, insurers, manufacturers, patient groups, and physician organizations

# The Medicare Prescription Drug Program (Part D)

- Medicare beneficiaries love Part D for consistently delivering secure drug coverage with low premiums
- The IRA radically rewrote Part D:
  - Government price controls on drugs
  - Changed benefits that are disrupting the market
- The authors of the law claimed they capped growth in premiums to no more than 6 percent
  - In 2024, average premiums for Part D plans are up by 21 percent
  - Heading into 2025, plan premiums are expected to double
- Get ready! Most Medicare beneficiaries will learn about higher premiums and reduced benefits in late September and early October 2024

# Medicare Part D Premiums

Percentage Increase in Average Monthly Part D Premium



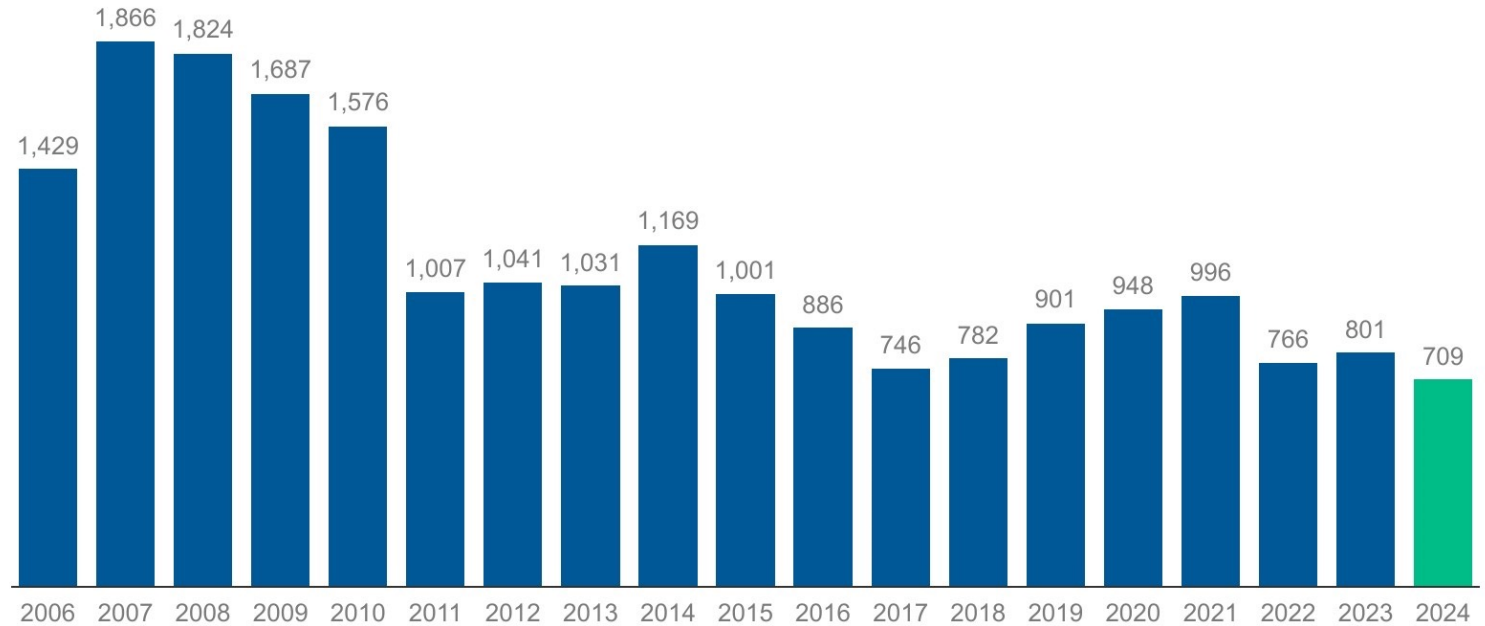
Source: CAHC, CMS

# Part D Plan Choices

## STANDALONE PART D PLANS

Fewest number of Part D plans ever –

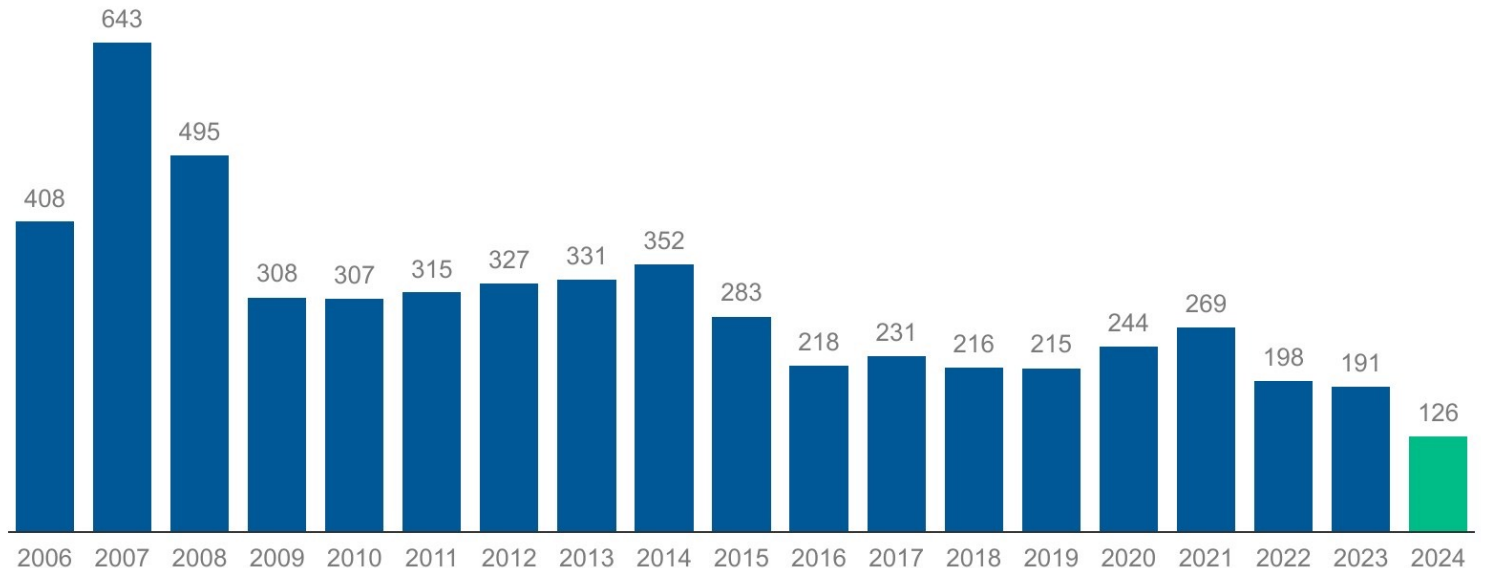
- Almost 100 less than 2023
- 50% reduction in choices compared to the first year of the program



## LOW INCOME SUBSIDY PLANS

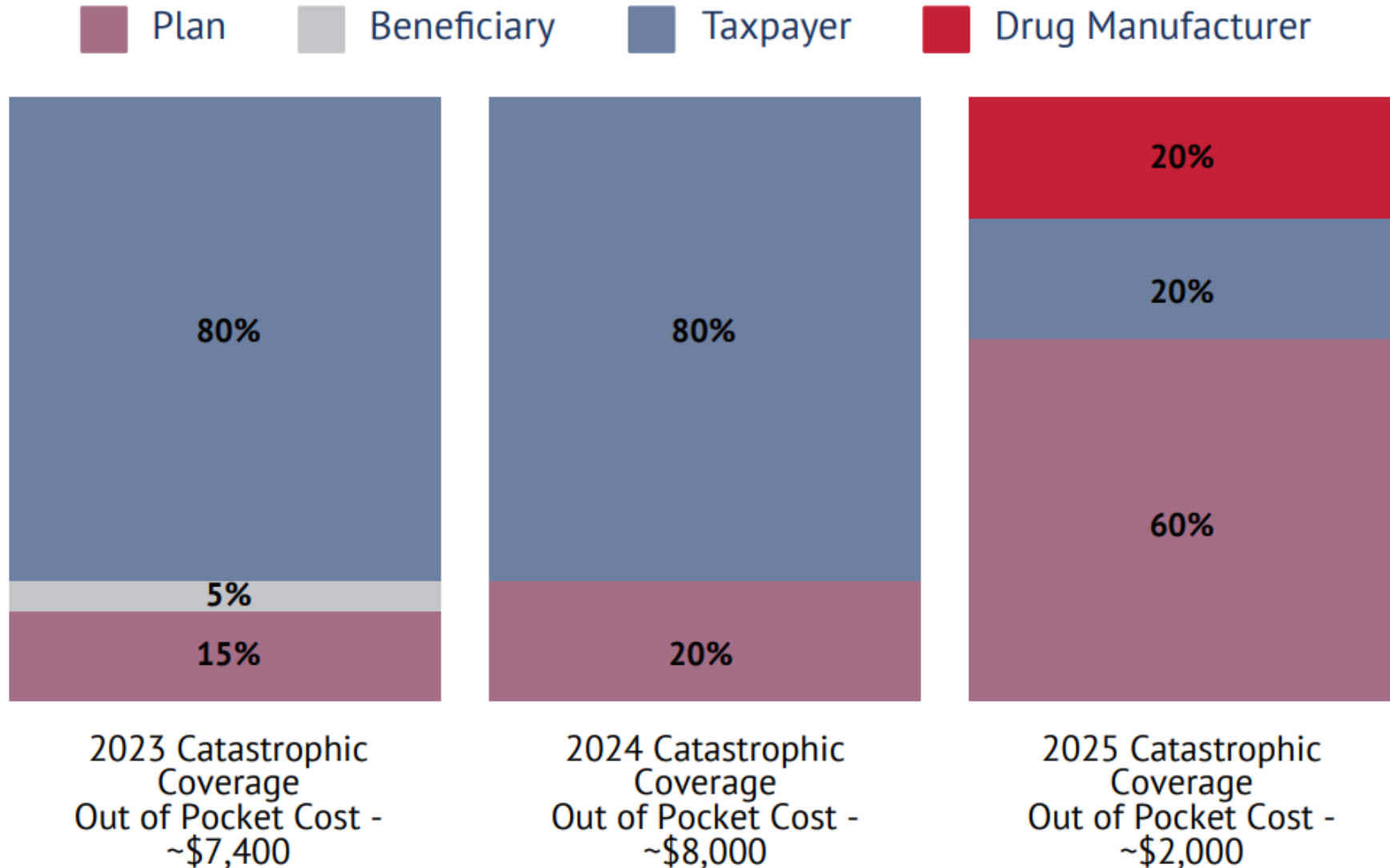
Seniors now have the least number of low-income plan choices

- 2024: 34% reduction in plans
- Seniors have access to just 3 premium free “benchmark” plans

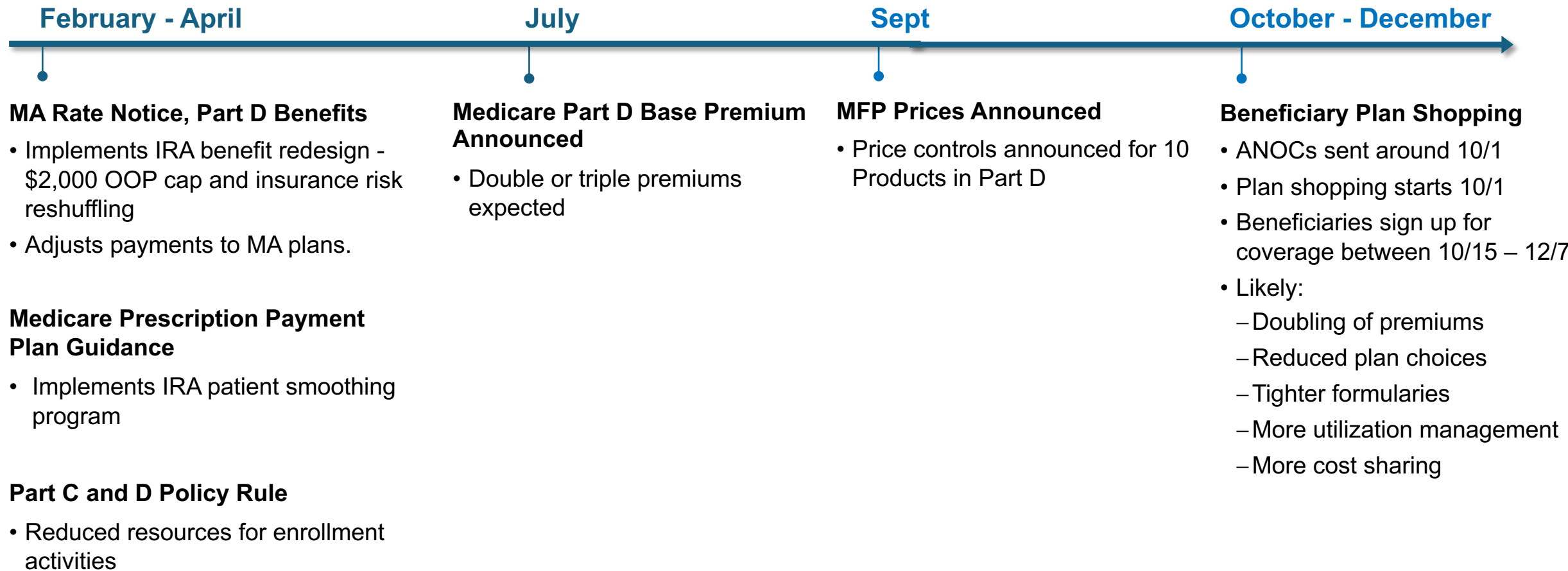


# Changes to Who Pays What After the Out-of-Pocket Limit

The IRA establishes a lower annual out-of-pocket threshold of \$2,000 in 2025 and changes the liability of taxpayers, beneficiaries, plans and manufacturers over time.



# Timing for 2024-25 Medicare Changes



# What's Next for Medicare?

- While many of the benefit redesign changes will help millions of people, the real-world impact is resulting in higher cost for drugs
- Ultimately, Congress must step in to address the deeply flawed Part D provisions of the IRA
  - Stop the raid on Medicare
  - Fire the bureaucrats
  - Replace drug price controls with mandatory discounts, competitive reforms
  - Adjust risk corridors to limit premium increases
  - Eliminate the fallback plan option
- Congress must reaffirm its commitment to America's seniors by doing all it can to mitigate market disruption being caused by IRA.



# “Hurricane IRA”

(Coming October 2024)

Craig J. Ritter  
CEO, Ritter Insurance Marketing  
Managing Partner, Integrity  
July 10<sup>th</sup>, 2024



# Ritter, a Field Marketing Organization (FMO)

- Wholesaler of Medicare Products to support Retail Agents
- Assist Insurance agents in enrolling their Medicare beneficiary clients in plans to best meet their needs
- Who do you call?
  - When Medicare Beneficiaries have questions, they call their agent
  - When agents have questions, they call their FMO



# Medicare Advantage versus Part D Growth

- Individual Medicare Advantage Membership
  - 2023: 25,521,645<sup>1</sup> enrollees
  - 2024: 27,707,771<sup>2</sup> enrollees (up 8.6%)
- Individual Stand-Alone Part D Membership
  - 2023: 18,640,586<sup>1</sup> enrollees
  - 2024: 18,067,871<sup>2</sup> enrollees (down 3.1%)
- Why is this happening?
  - The difference in how these plans are funded
  - Changes in plan design drives increases in Part D Benchmark Premiums
    - 2023 Part D Benchmark: \$34.71<sup>3</sup>
    - 2024 Part D Benchmark: \$64.28<sup>4</sup> (Increase of 85.2%)



# Takeaways From the Past Year in Medicare

- Stand-Alone Part D Market
  - Part D market experienced radical disruption in 2024
    - Absolute change in Top 5 Stand-Alone Part D plans' membership YoY
      - 2022-23: 1,015,731
      - 2023-24: 3,303,769 (225% Increase)
    - Two Individual Part D Plans dominated the market
  - Seven in ten Medicare Beneficiaries don't shop Part D Plans<sup>5</sup>
    - Many were **highly** motivated to switch, often encouraged by their Agent
    - Medicare Beneficiaries without an Agent may not have switched
- Medicare Advantage Consolidation
  - Largest 2% of MAO's added 1,475,234 (Average: 245,872/MAO)
  - Next 98% of MAO's added 548,838 (Average: 1,841/MAO)



# The Future of Stand-Alone Part D Market

- Another major increase in Part D Benchmark
  - CMS will publish the benchmark Part D rate in 3-4 weeks
  - Recall, 2024 benchmark increased 85% to \$64.28/month
  - Due to IRA changes in 2025, “whisper” number is \$100/month to \$120/month
- How would this impact Part D?
  - Premiums and Benefits
  - Risk Pool
  - Administrative Cost Increases
- Bottom Line
  - Medicare Beneficiaries with Part D may be shocked with premium increases
  - Medicare Beneficiaries’ likelihood of being in “right” plan is extremely low
  - Medicare Beneficiaries may not have expert support to navigate the change



# The Future of Medicare Advantage Market

- Headwinds Going into 2025
  - IRA
  - Utilization<sup>6</sup>
  - Reimbursement<sup>6</sup>
- Expected Result for Medicare Beneficiaries
  - Degraded benefits
  - Plan terminations<sup>7, 8</sup>
  - Less support for agents



# Footnotes

1. <https://www.cms.gov/research-statistics-data-and-systems/statistics-trends-and-reports/mcradvpartdenroldata/monthly/monthly-enrollment-plan-2023-01>
2. <https://www.cms.gov/research-statistics-data-and-systems/statistics-trends-and-reports/mcradvpartdenroldata/monthly/contract-summary-2024-01>
3. <https://www.cms.gov/files/document/july-29-2022-parts-c-d-announcement-pdf.pdf>
4. <https://www.cms.gov/files/document/july-31-2023-parts-c-d-announcement-pdf.pdf>
5. <https://www.kff.org/medicare/issue-brief/a-relatively-small-share-of-medicare-beneficiaries-compared-plans-during-a-recent-open-enrollment-period/>
6. <https://www.healthcarediver.com/news/humana-cvs-medicare-advantage-benefit-plan-cuts-2025-unitedhealth/716764/>
7. <https://seekingalpha.com/article/4685749-humana-inc-hum-q1-2024-earnings-call-transcript>
8. <https://seekingalpha.com/article/4688045-cvs-health-corporation-cvs-q1-2024-earnings-call-transcript>

