

The Inflation Reduction Act – Provider Update

Dear Provider,

The Inflation Reduction Act of 2022, signed into law by President Biden on August 16, 2022, includes several provisions to lower prescription drug costs for people with Medicare and reduce drug spending by the federal government. Please see below a neat timeline of different provisions main points.

2022:

- **Incentive for providers to prescribe biosimilars**
 - Starting October 1, Medicare will temporarily pay an add-on fee of 8% instead of 6% for qualifying biosimilars. In other words, providers will receive part B drug reimbursement of 108% of ASP (Average Sale Price) instead of the regular 106% of ASP.
- **Drug manufacturers will pay rebates to Medicare if they increase drug prices by too much**
 - October 1 is the start of the first 12-month period for which drug manufacturers will be required to pay rebates to Medicare if their prices for certain Part D drugs increase faster than the rate of inflation.

2023:

- **Medicare beneficiaries will pay no more than \$35/month for their insulin**
 - Starting **January 1, 2023**, member cost-share for insulin covered under **part D** will be no more than \$35/month. Deductible will not apply.
 - Starting **July 1, 2023**, member cost-share for insulin covered under **part B** (insulin used with a traditional insulin pump) will be no more than \$35/month. Deductible will not apply.
- **All adult ACIP-recommended vaccines will be \$0 (zero) cost-share**
 - Starting January 1, **2023**, adult vaccines recommended by the Advisory Committee on Immunization Practices (ACIP), including the shingles vaccine, will be available to people with Medicare Part D at no cost to them.
- **Lower coinsurance for some Part B drugs**
 - Starting April 1, **2023**, Medicare beneficiaries may pay a lower coinsurance for some Part B drugs if the drug's price increased faster than the rate of inflation in a benchmark quarter
- **Medicare will start negotiating drug prices with drug manufacturers**
 - By September 1, **2023**, CMS will announce the first 10 Medicare Part D drugs selected for the Drug Price Negotiation Program. By September 1, **2024**, CMS will publish the maximum fair prices negotiated for the first 10 Medicare Part D drugs selected for negotiation. Maximum fair prices negotiated for these first 10 Part D drugs will go into effect in 2026.

2024:

- **No member cost-share in catastrophic phase of the prescription drug benefit**
 - Starting January 1, **2024** people with Medicare prescription drug coverage who fall into the catastrophic phase of the prescription drug benefit won't have to pay any coinsurance or co-payments during that phase for covered Medicare prescription drugs.

- **Part D plans premiums increase will be limited to 6%**
 - The law provides for a mechanism beginning January 1, **2024** for the average premium increase across most Part D plans to be limited to 6% over the previous year. This protection continues through 2029. The law also provides for a mechanism to stabilize plan premiums in 2030 and subsequent years.
- **More Medicare members will qualify for low-income subsidy program**
 - Individuals with Medicare Part D who have low incomes will benefit from expanded financial help with prescription drug cost-sharing and premiums. The low-income subsidy program (LIS or “Extra Help”) under Medicare Part D will be fully available to certain Medicare beneficiaries with limited resources who earn less than 150% of the federal poverty level starting in **2024**.
- **Part B payments for new biosimilars will be capped**
 - Starting July 1, **2024**, there will be a cap on the Part B payment amount for new biosimilars when average sales price data is not available
- **CMS will publish “maximum fair prices” for the drugs that they negotiated with manufacturers**
 - By September 1, **2024**, CMS will publish the maximum fair prices negotiated for the first 10 Medicare Part D drugs selected for negotiation. Maximum fair prices for these first 10 drugs will go into effect in 2026.

2025:

- **Member cost-share for part D drugs will be capped at \$2,000 per year**
 - People with Medicare Part D will not pay more than \$2,000 out-of-pocket for prescription drugs and will have the option to pay out-of-pocket Part D costs in monthly amounts spread over the year.
- **CMS will require drug manufacturers to provide more discounts**
 - The Manufacturer Discount Program in Medicare Part D will replace the Medicare coverage gap discount program. The new Manufacturer Discount Program will require manufacturer discounts for applicable drugs both in the initial coverage phase and in the catastrophic phase.
 - Government reinsurance in the catastrophic phase of Part D will decrease from 80% to 20% for brand-name drugs, biologics, and biosimilars and will decrease from 80% to 40% for generics. Instead, drug manufacturers will have to provide more discounts and part D plans will have to pay the rest.
- **CMS will continue negotiating drug prices with manufacturers**
 - By February 1, **2025**, CMS will announce 15 more Medicare Part D drugs for negotiation.
 - By November 30, **2025**, CMS will publish the maximum fair prices for the 15 Medicare Part D drugs selected for negotiation earlier in the year. Maximum fair prices for these drugs will go into effect in 2027.