

Medicare Changes in 2025

The Inflation Reduction Act (IRA)
& Part D Updates

What Is the Inflation Reduction Act (IRA)?

Inflation Reduction Act Overview

Signed on August 16th, 2022



The Inflation Reduction Act will protect Medicare recipients from catastrophic drug costs by **phasing in a cap for out-of-pocket costs** and establishing a \$35 cap for a month's supply of insulin. And, as a historic win, **Medicare will be able to negotiate prices for high-cost drugs** for the first time ever.¹

White House statement on Inflation Reduction Act
August 19, 2022

Making prescription drugs more affordable for Medicare patients **could pave the way for future reforms.**²

The Commonwealth Fund

Summary

Healthcare-related highlights:

- Inflation Reduction Act has significant provisions affecting **Medicare drug programs**:
 - Some components are already phased in by 2024, including a \$35 insulin cap, \$0 vaccinations, and expansion of Low Income Subsidy eligibility
 - Also limits National Average Premium increase to 6% (not member premium)
 - **Most significant changes take effect in 2025+, including a complete redesign of Medicare Part D benefits and member cost sharing payment structure**
 - Includes provisions aimed at lowering prescription drug prices for Medicare
- Extends **Affordable Care Act subsidies**

Non-healthcare highlights:

- Provides tax incentives for clean energy investment and other climate initiatives
- Funds infrastructure and electric vehicle purchasing incentives
- Funds grants to support low-income communities and communities of color

New Part D Benefit Lowers Cost to Members



What?

Member out of pocket costs are decreasing and there is a new \$2,000 max out of pocket



When?

2025



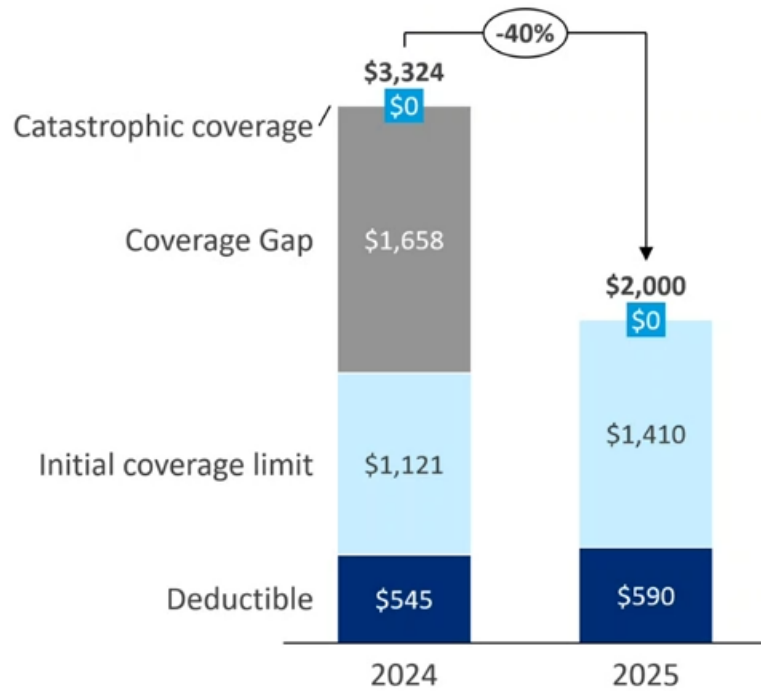
How?

Changes to the Part D standard benefit:

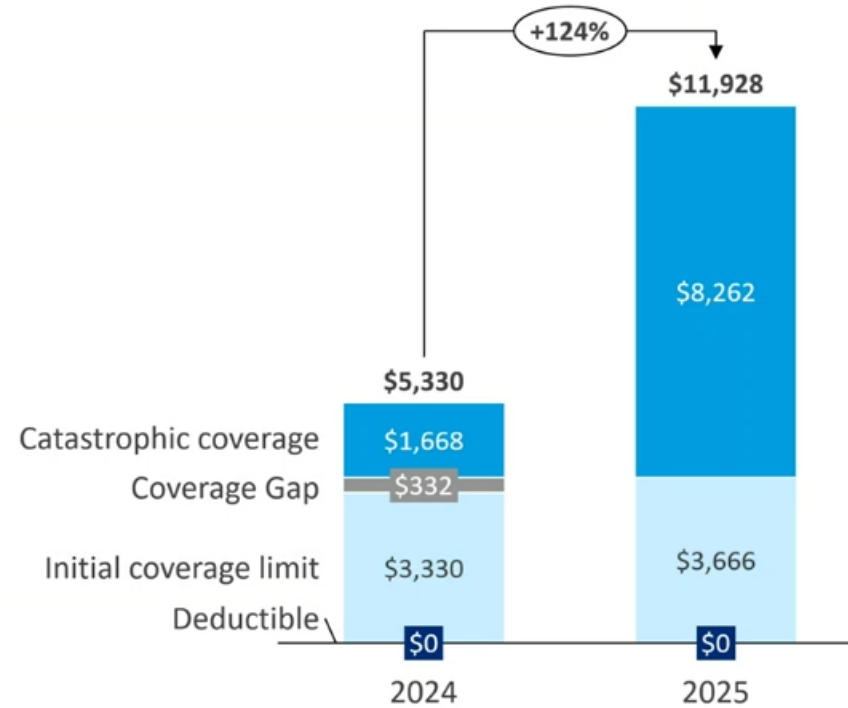
- **“Gap” or “Donut Hole” eliminated** – now just deductible, initial coverage phase, and catastrophic
 - **Members pay 100% of all expenses up to the Part D deductible**
 - **Members pay 25% of costs after deductible** until the out-of-pocket max cost threshold (**\$2,000 in 2025**)
 - Plan pays 75% for generics, 65% for brand drugs (manufacturers cover remaining costs)
 - **After the out-of-pocket maximum, members pay \$0**
 - Plan pays 60%, CMS & manufacturers cover the remaining costs
 - OOP max covers only Rx spend, separate max for medical costs in MAPD
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New Part D Benefit Increases Cost to Plans

Member out-of-pocket maximums



Plan spend for a \$20,000 total cost beneficiary



Member costs are decreasing significantly in 2025, while plan costs are going up for high-spend beneficiaries

2 MAPD Benefit Changes

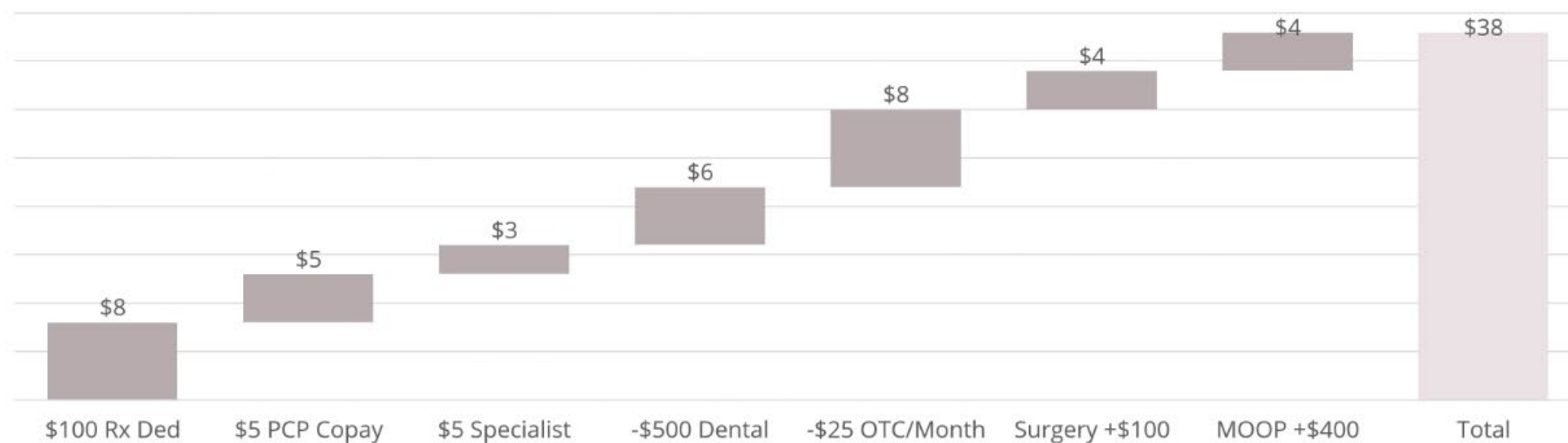
Expect to see *significant variance* in the level and types of changes plans make

- **Plan by plan and carrier by carrier** variance will be higher than usual for 2025
 - **We do not expect all plans to go to TBC limits, but many will** (\$38 PMPM of value), while some plans will remove poor performing counties or terminate entirely based on plan level margins & headwinds
 - **Benefit reduction may be most likely to come from:**
 - “Non-core” supplementals (dental, vision and hearing will be less impacted)
 - Higher copays / coinsurance on brand drug tiers – and some plans may add Part D deductibles
 - Increased cost sharing for less “shoppable” Medicare covered benefits
 - **Higher magnitude of changes** may occur during CMS bid review in August
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2 MAPD Benefit Changes

What Does \$38 PMPM Look Like?

- Hypothetical plan valuation of benefit changes



MAPD Outlook is Still Good

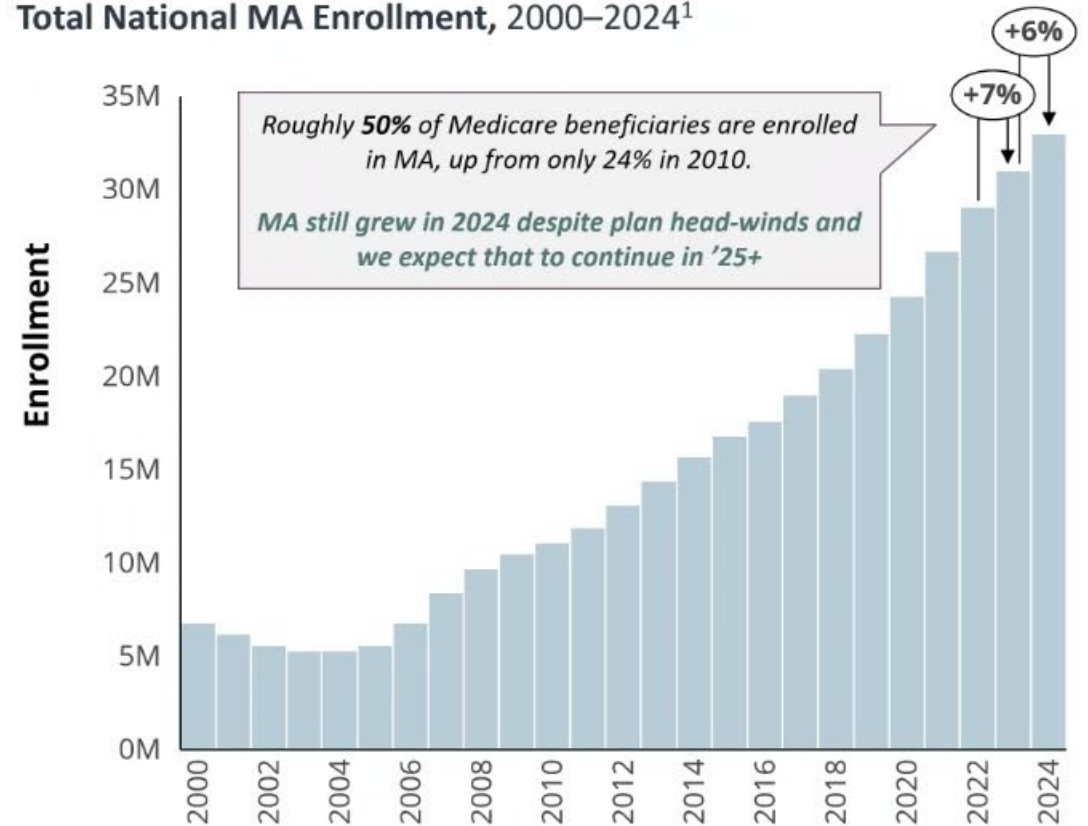


MAPD will still offer immense value for Medicare beneficiaries

- **Rich** benefits, **predictable** costs
- **Simplicity** with a single plan / card
- **Guaranteed access** to in-network providers
- **Support programs** help members better utilize and navigate benefits
- **Care management programs and value-add services / benefits** to support better outcomes



Total National MA Enrollment, 2000–2024¹



PDP Value Proposition

IRA Enhancements make PDP benefits better, though premiums may increase



- Each PDP sponsor can lessen premium impacts with formulary updates or cost management, but without Part C medical revenue, premiums may be more likely to increase than in MAPD – **expect to see significant variance by carrier and plan**
- **MOOP and smoothing will limit member cost sharing**, and could make PDP plans attractive for some high-acuity members
- PDP will remain **more attractive than discount program** alternatives for most members given lower costs and mitigation of future risk
- Price conscious populations may **consider MAPD** plans in 2025

Next Steps

What happens next?

File plans bids on June 3rd. Final rate announcement was released on 4/1 without significant changes from advance notice. Plans will make final product design decisions and complete the numerous filings for CMS

Rebate reallocation will occur in early August. Plans will update final benefits with the final Part D subsidy known. Expect dramatic changes in value and benefits based on unprecedented levels of uncertainty affecting entire value proposition

Member and Provider education will be key. These are the biggest changes to the Part D program in many years. A concerted effort will be needed to ensure members maximize value in 2025. Oliver Wyman has already begun this across the nation

Agents / brokers and plans will work together to help support members. Significant value will remain in MA