



The Daily Dish

IRA Medicare Iceberg Coming Into View

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If you are a loyal reader of Eakinomics, you are doubtless familiar with the hilariously named Inflation Reduction Act (IRA), which will do no such thing to inflation. Instead, it throws hundreds of billions of dollars at clean energy in an inefficient fashion that mixes in costly pro-union requirements and protectionist domestic content requirements. But as has been explained at length, it also features price controls and draconian taxes labeled “negotiations” on prescription drug prices.

But you probably have wondered what is going on these days. At present, all of the action is under the radar. In September 2023, the Center for Medicare and Medicaid Services (CMS) picked the first 10 drugs for the negotiation program. Behind closed doors there has been a back-and-forth between the firms and CMS regarding the maximum fair price (MFP). On the public front, all is quiet until [September 2024](#) when the first 10 MFPs are announced.

But that is just the tip of the IRA iceberg. There is a lot more to the Part D changes than just price negotiation. First, under the maximum out-of-pocket cap, plans will be responsible for 65 percent of all beneficiary costs after the deductible in 2025. Second, in the catastrophic phase, plan liability will grow from 15 percent in 2023 to 60 percent for all beneficiaries in 2025. Finally, plans will be responsible for additional liability for Low-Income Subsidy (LIS) beneficiaries, as they previously had no liability for LIS during the coverage gap. Collectively, these provisions will mean that if plans do nothing, their costs will rise by a collective \$48 billion annually.

As noted in [previous research](#), one can expect responses on a variety of fronts from Part D plans: negotiation of lower prices from manufacturers, changes in formularies, utilization management, and new plan offerings are all quite likely. These collectively mean that those seniors who have been comfortably on autopilot, picking the same plan year-after-year, will be faced with turmoil and forced to rethink their coverage. But most important to cover the much-more-generous benefit is that plans will need to raise premiums.

As fate would have it, premiums for the 2025 plan year will be announced just prior to the election. IRA supporters will emphasize the “good news” in the reformed Part D program. But the reality is that only [10 percent](#) of beneficiaries will get any benefit from those provisions. Everyone will face sustained upward pressure on premiums.

So, all is now quiet on the IRA drug front. But it was pretty quiet on the Titanic for a while, too.