

Families Need Relief from Runaway Prescription Drug Costs: Congress should expand the IRA to protect more people

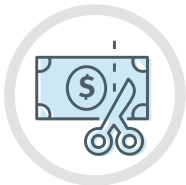
THE PROBLEM: RX DRUG PRICES ARE TOO HIGH



Almost 30% of adults don't take their medications as prescribed — rationing, skipping doses, or not filling prescriptions at all — due to cost.¹



Almost 20% of health insurance premiums are driven by the rising cost of prescription drugs, meaning higher health care costs for everyone.²



As monthly premiums increase, wages rise more slowly.³ The average family of four, with an income of \$94,860, is estimated to have lost more than \$125,000 in wages due to rising health care premiums over the past three decades.⁴

THE SOLUTION: EXPANDING THE IRA

The **Inflation Reduction Act** (IRA) took monumental steps in lowering prescription drug costs for the federal government as well as for older adults and people with disabilities. It fundamentally expands access to medication and makes it more affordable for those who rely on Medicare.

2023



IN SAVINGS

per person on insulin costs for an estimated 1.5 million older adults due to the price of insulin being capped at \$35.⁵



IN SAVINGS

on average per dose for older adults on 47 different prescription drugs so far. The IRA requires that drug companies pay rebates on certain drugs if the price increases outpace the rate of inflation.⁶



IN SAVINGS

per person per year in savings on out-of-pocket spending for vaccines for older adults.⁷

2025



IN SAVINGS

per year for nearly 19 million older adults and people with disabilities who rely on medications, due to the \$2000 per year cap on out-of-pocket spending.⁸

2026



FUTURE SAVINGS

Negotiated prices for first 10 drugs — used to treat common conditions like diabetes, Crohn's disease, arthritis, blood clots and more — go into effect.⁹



No one should have to choose between their lifesaving medication and paying for basic needs like food and rent.

Congress must build on the foundation laid by the IRA to rein in abusive prescription drug prices and make health care affordable for millions who get their insurance from the private market.

- » **Expand the number of drugs eligible for negotiation in Medicare and allow commercial insurance to voluntarily adopt the negotiated prices.** The IRA limits the number of drugs that are subject to government negotiation each year, and the negotiated prices are not automatically available to consumers with private health insurance.¹⁰ This leaves millions of consumers with private coverage, including employee-sponsored insurance, vulnerable to continued high and irrational prescription drug prices. Congress should authorize—and require—the secretary of the Department of Health and Human Services to expand the list of drugs subject to negotiation and to extend all negotiated prices to private sector health insurance, should insurance plans want to adopt the Medicare-negotiated price.
- » **Extend the inflationary rebates to the commercial market.** The IRA requires that drug manufacturers pay a rebate when they increase prices faster than the rate of inflation for some drugs covered under Medicare Part B and almost all covered drugs under Medicare Part D. These rebates are called inflationary rebates. Drug manufacturers that do not pay the rebate will face a significant monetary penalty. Congress should extend the inflationary rebates to include drugs covered in the commercial market to better protect individuals in employer-sponsored plans and other private plans from drug manufacturers' high prices and exorbitant yearly increases. This would also protect those in the commercial market from potential cost-shifting by drug companies attempting to make more off of all other payers when drug prices drop in Medicare.¹¹

Endnotes

¹ “Poll: Nearly 1 in 4 Americans Taking Prescription Drugs Say It’s Difficult to Afford Their Medicines, Including Larger Shares among Those with Health Issues, with Low Incomes and Nearing Medicare Age,” KFF, March 1, 2019, <https://www.kff.org/health-costs/press-release/poll-nearly-1-in-4-americans-taking-prescription-drugs-say-its-difficult-to-afford-medicines-including-larger-shares-with-low-incomes/>; Ashley Kirzinger, Alex Montero, Grace Sparks, Isabelle Valdes, and Liz Hamel, “Public Opinion on Prescription Drugs and Their Prices,” KFF, August 21, 2023, <https://www.kff.org/health-costs/poll-finding/public-opinion-on-prescription-drugs-and-their-prices/>.

² Kim Keck, “Six Ways We’re Lowering Drug Prices,” Blue Cross Blue Shield of America, March 3, 2022, <https://www.bcbs.com/the-health-of-america/articles/six-ways-were-lowering-drug-prices>; AHIP, “Your Health Care Dollar: Vast Majority of Premium Pays for Prescription Drugs and Medical Care,” September 6, 2022, <https://www.ahip.org/news/press-releases/your-health-care-dollar-vast-majority-of-premium-pays-for-prescription-drugs-and-medical-care>.

³ Sam Hughes, Emily Gee, and Nicole Rapfogel, “Health Insurance Costs Are Squeezing Workers and Employers,” The Center for American Progress, November 29, 2022, <https://www.americanprogress.org/article/health-insurance-costs-are-squeezing-workers-and-employers/>.

⁴ Kurt Hager, Ezekiel Emanuel, and Dariush Mozaffarian, “Employer-sponsored Health Insurance Premium Cost Growth and Its Association with Earnings Inequality Among US Families,” *JAMA Network Open* 7, no. 1 (2024): e2351644, <https://jamanetwork.com/journals/jamanetworkopen/fullarticle/2813927>.

⁵ U.S. Department of Health and Human Services, “New HHS Report Finds Major Savings for Americans Who Use Insulin Thanks to President Biden’s Inflation Reduction Act,” Last revised January 24, 2023, <https://www.hhs.gov/about/news/2023/01/24/new-hhs-report-finds-major-savings-americans-who-use-insulin-thanks-president-bidens-inflation-reduction-act.html>. Data derived from 2020 usage.

⁶ U.S. Department of Health and Human Services, Office of the Assistant Secretary for Planning and Evaluation, “Inflation Reduction Act Research Series, Medicare Part B Inflation Rebates in 2023,” December 14, 2023, <https://aspe.hhs.gov/reports/ira-research-series-medicare-part-b-inflation-rebates>.

⁷ Bisma A. Sayed, Kenneth Finegold, Kaavya Ashok, Sarah Schutz, Nancy De Lew, et al., “Inflation Reduction Act Research Series, Medicare Part D Enrollee Savings from Elimination of Vaccine Cost-Sharing,” U.S. Department of Health and Human Services, Office of the Assistant Secretary for Planning and Evaluation, March 15, 2023, <https://aspe.hhs.gov/reports/ira-elimination-vaccine-cost-sharing>.

⁸ Centers for Medicare & Medicaid Services, “Anniversary of the Inflation Reduction Act: Update on CMS Implementation,” August 16, 2023, <https://www.cms.gov/newsroom/fact-sheets/anniversary-inflation-reduction-act-update-cms-implementation>.

⁹ Centers for Medicare and Medicaid Services, “Anniversary of the Inflation Reduction Act: Update on CMS Implementation” August 16, 2023, <https://www.cms.gov/newsroom/fact-sheets/anniversary-inflation-reduction-actupdate-cms-implementation>.

¹⁰ H.R. 5376—Inflation Reduction Act of 2022, <https://www.congress.gov/bill/117th-congress/house-bill/5376>.

¹¹ Sara Hansard, “Employer Benefit Seen from New Medicare Drug Price Law,” Bloomberg Law, September 28, 2022, <https://news.bloomberglaw.com/health-law-and-business/employer-benefit-seen-from-new-medicare-drug-price-law>.



1225 New York Avenue NW, Suite 800, Washington, DC 20005
202-628-3030 info@familiesusa.org FamiliesUSA.org facebook / FamiliesUSA twitter / @FamiliesUSA