



IMPACTS OF THE INFLATION REDUCTION ACT ON MEDICARE PART D

The Medicare Part D provisions in the Inflation Reduction Act (IRA) were intended to improve the generosity of the benefit. However, with the mandated lower out-of-pocket cap and limiting base premium increases, plan sponsors are struggling to offer competitively priced coverage. Seniors are likely to see significant changes and cost increases when open enrollment begins in October 2024.



Higher Costs

- The average monthly premium **increased 21%** in 2024, and is expected to **double in 2025**.¹
- This is the **largest increase** in premiums in Part D ever.



Plan Choices and Market Consolidation

- Since 2020 the number of PDPs available to the average beneficiary is **down 25%**, the least amount ever.¹
- **3 out of 21 PDPs** are available to **low-income subsidy** enrollees, **down 34%** from last year and the least amount ever.¹



Drug Coverage Concerns

- A February 2024 study supported **concerns related to future access** among drugs selected for Medicare price negotiation as plans are likely to implement **more utilization management strategies**, such as prior authorization and step therapy, as a result of the increased costs they will face under the IRA.²
- Drug manufacturers, such as Eli Lilly, Roche, Pfizer, and Bristol Myers Squibb, have cited the IRA as the reason or a concern for **discontinuing research and development** of their products.³



Medicare Advantage Benefits

- In comparison, Medicare Advantage (MA) Prescription Drug **premiums remain stable**, largely because MA plans have additional tools to mitigate premium increases that standalone drug plans do not.⁴ It is estimated **only 8% of enrollees in an MA-PD plan** faced a total **premium increase of more than 25%** in the 2024 plan year.⁵

[1] Kaiser Family Foundation. (2023, November 8). Medicare Part D in 2024: A first look at prescription drug plan availability, premiums, and cost-sharing. <https://www.kff.org/medicare/issue-brief/medicare-part-d-in-2024-a-first-look-at-prescription-drug-plan-availability-premiums-and-cost-sharing/>

[2] Patterson JA, Wagner TD, O'Brien JM, Campbell JD. Medicare Part D Coverage of Drugs Selected for the Drug Price Negotiation Program. JAMA Health Forum.

[3] Incubate. (as of 2024, July 9). Life Sciences Investment Tracker. <https://lifesciencetracker.com/>

[4] Kaiser Family Foundation. (2024, July 2). Key facts about Medicare Part D enrollment, premiums, and cost sharing in 2024. <https://www.kff.org/medicare/issue-brief/key-facts-about-medicare-part-d-enrollment-premiums-and-cost-sharing-in-2024/>

[5] Avalere Health. (2023, October 11). Part D premium increases: Market disruption expected in 2024. <https://avalere.com/insights/part-d-premium-increases-market-disruption-expected-in-2024>



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The Inflation Reduction Act introduced a **premium stabilization program** beginning in 2024 and running through 2029 that **limits increases** in the Part D base beneficiary premium (BBP) **to 6% each year**.⁶

Part D premiums **increased more than 20%** in 2024 and are expected to increase by at least **another 50% in 2025**.¹ How is this possible?

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FACT

The IRA will limit Part D premium increases at 6% each year through the premium stabilization program.⁷



The premium stabilization program only limits increases to a portion of the premium, not what Medicare beneficiaries actually pay.⁶

By eliminating the 5% beneficiary cost sharing and placing that risk onto Part D plans, the IRA will reduce costs for seniors.⁸



While this change will benefit about 1.4 million seniors, the IRA is also increasing out-of-pocket cost sharing and consolidating the insurance market, leading to reductions in plan choices and increased restrictions on access to care.⁹

Stable premiums for Medicare prescription drug coverage in 2024 are supported by improvements in the Part D program in the IRA that allow people with Medicare to benefit from reduced costs.⁷



IRA redesigns of the Part D program caused the highest one-year increase in premiums since the implementation of Medicare Part D, over 20%.¹

[6] Avalere Health. (2023, October 17). *Part D premium increasing despite stabilization program*. <https://avalere.com/insights/part-d-premiums-increasing-despite-stabilization-program>

[1] Kaiser Family Foundation. (2023, November 8). *Medicare Part D in 2024*.

[7] Centers for Medicare & Medicaid. (2024). *CMS releases 2024 projected Medicare Part D premium and bid information*. <https://www.cms.gov/newsroom/fact-sheets/cms-releases-2024-projected-medicare-part-d-premium-and-bid-information>

[8] Kaiser Family Foundation. (2023, January 24). *Explaining the prescription drug provisions in the Inflation Reduction Act*. <https://www.kff.org/medicare/issue-brief/explaining-the-prescription-drug-provisions-in-the-inflation-reduction-act/>

[9] Milliman. (2024, June 24). *Expected impact of Inflation Reduction Act (IRA) Medicare drug price negotiation program on Medicare Part D beneficiary out-of-pocket costs*. <https://www.milliman.com/en/insight/ira-mdpp-impact-on-beneficiary-ooq>