

A PRESCRIPTION FOR SAVINGS

How the Inflation Reduction Act Will Cut Drug Costs for Massachusetts Medicare Enrollees in 2025



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Executive Summary

Medicare's open enrollment period will begin on October 15, 2024, allowing Massachusetts Medicare enrollees to choose new health care and prescription drug plans for 2025. When choosing their plan, Medicare beneficiaries in the Commonwealth and across the country will benefit from significant savings on their prescription drug coverage as a result of important reforms enacted by President Biden, Vice President Harris, and Senate Democrats in the *Inflation Reduction Act of 2022* (IRA).¹

This report explains how key provisions in the IRA will cut out-of-pocket drug costs for millions of Medicare beneficiaries in Massachusetts and across the nation. Overall, these provisions will allow Medicare enrollees in Massachusetts to save approximately \$170 million² on prescription drugs in 2025 by:

- 1. Capping monthly out-of-pocket costs for insulin products at \$35: More than 26,000 Massachusetts Medicare enrollees who use insulin can expect about \$500 in average savings in 2024 an estimated total savings of nearly \$13 million annually;
- 2. Limiting out-of-pocket prescription drug costs for all Part D enrollees to \$2,000 annually: New cost caps in Medicare Part D will help 83,000 Part D enrollees in Massachusetts save an average of \$1,500 on their out-of-pocket prescription costs an estimated savings of over \$124 million annually;

- 3. Covering all recommended vaccines pre-deductible and with no co-pay: More than 1.1 million Medicare enrollees in the Commonwealth now qualify for free vaccines with no out-of-pocket costs, even if they have not yet met their deductible. This will save Medicare enrollees in Massachusetts an estimated \$5 million annually;
- 4. Halting the rapid rise in drug prices by penalizing manufacturers that increase prices faster than inflation: 17,000 Massachusetts residents are saving on prescription drugs as a result of new IRA provisions that penalize drug company price gouging;
- 5. Expanding Medicare Part D's "Extra Help" program for low income enrollees: Approximately 5,000 low-income Medicare enrollees in Massachusetts will save an estimated \$5,900, on average, on prescription drugs saving nearly \$30 million annually;
- 6. Empowering Medicare for the first time to negotiate prices with drug manufacturers for a select number of high-priced drugs: Nearly 200,000 Part D enrollees in the Commonwealth use one of the ten prescription drugs that will have negotiated prices take effect in 2026 and will pay less for those drugs.

Introduction

President Joe Biden signed the *Inflation Reduction Act (IRA)* into law on August 16, 2022.³ Among other historic investments, this landmark legislation made sweeping improvements to Medicare, benefitting millions of Americans.

The Medicare open enrollment period for Plan Year 2025 lasts from October 15, 2024 through December 7, 2024. This is a period set aside for newly eligible individuals to enroll in Medicare coverage and for current beneficiaries to make changes to their existing coverage. As of February 2024, more than 1.4 million Bay Staters were enrolled in Medicare, and 1.1 million were enrolled in the Part D drug benefit. As Medicare enrollees consider their options for Plan Year 2025, the Office of Senator Warren has prepared this report to explain how these new IRA provisions are lowering prescription drug costs for Massachusetts seniors.

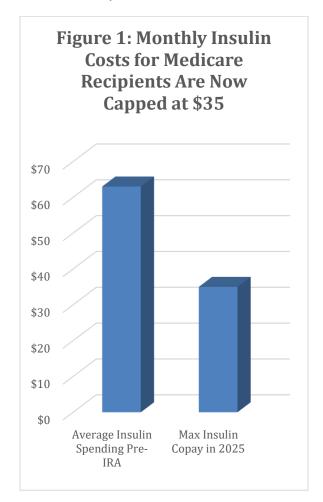
Key Findings

A. Massachusetts Medicare Enrollees Will Save An Average of Approximately \$500 Per Year on Insulin Costs

Of the more than seven million Americans who require insulin to manage their blood sugar levels, over half are enrolled in Medicare.⁵ Prior to the IRA's passage, the vast majority of Medicare beneficiaries that relied on insulin were not protected by a cap on copays for the life-saving drug.⁶ In 2019, enrollees paid an average of \$63 to fill a 30-day insulin prescription, with about one in four enrollees paying over \$70 per fill.⁷ Between 2007 and 2020, average out-of-pocket spending for Medicare Part D insulin prescriptions increased by 11 percent after adjusting for inflation.⁸

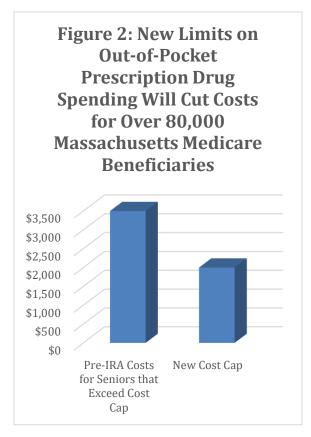
As a result, an estimated 1.3 million diabetes patients across the United States skipped insulin doses due to high costs in 2021.9

The IRA addressed this problem by capping outof-pocket insulin costs for Medicare Part B and D beneficiaries at \$35 per 30-day prescription, as of January 1, 2023. Around the country, nearly four million seniors are already benefitting from this new law, II including roughly 26,000 Medicare beneficiaries in Massachusetts, I2 who are each saving, on average, over \$500 per year. Of those, an estimated 4,800 Medicare beneficiaries in Massachusetts who use insulin will save at least \$1,000 annually due to the IRA in 2025.



B. New Limit on Out-of-Pocket Costs in Medicare Part D Will Help an Estimated 83,000 Massachusetts Seniors Save An Average of \$1,500 Per Year

In 2024, more than 1.1 million Bay Staters enrolled in Medicare Part D for prescription drug coverage. 15 Prior to the IRA, Medicare enrollees were exposed to unlimited out-ofpocket costs for their prescription drugs: all beneficiaries first had to pay an annual deductible and 25% of their drug costs up to \$7,050 in 2022, but above this amount – called "catastrophic coverage" – Medicare enrollees were on the hook for 5% of all prescription costs with no annual limit. 16 This meant that enrollees could spend \$3,000 out-of-pocket on brandname prescription drugs to reach catastrophic coverage and still be on the hook for unlimited prescription drug costs for the rest of the plan year.¹⁷ For many seniors, annual drug costs exceeded \$5,000 annually.18



In Massachusetts, tens of thousands of seniors reached catastrophic coverage each year, causing extreme hardship. But beginning this open enrollment period. Medicare enrollees are protected from unlimited out-of-pocket costs for prescription drugs due to provisions in the IRA. which will cap yearly out-of-pocket spending at \$2,000.19 In Massachusetts, this will help 83,000 Part D beneficiaries who would have otherwise paid more than \$2,000 out-of-pocket for their prescription drugs in 2024. These beneficiaries will save an average of \$1,500 each.20 Some beneficiaries can expect to save even more: next year, nationwide, 12% of all Part D enrollees that hit the new cost cap will save \$3,000 or more.21 In addition, Part D enrollees will be able to spread out their out-of-pocket costs over the course of the full plan year, rather than pay high out-ofpocket costs in a given month.²²

C. Approximately 97,000 Massachusetts Seniors Will Save An Estimated \$5 Million Annually on Covered Vaccines

Vaccines remain a critical component of health and preventive care for Medicare beneficiaries; however, before the passage of the IRA, out-of-pocket costs for vaccines could cost the average Medicare Part D enrollee about \$70 per year.²³

As of January 1, 2023, all vaccines recommended by the Advisory Committee on Immunization Practice at the Centers for Disease Control and Prevention – including vaccines for Shingles, TDAP, Hepatitis A and B, and COVID-19 -- were made available for free to Medicare Part D enrollees. 4 Now, as a result, more than 1.1 million Medicare Part D enrollees in Massachusetts can receive free recommended preventive vaccines, 25 including 97,000 enrollees who spent an estimated \$5 million out-of-pocket on covered vaccines in 2021. 26

D. An Estimated 17,000
Massachusetts Seniors with
Medicare Part B Are Saving on
Prescription Drugs Due to
Penalties on Drug Company PriceGouging

For years, drug companies have jacked up prices of brand-name drugs above the rate of inflation. For example, a KFF analysis found that "[h]alf of all Part D covered drugs...and nearly half of all Part B covered drugs...had price increases greater than inflation between July 2019 and July 2020."²⁷ One third of these drugs had price increases of 7.5% or more.²⁸

The IRA finally addressed this problem, establishing new penalties for Big Pharma price-gouging that require manufacturers that increase drug prices faster than the rate of inflation to pay rebates to Medicare.²⁹ To make sure that these savings are passed on to seniors, beneficiary coinsurance for impacted Part B drugs – which are administered in a physician's office, rather than dispensed at the pharmacy counter – is likewise reduced so that Medicare enrollees pay no more for these drugs than they would have if the price increases had not exceeded inflation.³⁰

This anti-price gouging provision took effect for the first time in 2023, and an estimated 820,000 Medicare enrollees have paid less for prescription drugs as a result including an estimated 17,000 Medicare Part B enrollees in Massachusetts.31 Overall, manufacturers have been subject to penalties for 98 prescription drugs,32 and an analysis by the U.S. Senate Committee on Finance found that the rate of price increases on covered Part B drugs has "slowed significantly."33 The penalties have resulted in an estimated \$3 billion in savings nationwide for seniors and taxpavers.34 For some seniors, these savings have been significant – indeed, for the most expensive drugs with the biggest rebates, savings can reach into the thousands of dollars. For example, seniors taking the Hodgkins lymphoma drug Adcetris saved an estimated \$1,647, while seniors taking the melanoma treatment Imlygic saved nearly \$700.35

E. Approximately 5,000 Low-Income Medicare Beneficiaries in Massachusetts Are Saving, On Average, \$5,900 Per Year Due to the IRA's Expansion of the "Extra Help" Program

Thousands of Massachusetts seniors are also benefitting from the IRA's expansion of the Medicare Part D Low Income Subsidy (LIS) or "Extra Help" program. Under this program, enrollees who qualify for Extra Help have both their Part D premiums and deductible waived, and generally paid no more than \$4.50 out-of-pocket for each generic drug and \$11.20 for each brand-name drug in 2024.³⁶

Prior to the IRA, only individuals with incomes below 135% of the federal poverty level (FPL) qualified for the full LIS subsidy, while enrollees with incomes between 135.1% and 150% FPL could receive partial benefits.³⁷ By increasing the income eligibility threshold for the full subsidy to 150% FPL, the IRA has allowed more enrollees to qualify for the full benefits of this program.³⁸

In Massachusetts, this means that Medicare beneficiaries with monthly incomes below \$1,903 (\$2,575 for married couples), and fewer than \$17,220 in assets (\$34,360 for a married couple) will qualify for the full benefit in 2025.³⁹

Based on 2020 data – the most recent estimate available – approximately 5,000 Medicare enrollees in Massachusetts now receive full LIS coverage thanks to the IRA, saving an average of \$5,900 annually.⁴⁰

F. Medicare Price Negotiation Means That Nearly 200,000 Massachusetts Enrollees Will See Additional Savings in 2026

The IRA will help reduce drug costs for hundreds of thousands of Medicare recipients in Massachusetts in 2025, but the savings will continue to grow in future years. Since the introduction of the Medicare Part D program in 2003, drug manufacturers have been able to

price gouge Medicare: the original Medicare drug benefit specifically barred the federal government from negotiating directly with manufacturers on price. But the IRA, for the first time, changes that and will result in significant savings for seniors beginning in 2026.⁴¹

Next year, negotiated prices will take effect for ten drugs, including: Eliquis, Jardiance, Xarelto, Januvia, Farxiga, Entresto, Enbrel, Imbruvica, Stelara, and Novolog, which are used by nearly 200,000 seniors in Massachusetts. 42 Medicare has negotiated price savings that range from 38% to 79% for those drugs – savings that will be used to reduce premiums for prescription drug plans and cut out-of-pocket costs.43 Of the nearly 200,000 Medicare enrollees in Massachusetts who take one of these ten drugs, 115,000 take Eliquis or Xarelto (cardiovascular drugs used to prevent blood clots), 53,000 take Jardiance, Januvia, or Farxiga to treat Type 2 Diabetes, and more than 8,400 take Entresto to treat heart failure or other cardiovascular conditions.44

Additional drugs will be eligible for negotiation in subsequent years, with 15 drugs eligible in each of 2027 and 2028, and 20 drugs eligible in 2029 and beyond⁴⁵ – meaning that even more Massachusetts Medicare enrollees will save on their prescription drugs in the years to come.

Conclusion

The IRA will save Bay Staters enrolled in Medicare a total of over \$170 million on prescription drugs costs in 2025 alone.46 Massachusetts seniors will benefit from a \$2,000 annual cap on out-of-pocket spending for prescription drugs, a \$35 monthly cap on insulin costs, lower cost-sharing on medications sold by price-gouging drug companies, vaccines available at zero cost to the beneficiary, and expanded eligibility for low-income beneficiaries on "Extra Help." Starting in 2026, Bay Staters will also benefit from lower prices negotiated by Medicare for ten widely used medications, and Medicare will negotiate lower prices for even more medications in each of the following years.⁴⁷ The IRA has created more accessible,

more equitable, and more affordable prescription drug coverage for seniors and individuals with disabilities in Massachusetts.⁴⁸

Navigating Open Enrollment

Medicare's open enrollment period is from October 15, 2024, to December 7, 2024. During this time period, beneficiaries can select new health and drug plans, or make changes to their coverage, that will take effect at the start of 2025. For more information on Medicare open enrollment, visit:

https://www.cms.gov/priorities/keyinitiatives/medicare-open-enrollment-partnerresources.

Endnotes

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⁴⁷ KFF, "FAQs about the Inflation Reduction Act's Medicare Drug Price Negotiation

Program," Juliette Cubanski, August 20, 2024, https://www.kff.org/medicare/issue-brief/faqs-about-the-inflation-reduction-acts-medicare-drug-price-negotiation-program/.

⁴⁸ U.S. Department of Health and Human Services, "The Biden-Harris Administration is Lowering Health Care Costs for Hundreds of Thousands of People Across Massachusetts," https://aspe.hhs.gov/sites/default/files/docume-nts/c9aec71d3b9o8a75e8ob49416d6a6376/state-factsheet-ira-aca-massachusetts.pdf.