



IMPACTS OF THE INFLATION REDUCTION ACT ON MEDICARE PART D

The Inflation Reduction Act (IRA) rewrote the Medicare prescription drug benefit (called Part D). These changes were intended to improve the benefit and lower drug costs. Instead, the law has destabilized the market, resulting in fewer options, higher costs, and less access to drugs.



Higher Costs

- The average monthly premium **increased 23%** in 2025, and is **up 57%** since 2021.¹
- This is the **largest increase** in Part D premiums ever.¹



Plan Choices and Market Consolidation

- There are **185 fewer** Part D plans in 2025 than in 2024. There are the **fewest number of LIS plans available ever**.²
- The average number of standalone plans offered in each state has **dropped by more than one-half**, from **29 in 2021** to only **14 in 2025**.³



Drug Coverage Concerns

- **96%** of payers are **increasing utilization management**, such as prior authorization and fail first, of high-cost products as a result of the Part D redesign.⁴
- More than **65% of plans** expect to **target diabetes drugs** for **increased formulary management**. Oncology, immunology, cardiology, and rare disease drugs are other drug classes that were highlighted as potential classes for increased utilization management.⁴



CMS Part D Demonstration Project

- CMS saw these alarming trends and created a demonstration project to address market instability, which will **cost taxpayers \$7 billion** in 2025 alone. The program is set to run for two more years.⁵

[1] Haislmaier, E. & White, J. Biden-Harris Admin's Medicare Shock for Seniors. <https://www.dailysignal.com/2024/10/14/biden-harris-admins-medicare-shock-for-seniors/>

[2] Kaiser Family Foundation. (2024, October 9). A current snapshot of the Medicare Part D prescription drug benefit. <https://www.kff.org/medicare/issue-brief/a-current-snapshot-of-the-medicare-part-d-prescription-drug-benefit/>

[3] Kaiser Family Foundation. (2024, November 22). Medicare Part D in 2025: A first look at prescription drug plan availability, premiums, and cost sharing. <https://www.kff.org/medicare/issue-brief/medicare-part-d-in-2025-a-first-look-at-prescription-drug-plan-availability-premiums-and-cost-sharing/>

[4] Magnolia Market Access. (Summer 2024). Inflation Reduction Act Payer Insights Report. https://www.magnoliamarketaccess.com/wp-content/uploads/MMA_IRA-Payer-Insights-Survey-4.0_Chartbook_2024.07.31.pdf

[5] Congressional Budget Office. (2024, October 2). Re: Developments in Medicare's Prescription Drug Benefit. https://www.cbo.gov/system/files/2024-10/Arrington_et_al_Letter_PartD_0.pdf



IMPACTS OF THE INFLATION REDUCTION ACT ON MEDICARE ADVANTAGE

Medicare Advantage (MA) is highly rated by beneficiaries, with 95% satisfied with their coverage. However, due to recent legislative and regulatory changes, seniors will face higher out-of-pocket costs, less plan options, and a decrease in benefits in 2025.

Lower Premiums

- Medicare Advantage Prescription Drug Plans (MA-PDs) have more tools compared to standalone Part D Plans (PDPs) to mitigate premium increases. This is why **MA-PD premiums decreased** while PDP premiums increased.⁶
- MA-PD weighted average monthly premiums in 2025 are **\$9 vs. \$43** for PDPs.²

Higher Deductibles

- The median out-of-pocket maximum will **increase by 8%** in 2025, rising from \$5,000 in 2024 to \$5,400.⁷
- The average deductible charged by MA-PD plans will **increase** from **\$59 in 2024** to **\$225 in 2025**.³

Reduced Plan Choices and Market Consolidation

- Individual MA plan offerings are set to **decline by 6.54%** in 2025.⁷
- Nearly **2 million** MA beneficiaries will be **forced to change** plans because their current plan will cease to exist.⁷

Reduced Benefits

- The percentage of plans offering key supplemental benefits will **decline** in 2025, including:⁷
 - Over-the-counter benefits declining from **86% to 73%**
 - In-home support services declining from **9% to 6%**
 - Nutrition support declining from **72% to 66%**
 - Transportation declining from **36% to 29%**
 - Meals declining from **72% to 66%**



[6] Avalere Health. (2023, August 24). *How may the IRA shift market dynamics*. <https://avalere.com/insights/how-may-the-ira-shift-part-d-market-dynamics>

[7] Better Medicare Alliance. (2024). *Analysis of the 2025 Medicare Advantage plan landscape*. <https://bettermedicarealliance.org/wp-content/uploads/2024/10/Analysis-of-the-2025-Medicare-Advantage-Plan-Landscape.pdf>