Policy At A Glance:

Inflation Reduction Act (H.R. 5376)

The Inflation Reduction Act (H.R. 5376) contains significant healthcare provisions such as prescription drug reform for Medicare beneficiaries and extension of the Affordable Care Act Marketplace subsidies. This brief will provide an overview of the healthcare provisions of the IRA and their significance.

Introduction

In late 2021, the U.S. Senate failed to pass the Build Back Better Act (BBBA, H.R. 5376), a $1.7 trillion spending package that contained social, health, climate change, and other essential provisions.[1,2] For more details, please refer to IHPL's January 2022 Policy Brief titled *Build Back Better Act (H.R. 5376)*.

The Senators then continued to discuss a scaled down version of the BBBA, in hopes of reaching an agreement that could generate enough support to pass. In July 2022, they came to an agreement on a new version of H.R. 5376, now renamed as the Inflation Reduction Act (IRA).[3] On August 16, 2022, the Inflation Reduction Act (H.R. 5376) was signed into law by President Biden.[1]

The IRA includes provisions dealing with climate change, tax, and healthcare.[4] This brief will provide an overview of the following healthcare provisions of the IRA:

1. Health Insurance Premium Support and Coverage
2. Medicaid Coverage of Adult Vaccines
3. Medicare Prescription Drug Pricing Reform

Relevant Dates for H.R. 5376[5]

09/22/2021	Introduced in the United States House of Representatives as the Build Better Back Act
11/19/2021	Passed by the House
08/07/2022	Passed by the United States Senate as the Inflation Reduction Act
08/12/2022	Passed by the House after resolving differences
08/16/2022	Signed by President Biden and became law

Health Insurance Premium Support and Coverage

Extension of the ACA Marketplace Subsidies

Since the passage of the American Rescue Plan Act of 2021 (ARPA), those with incomes above 400% of the federal poverty level (FPL) became eligible for the Affordable Care Act (ACA) Marketplace premium subsidies for the first time. The ARPA temporarily increased premium subsidies for those whose incomes are between 150% and 400% FPL, expanded eligibility for subsidies by removing the upper income threshold, and provided individuals receiving unemployment insurance benefits with zero premium, low deductible plans.[6] While the initial introduction of the ARPA saved countless individuals thousands of dollars in annual premiums, these subsidies were set to expire at the end of 2022.[7] For more details, please refer to IHPL's June 2021 Policy Brief titled *The American Rescue Plan Act of 2021 and Health Insurance Coverage*. The IRA extends these subsidies for another 3 years (through the end of 2025) which will aid in preventing an estimated 2 million individuals from losing their coverage and help others avoid premium increases.[1,7]

Medicare Part D Low-Income Subsidy Program Eligibility Expansion

Medicare Part D is a voluntary outpatient prescription drug benefit for those with Medicare and is provided through private plans approved by the federal government.[8] Beneficiaries with low incomes and modest assets are eligible for assistance with Part D plan premiums and cost sharing.

Current law:[9]

- Beneficiaries qualify for full benefits if they have income up to 135% of FPL and lower resources (up to $9,900 for individuals and $15,600 for couples in 2022).
- Beneficiaries qualify for partial benefits if they have income between 135%-150% of FPL and higher resources.

The IRA:[1, 9]

- Expands eligibility for full benefits to individuals if their incomes are between 135%-150% of FPL and higher resources, eliminating partial benefits.

Medicare Coverage of Adult Vaccines

Vaccines were previously an optional benefit for certain adult populations.[4] Thanks to the IRA, however, adult vaccines recommended by the Advisory Committee on Immunization Practices, such as shingles, will be provided with no deductible, coinsurance, or cost-sharing in Medicare Part D starting in 2023.[10] This provision is expected to improve access to vaccines and increase adult vaccination rates.[4]

Medicare Prescription Drug Pricing Reform

Background

Millions of Americans struggle to afford their out-of-pocket healthcare costs and premiums. An estimated 18 million U.S adults report that they were unable to pay for at least one prescription drug and 10% report skipping dosages as a way of saving medication and, therefore, money.[11] As such, the IRA aims to make prescription drugs more affordable for Medicare beneficiaries through prescription drug price negotiations, prescription drug inflation rebates, out-of-pocket costs cap under Part D, and insulin product cost cap.

Prescription Drug Price Negotiation

For the first time since the enactment of Medicare Part D, the IRA officially establishes a Medicare drug "Fair Price Negotiation Program." Through this program, the Department of Health and Human Services (HHS) Secretary would negotiate maximum fair prices for selected drugs for the Medicare program beginning in 2026.[10] To be eligible for negotiation, the drugs would need to be non-new drugs (at least 7 years after approval) that have no market competition and among the top 50 drugs in total Part B or Part D spending.[10,12] The Secretary will initially negotiate prices for 10 Part D drugs in 2026 but will eventually phase up to 20 drugs in 2029 and beyond for Medicare Part B and Part D.

Prescription Drug Inflation Rebate

Year-to-year increases in drug prices have exceeded the rate of inflation, affecting people with both Medicare and private insurance.[11] Beginning in 2023, drug companies will be required to pay a rebate to the government if prices for single-source brand drugs (drugs that are only made by one pharmaceutical company)[13] and biologics covered under Medicare Part D and B increase faster than the rate of inflation.[10,12] The Part D rebate provision will take effect in 2022, with rebate payments required beginning in 2023. The Part B inflation rebate provision will take effect in 2023.[12]

Cap on Out-of-Pocket Costs under Part D

The Part D benefit redesign provisions will begin in 2024, starting with the elimination of the 5% beneficiary coinsurance requirement above the catastrophic coverage threshold, capping out-of-pocket drug costs to approximately $3,250 per year.[12] Furthermore, beginning in 2025, the IRA adds a hard cap on out-of-pocket drug spending to $2,000 per year.

Cap on Insulin Costs

Beginning in 2023, a limit will be placed on monthly cost sharing for insulin products to no more than $35 for Medicare beneficiaries, including insulin covered under both Part D and Part B, and no deductible will apply.[12] Beginning in plan year 2026, the cap would be lesser of $35 or 25% of the maximum fair price in cases where the insulin product has been selected for negotiation by the HHS Secretary. This provision will make insulin more affordable for those who rely on it to manage their diabetes.

Conclusion

The Inflation Reduction Act is a landmark law that aims to curb inflation by reducing the deficit, expanding and strengthening public health insurance, and making health more affordable. Many of the original healthcare provisions under consideration, such as provision of dental, vision, and hearing benefits in Medicare, did not make it into the IRA. However, the healthcare provisions such as the Medicare prescription drug pricing reform, ACA Marketplace subsidy extension, Medicare Part D Low-Income Subsidy Program expansion, and coverage of adult vaccines are significant steps toward making healthcare more affordable. While the IRA will cut costs for many Americans, there is still more work to be done to curb the high costs of healthcare in the United States. State and federal policy makers should continue to develop evidence-based policies that will promote health and decrease the barriers to equitable access to healthcare.

Did you know?

The Congressional Budget Office estimates that the IRA will reduce the deficit by $238 billion over the next 10-years.[14]

References

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