

Impact of 2022 Inflation Reduction Act on Medicare Part D Coverage and the Cost of Prescription Drugs

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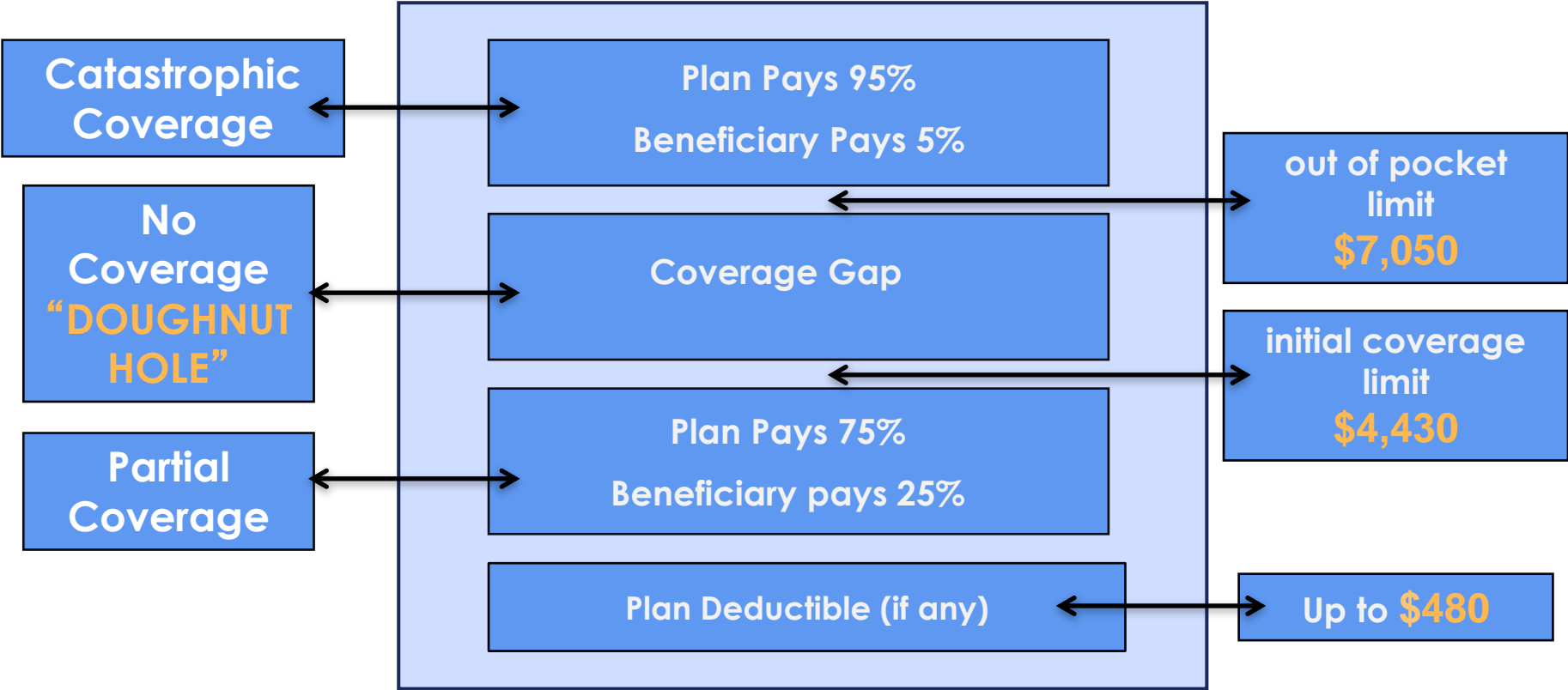
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How Part D Plans Currently Work - 2022



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CURRENT MEDICARE PART D COVERAGE (2022)



Changes

- Part D Out-of-Pocket Maximum
- Coverage of Adult Vaccines
- Expanded LIS eligibility
- Insulin Copay Limitations
- Medicare Price Negotiation
- Prescription Drug Inflation Rebates



Part D Out-of-Pocket Maximum



Part D Out-of-Pocket Maximum

- **2024:** there is no cost sharing in catastrophic coverage
- **2025:** Out-of-Pocket Max is \$2,000
 - Donut hole is eliminated



Part D Out-of-Pocket Maximum

- **Caveats:**
 - **Drug MUST** be covered on Part D formulary to count toward the out-of-pocket max
 - \$2,000 cap will **increase** each year representative of inflation



Coverage of Adult Vaccines



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Coverage of Adult Vaccines

- Vaccines recommended by the Advisory Committee on Immunization Practices are covered with **no copay**
- Deductible does not apply
 - Both part B and part D
- Starting in 2023



Expanded LIS eligibility



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LIS/Extra Help Overview

- Federal Program Administered by SSA
- Provides help for costs of medications
- For those **in Medicare** that meet income and assets criteria
- ***Medicare/Medicaid Dual Eligibles automatically qualify for full LIS***



2022 Eligibility Guidelines for LIS

	Single	Married
<p>Full LIS</p> <p>135% FPL</p>	<p>INCOME: \$18,588 (annual) \$1,549 (monthly)</p> <p>ASSETS: \$9,900</p>	<p>INCOME: \$24,960 (annual) \$2,080 (monthly)</p> <p>ASSETS: \$15,600</p>
<p>Partial LIS</p> <p>150% FPL</p>	<p>INCOME: \$20,628 (annual) \$1,719 (monthly)</p> <p>ASSETS: \$15,510</p>	<p>INCOME: \$27,708 (annual) \$2,309 (monthly)</p> <p>ASSETS: \$30,950</p>



Full LIS Benefit

- Elimination of premiums and deductibles
- No “donut hole”
- Small co-payments
 - Beneficiaries with full LIS – in LTC facilities or receiving PDA Aging Waiver have no drug co-payments

Partial LIS Benefit

- Reduced premium and deductibles
- No “donut hole”
- Pay slightly larger co-payments than full LIS beneficiaries



New 2024 Expanded LIS eligibility

- **150% FPL** → qualifies for Full LIS Benefit

Full LIS Benefit

- Elimination of premiums and deductibles
- No “donut hole”
- Small co-payments



Insulin Copay Limitations



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Insulin Copay Limitations

- Coinsurance for insulin **will not exceed \$35/month** - 2025
- 2026 on, coinsurance for insulin will be capped at...
 - \$35/month
OR
 - 25% of government negotiated price
OR
 - 25% of the plan's negotiated price
OR
 - *Whichever is least expensive*



Prescription Drug Inflation Rebates



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Prescription Drug Inflation Rebates

- Medicare can penalize drug companies for **raising name-brand drug prices faster than the rate of inflation**, penalties being charged in 2023
- If the drug's price increases more than inflation, the company must pay the government the **difference between the price charge and the inflation rate** for the total sales of that drug
 - Rebates go to CMS
- **Only applicable** to drugs that cost the consumer more than \$100 per year per individual
 - 25% of the drug for a year is more than \$100
 - Basically, this is not relevant for already cheap medications



Medicare Price Negotiations



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Medicare Price Negotiations

- CMS will be responsible for negotiating prices on qualifying **brand name** drugs that account for the **greatest Medicare spending**
- Includes both Part D and Part B drugs and biological products
- Manufacturers who fail to comply with negotiation requirements are penalized



Medicare Price Negotiations: Qualifying Drugs

- Negotiate maximum prices for **Single Source Drugs** that account for the **greatest Medicare spending**
- **Single source drug:** Drug that is not yet available as a generic equivalent
- **Negotiation eligible drugs:** *Covered* part D or part B drugs that meet requirements and are the top 50 highest ranked products in total cost expenditure.



Medicare Price Negotiations: Qualifying Drugs

- Part B

- On Part B formulary
- Approved product
- **11 years** since product approval have elapsed
- No biosimilars are available

- Part D

- On Part D formularies
- Approved product
- **7 years** since product approval has elapsed
- No generic available



Medicare Price Negotiations: Timeline

- **Phase 1:** HHS negotiates 10 Medicare Part D drugs
Prices take effect in **2026**
- **Phase 2:** HHS negotiates 15 Part D drugs
Prices take effect in **2027**
- **Phase 3:** HHS can negotiate 15 Medicare Part B or D drugs
Prices take effect in **2028**
- **Phase 4:** HHS negotiates 20 Part B or D drugs
Prices take effect in **2029**
- HHS can negotiate 20 drugs in all subsequent years.



Timeline



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Timeline

