



ONCOLOGY



# Inflation Reduction Act

Signed into law in 2022, the Inflation Reduction Act (IRA) impacts corporate taxes, clean energy, and healthcare.

This piece will help make sense of the IRA, its impact on drug pricing, and how patients pay for treatment.

# A Brief Overview of the IRA

The IRA affects the way patients enrolled in Medicare pay for their treatment. Its primary aim is to reduce healthcare costs.

## The IRA may reduce healthcare costs by<sup>1-3</sup>:

- Allowing Medicare to negotiate drug prices directly with manufacturers, potentially lowering costs for seniors
- Capping annual out-of-pocket (OOP) medication expenses for Medicare patients
- Reducing insulin treatment copays
- Introducing the Medicare Part D OOP Prescription Payment Plan, or MPPP

## Timeline of expected changes to Medicare due to passage of the IRA

**2024**

**Already in effect (as of July 2024)<sup>4</sup>**

- Limited insulin treatment copays for Medicare beneficiaries to \$35 per month
- No copays for covered medications in the catastrophic phase of Medicare Part D
- Patient OOP spending capped at \$3,250
- Limited average premium increases to 6% per year for Medicare Part D plans

**2025**

**Coming into effect in 2025<sup>3,4</sup>**

- MPPP begins, spreading Medicare Part D drug costs into more manageable monthly payments across a calendar year (exact cap amount to be determined)
- Total patient OOP spending is capped at \$2,000 per year

**2026**

**Coming into effect in 2026<sup>2,4</sup>**

- New pricing will take effect for the first 10 drugs selected for price negotiation

# The Impact of the IRA on Providers and Patients

Big wins for patients include:



## Elimination of the coverage gap, aka donut hole, in 2025

Currently, after patients reach their deductible, they enter the coverage gap/donut hole. In this phase, they are responsible for 25% of drug costs. In 2025, this phase will be eliminated.

This means patients will not face a sudden increase in OOP costs after reaching their deductible.<sup>4,5</sup>



## Implementation of total out-of-pocket caps

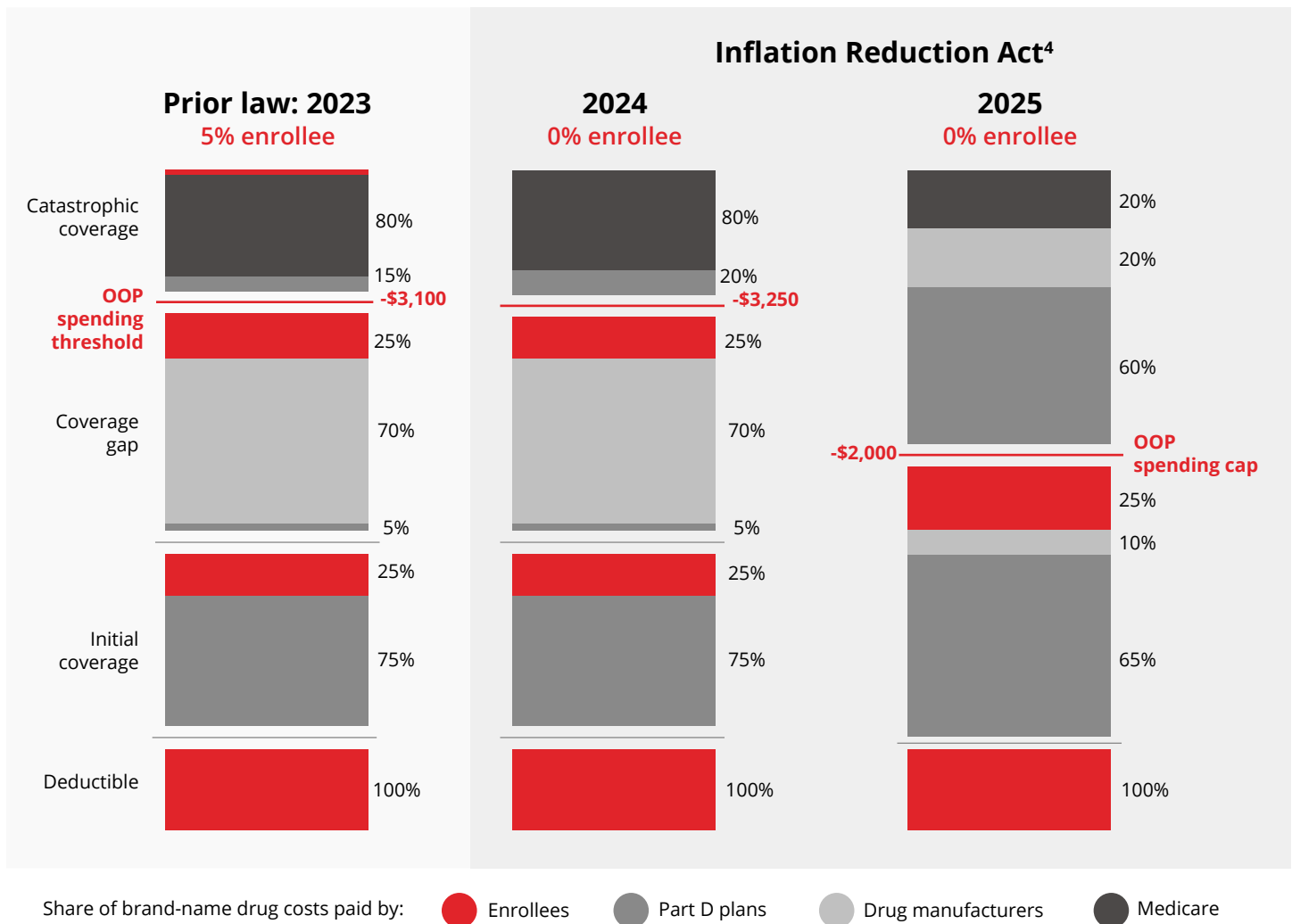
In 2025, patients will pay a maximum of \$2,000 in OOP costs.

- Cost sharing remains the same in the initial coverage phase. However, with the elimination of the donut hole, patients will pay a maximum of **\$2,000** OOP for covered drugs per year. This applies to both brand-name and generic medications. After reaching this limit, catastrophic coverage kicks in, and patients pay \$0 for covered drugs for the remainder of the year.<sup>4,6</sup>

# Stakeholder Impact

## Impact on patients and providers

- **Patients:** This is a clear win for patients. They can expect significant cost savings, especially those who rely on expensive medications and reach the donut hole phase each year.
- **Providers and provider offices:** Reduced confusion and frustration for patients navigating complex drug coverage could lead to smoother billing and potentially less administrative work.



Graph courtesy of the KFF: [www.kff.org/medicare/issue-brief/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)

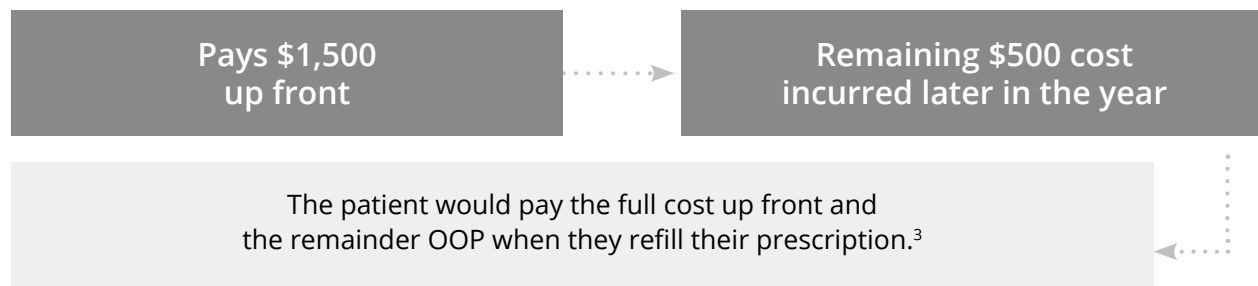
# Medicare Part D OOP Prescription Payment Plan (MPPP)

This program is designed to help Medicare beneficiaries manage their OOP prescription drug costs starting in 2025. Currently, beneficiaries can face high costs in a single month, especially if they need to fill several medications. The MPPP will spread these costs throughout the calendar year by setting a monthly cap on OOP spending.<sup>3,7</sup>

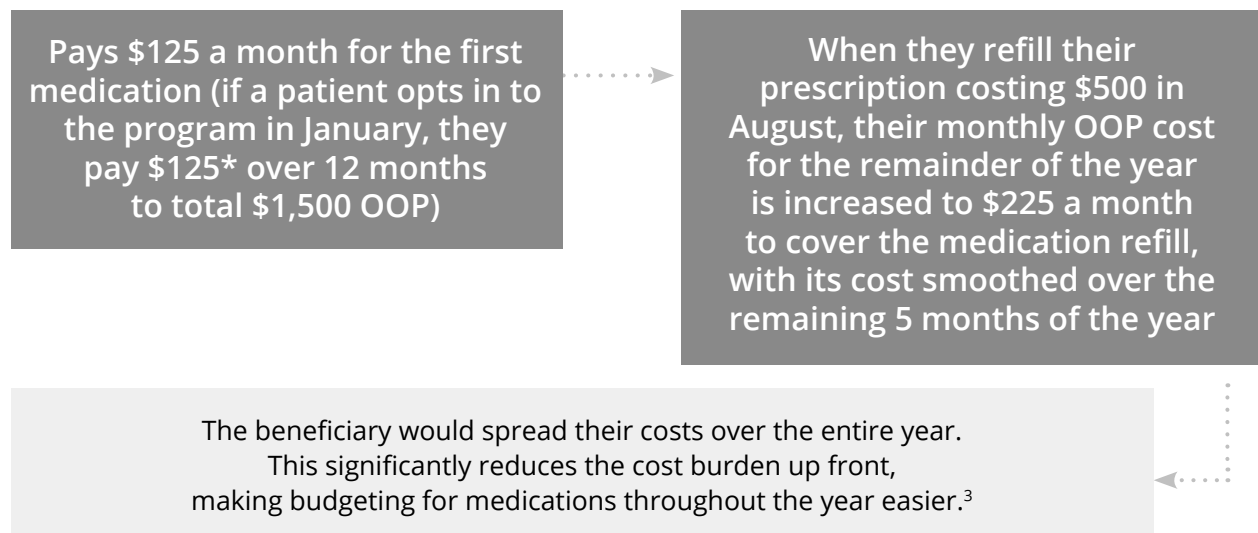
## An example:

Let's imagine that a patient has **\$2,000 in OOP drug costs for the year**. They need medication early in the year, costing \$1,500. And a refill later in the year (August) that costs \$500.

### Without the MPPP



### With the MPPP





# How You Can Prepare



## Suggestions to prepare as a patient

- **Review your Medicare Part D plan:** Check your plan details. You can see how the IRA might impact you by contacting your plan provider or visiting [www.medicare.gov/plan-compare](http://www.medicare.gov/plan-compare).
- **Talk to your healthcare provider:** You can ask your healthcare provider questions about the IRA and its impact on medication costs. If you have concerns about being able to pay for your medications, ask your provider about patient assistance options.



## Suggestions to prepare as a healthcare provider

- **Training:** Organize training sessions for your staff to get them up to speed on the key changes brought on by the IRA.
- **Patient communication and workflow:** Develop a script for staff to use when informing patients about the IRA and its potential benefits.
- **Patient handouts:** Create patient handouts that explain IRA benefits.
- **Proactive outreach to comorbid patients:** Encourage staff to proactively discuss the IRA with patients who rely heavily on medications or express concerns about their OOP prescription costs.

**References:** **1.** Inflation Reduction Act of 2022. US Department of Health and Human Services. Accessed October 16, 2024. <https://www.hhs.gov/inflation-reduction-act/index.html> **2.** On the first anniversary of the Inflation Reduction Act, millions of Medicare enrollees see savings on health care costs. US Department of Health and Human Services. August 16, 2023. Accessed October 16, 2024. <https://www.hhs.gov/about/news/2023/08/16/first-anniversary-inflation-reduction-act-millions-medicare-enrollees-savings-health-care-costs.html> **3.** Fact sheet: Medicare prescription payment plan final part one guidance. Centers for Medicare & Medicaid Services. Accessed October 16, 2024. <https://www.cms.gov/files/document/fact-sheet-medicare-prescription-payment-plan-final-part-one-guidance.pdf> **4.** Cubanski J, Neuman T, Freed M. Explaining the prescription drug provisions in the Inflation Reduction Act. January 24, 2023. Accessed October 16, 2024. <https://www.kff.org/medicare/issue-brief/explaining-the-prescription-drug-provisions-in-the-inflation-reduction-act/> **5.** Medicare Part D cost-sharing chart. National Council on Aging. August 19, 2024. Accessed October 16, 2024. <https://www.ncoa.org/article/medicare-part-d-cost-sharing-chart> **6.** Final CY 2025 Part D redesign program instructions fact sheet. Centers for Medicare & Medicaid Services. April 1, 2024. Accessed October 16, 2024. <https://www.cms.gov/newsroom/fact-sheets/final-cy-2025-part-d-redesign-program-instructions-fact-sheet> **7.** Maximum monthly cap on cost-sharing payments under prescription drug plans: draft part one guidance on select topics, implementation of section 1860D-2 of the Social Security Act for 2025, and solicitation of comments. Centers for Medicare & Medicaid Services. August 21, 2023. Accessed October 16, 2024. <https://www.cms.gov/files/document/medicare-prescription-payment-plan-part-1-guidance.pdf>