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The Inflation Reduction Act- A Lasting Impact on a Changing Market

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Setting the Stage

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Passing the Act

- Designed to invest in manufacturing and domestic energy

- Designed to Cut Costs by reducing Medicare program burdens

- Designed to bolster ACA Enrollment

Passing The Act

- Sponsored by Schumer and Manchin

- Voted cleanly along party lines

- Senate tie-breaker vote

Early Stages of the IRA(2023)

Initial Provisions

$0 ACIP Recommended Vaccines through part D

$35 monthly supply of insulin

Part B Drug rebated tied to inflation

IRA 2024

Catastrophic Coverage Phase

New Program Design removed copays/coinsurance in the catastrophic coverage phase

Donut Hole Discrepancy- brand name drugs cheaper for those hitting the catastrophic phase

~4% of people enter the catastrophic coverage phase each year.

Drug Price Negotiations

- CMS announced the first 10 drugs up for price negotiation

- Manufacturers that refuse to participate face heavy penalties.

Finalization of Key 2025 Provisions

- CMS Developed and published guidance on Part D redesign

- The M3P, or Smoothing provision, was released in two part guidance

- Creditable Coverage determinati-ons were granted a continuance

The 6% Fallacy

The IRA caps the National Base Beneficiary Premium at either the actuarially adjusted amount, or 6%, whichever is less.

Many people initially misconstrued this as capping Part D plan premiums at 6% per year.

The Base Beneficiary Premium is part of the calculation of plan reimbursement, but not the sole factor in determining plan premium.

IRA 2025- What is Yet to Come?

Part D Program Redesign

Change to only three coverage phases

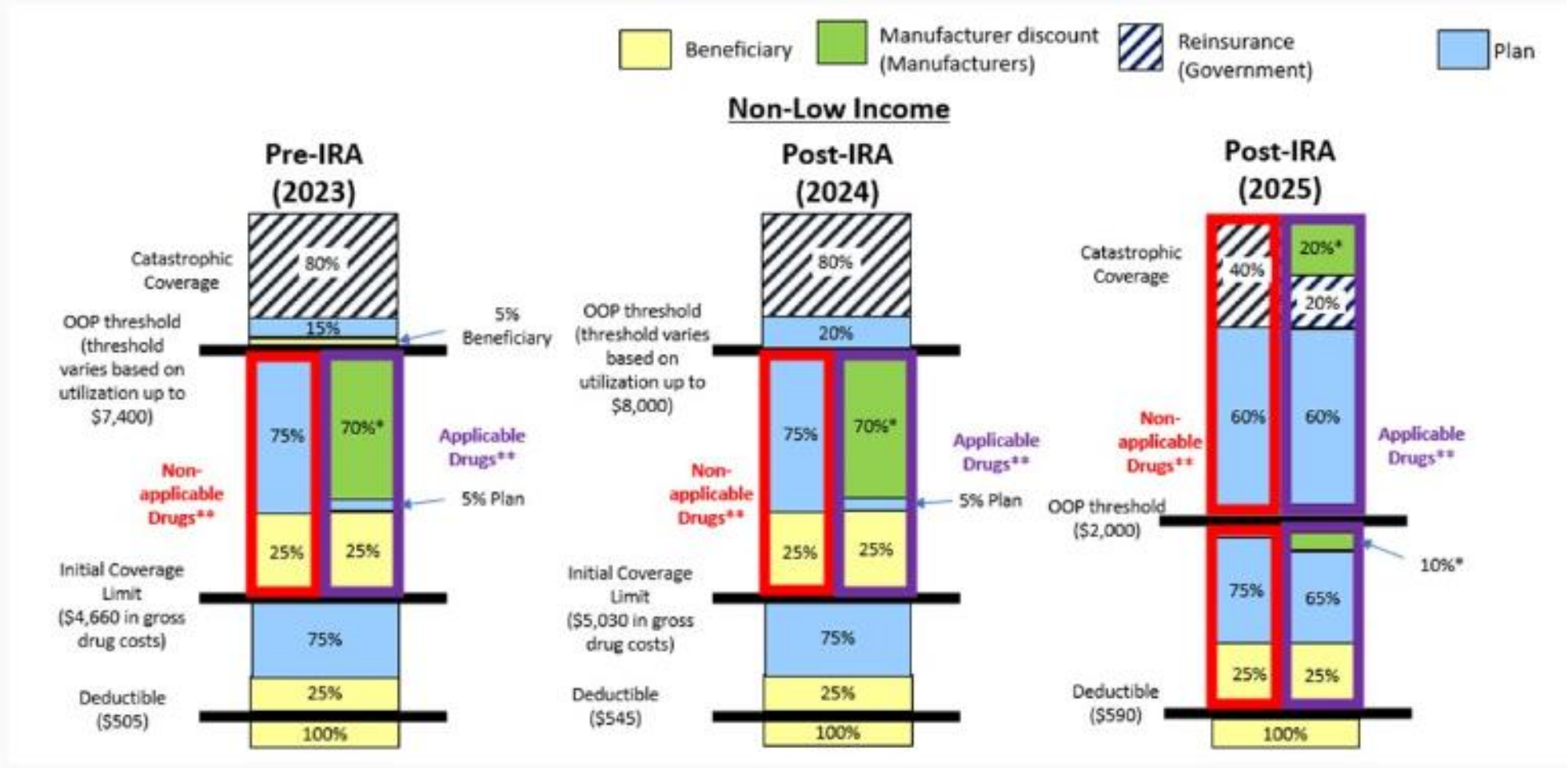
Massive cost shift from Medicare to plans

Front-loading plan compensation

3 Phases of Coverage

- Deductible Phase- Max. $590 in 2025
- Initial Coverage Phase- Max cost sharing 25% on all tiers, $2000 cap on OOP
- Once the beneficiary reaches $2000 in TrOOP, they pay no costs the remainder of the year.

Changes to Plan Cost Sharing



Will my clients actually spend $2000?

- In many cases NO.
- Plans with enhanced benefit designs will see the beneficiary accumulate more than just their out of pocket cash.
- Accumulation is tied to the Defined Standard Benefit.
- Plans with Enhanced Alternative designs will accumulate towards the TrOOP faster.

CMS Price Negotiation-Round 1

- Of the ten initial drugs, 9 of them had their fair retail price reduced by more than 50%.
- Prices will be effective Plan Year 2026.
- The next ten drugs should be announced by September 1

Drug Name	Commonly Treated Conditions	Number of Medicare Enrollees Who Used the Drug in 2023	Drug List Price in 2023 for 30-day Supply	Negotiated Price for 2026 for 30-day Supply	Savings (%)
Eliquis	Prevention and treatment of blood clots	3,928,000	$521	$231	$290 (-56%)
Jardiance	Diabetes; Heart failure; Chronic kidney disease	1,883,000	$573	$197	$376 (-66%)
Xarelto	Prevention and treatment of blood clots; Reduction of risk for patients with coronary or peripheral artery disease	1,324,000	$517	$197	$320 (-62%)
Januvia	Diabetes	843,000	$527	$113	$414 (-79%)
Farxiga	Diabetes; Heart failure; Chronic kidney disease	994,000	$556	$178.50	$377.50 (-68%)
Entresto	Heart failure	664,000	$628	$295	$333 (-53%)
Enbrel	Rheumatoid arthritis; Psoriasis; Psoriatic arthritis	48,000	$7,106	$2,355	$4,751 (-67%)
Imbruvica	Blood cancers	17,000	$14,934	$9,319	$5,615 (-38%)
Stelara	Psoriasis; Psoriatic arthritis; Crohn's disease; Ulcerative colitis	23,000	$13,836	$4,695	$9,141 (-66%)
Fiasp; Fiasp FlexTouch; Fiasp PenFill; NovoLog; NovoLog FlexPen; NovoLog PenFill	Diabetes	785,000	$495	$119	$376 (-76%)

Medicare Prescription Payment Program
a.k.a. M3P
a.k.a. Smoothing Provision

The Basics

- **Beneficiaries can spread their drug costs over the remainder of the year from the time they enroll.**
- **The carrier will bill them monthly**
- **Designed to help those with high drug costs**
- **ANYONE can enroll**
- **Pharmacies must notify if a fill is over $600**

Enrolling

- Clients may enroll prior to the plan effective date.
- May enroll at any time through the year.
- Can DIS-enroll at anytime through the year
- Must call their plan to enroll.

Billing

- The client pays $0 at the pharmacy counter.
- The plan bills the clients based on the total accrued amount and number of months left in the plan year.
- The client will have multiple payment options
- Social Security Deduction is NOT an option

Who *Should* Enroll?

- Individuals expecting to hit the TrOOP early in the year.
- Individuals with ultra high-cost drugs
- Individuals that are prescribed a high-cost drug unexpectedly

What if they don’t pay?

- Beneficiaries will be disenrolled from the program after missing two payments.
- They CANNOT be disenrolled from their plan unless they stop paying premiums
- Carriers may try to collect debt through normal debt collection rules
- Carriers can prevent a beneficiary from enrolling in the program in future years if a balance remains

Impact on Part D Plans and Premiums

11%>>>>>>>>>>>>29%

2024 2025

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Where does part D get money

- Beneficiaries (premiums and copays)
- Medicare(direct subsidy, reinsurance)
- Drug Manufacturers(rebates)
- Plans(their “bid”)

How will plans handle the shift

- Availability
- Formulary
- Premiums
- Network
- Utilization Management
- Commissions

Part D Premium Stabilization Demonstration

- Voluntary CMS Program
- Part D plans can opt in for a $15 reduction in base beneficiary premium
- Plans must agree to not raise overall plan premiums by more than $35 over 2024 rates
- Participating plans will receive risk corridor reductions
- Plans must opt in this year to participate in the future, but can opt out for later plan years.

Impact on MA Plans and Premiums

Levers and Pulleys

- MA Plans can “hide” costs
- Shifting benefits
- Segmentation
- Plan Parity in the Past?

Limits to Change

- 2025 Total Beneficiary Cost Change Threshold- $40 PMPM
- Total estimated beneficiary cost is roughly $400 PMPM
- Plans cannot change benefits in excess of the threshold
- A dollar is not always a dollar

Other Pressures on Plans

- Changes to Star Ratings
- MA Rate Notice
- Network Challenges
- Benefits Skeptics

MA Plan Strategies

- Footprint adjustments
- Benefit reductions
- Utilization management
- Network Changes

Related Impacts to Medigap

- Affect of increasing Part D premiums
- Rate increases on medigap
- Age-in claims
- 1557 Changes on the horizon

AEP 2025 Expectations

ANOCs/Benefit Changes

- 90% of Medicare Beneficiaries can expect a decrease in benefits or increase in costs.

- 40-70% of MA beneficiaries may need to make a plan change

Shopping/Switching

- In a normal year, 15% of beneficiaries change plans
- Who will they go to?
- Challenges getting assistance

Service Area Reductions

- Nearly 1 Million Beneficiaries will be affected by SARs
- Affecting Nearly every major carrier
- Clients will find out in ANOCs

Demographic Changes

- More beneficiaries with ESL needs
- Tech-savvy enrollees on the rise
- Changing secondary coverages

What Does an Election Year Do?

Clients Get Bombarded with more marketing than usual

People may put off big decisions to “see how the election goes.”

Advertising gets more expensive.

Communication Disruption

- Call Centers divesting/shutting down
- Mail slowdowns/cost increases
- 1 to 1 Consent Rule

Questions?

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