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NEW STUDY: IRA WON'T CONSISTENTLY LOWER OUT-OF-POCKET DRUG COSTS FOR PATIENTS

Analysis of Patient Out-of-Pocket Costs for First 10 Price-Controlled Drugs Reveals **Limited Benefits for Patients, Overstated Medicare Savings**

New research by the IQVIA Institute for Human Data Science estimates how Medicare drug pricing and other Medicare coverage changes will affect beneficiary out-of-pocket (OOP) costs. Unintended consequences from the Inflation Reduction Act (IRA) could lead to many negative impacts for seniors, including increased costs and the potential change in coverage for certain medications.

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Price Controls Won't Directly Benefit Patients

Medicare price controls are not likely to reduce cost-sharing for patients, even though the government will pay less for the affected drugs.

- **Six of the 10 drugs** subject to negotiation already are covered with fixed co-pays that won't be affected by changes in prices.
- About **40%** of Medicare Part D patients treated with the selected drugs are those with low-income subsidies, who already pay low, fixed cost-sharing.

Claimed Savings to Medicare in 2026 Are Likely Overestimated

CMS estimated $6 billion in savings based on 2023 spending that did not incorporate an expected change in Part D benefit design in 2025 that complicates — and likely overstates — savings from price-controlled drugs in 2026. CMS bases its estimate on the false assumption that utilization of the drugs subject to pricing will not change between 2023 and 2026.

- CMS falsely assumes there will be no generic or biosimilar competition introduced between 2023 and 2026. Yet, one of the three drugs comprising the vast majority of projected savings is due to face biosimilar competition by 2026 and experience utilization declines as a result.
- The loss of manufacturer rebates for price-controlled drugs may cause plans to shift them to non-preferred tiers and increase other barriers to access, further reducing utilization. Medicare spending on these drugs was likely to reduce further as negative net price growth was seen for six out of the selected drugs in 2023.

Insurers Will Likely Change Plan Benefit Design, Potentially Raising Costs for Patients

Prices for the chosen drugs are already subject to aggressive private negotiation between manufacturers and Part D prescription drug plans, which reduces Medicare expenses through rebates from the manufacturer. Medicare reforms shift more financial risk onto insurers and, along with the loss of rebates to insurers, will likely drive changes that make accessing drugs more difficult for patients.

- Plans could move the selected drugs to higher tiers, which raises patient co-pays & OOP costs.
- Mandated OOP caps will likely lead premiums to increase as plans become responsible for a greater share of a patient's drug costs.

Only a Portion of Patients Will Benefit from Out-of-Pocket Caps

The $2,000 annual cap for OOP costs will only benefit a subset of patients taking higher-cost specialty drugs. Depending on the design of the plan they're enrolled in:

- Only people spending more than **$2,000** out-of-pocket costs a year — or about **1.4 million** out of **50 million** Medicare beneficiaries — will actually pay less because of the OOP cap.
- Other research has found that approximately **5.8 million** beneficiaries that use the first **10 medicines** subject to Medicare's price controls are likely to experience no change or an increase in their OOP costs as a result of the IRA. Those who do pay less upfront may end up paying more over the year, because they will make slower progress toward the OOP cap and have to pay additional co-pays throughout the course of the year.

The study was sponsored by We Work For Health with analysis performed by the IQVIA Institute for Human Data Science. The report has been developed independently by the IQVIA Institute for Human Data Science based on research and analysis undertaken by the IQVIA Analytics and Consulting Service. Read the complete research report.