



The Inflation Reduction Act and Prescription Drug Prices

Americans pay the highest prices for prescription drugs in the world, and older and retired Americans, who take the most medications to stay healthy and often live on fixed incomes, bear the brunt of this crisis. One in four people over the age of 65 reports not taking at least one prescription drug as prescribed due to its cost. Meanwhile, pharmaceutical corporations are making record profits, lining the pockets of their executives and shareholders while patients struggle to afford the drugs they need to stay healthy.

To help reverse the pharmaceutical industry's stranglehold on our health care system, on August 16, 2022 President Biden signed the Inflation Reduction Act into law. It means lower prescription drug prices for millions of Medicare beneficiaries.

The law is already lowering prescription drug prices.

Medicare beneficiaries pay no more than \$35 per month for insulin.

Co-pays for a one month supply of insulin are capped in Medicare Part D and Medicare Advantage Prescription Drug Plans (MA-PDs) at \$35.

This provision helps more than 3.3 million Medicare beneficiaries who use one or more of the common forms of insulin.

All recommended adult vaccines are free for Medicare beneficiaries.

4.1 million Medicare beneficiaries with Medicare Part D and MA-PDs no longer have a co-payment for any vaccines that are recommended for adults by the Advisory Committee on Immunization Practices. For example, the shingles vaccine, which previously cost more than \$300 per patient, is now free.

Drug corporations are prohibited from increasing the price they charge Medicare for a drug more than the rate of inflation.

Drug corporations that increase the price of its products faster than their inflationary cost must pay the amount that exceeds inflation back to Medicare. This provision addresses brand name drug corporations' long-standing practice of yearly price increases — often more than twice the rate of inflation — and helps reduce the amount seniors pay for their prescriptions. It will also strengthen the Medicare program's finances.

Out of pocket prescription drug expenditures are capped for Medicare Part D and MA-PD beneficiaries:

If a beneficiary's drug costs are high enough to reach the catastrophic coverage phase, they will not have to pay coinsurance or make copayments. In 2024 annual out of pocket drug expenses are effectively capped at \$3,250.

In 2025, Medicare Part D beneficiaries will not have to pay more than \$2,000 per year for out of pocket prescription drug costs. This will help the 1.4 million beneficiaries who today spend more than \$2,000 each year on prescription drugs.

Requiring Medicare to negotiate lower prices for the 20 highest priced prescription drugs:

The Inflation Reduction Act repeals the 2003 Medicare Prescription Drug, Improvement and Modernization Act. That law explicitly prohibited HHS from negotiating for lower prescription drug prices with the pharmaceutical industry on behalf of Medicare beneficiaries. The Alliance worked for nearly two decades to convince Congress to allow HHS to negotiate lower drug prices.

Under the Inflation Reduction Act, in 2026 the Secretary of Health and Human Services must negotiate the prices for 10 Medicare Part D drugs, and 15 in 2027. In 2028 HHS will negotiate the prices of 15 high priced drugs in Parts B and D, while in 2029 and thereafter, HHS will negotiate prices of 20 prescription drugs from Parts B and D.

An extension of Affordable Care Act subsidies for three years:

The Inflation Reduction Act will help approximately 13 million Americans pay for health insurance and prevent 3 million from becoming uninsured. It does this by extending premium subsidies that low and middle-income people received during the coronavirus pandemic to get health coverage under the Affordable Care Act through 2025. It also allows those with higher incomes who became eligible for such subsidies during the pandemic to keep them.