



Statement for the Record

Senate Finance Committee

Hearing on “Lower Health Care Costs for Americans: Understanding the Benefits of the Inflation Reduction Act”

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Chair Wyden and Ranking Member Crapo, on behalf of Families USA, a leading national, nonpartisan voice for health care consumers that is dedicated to achieving high-quality, affordable health care and improved health for all, we thank you for holding this important and timely hearing. We appreciate the opportunity to discuss the reality of the health care affordability crisis, and how the *Inflation Reduction Act (IRA)* laid the foundation for a new pathway to affordable and accessible health care by addressing both symptoms and root causes of the high and rising cost of care.

It's clear even after two years, the IRA is producing impactful and tangible results that are providing a lifeline for families and individuals struggling with health care affordability, by:

1. Making prescription drugs more affordable for people on Medicare through drug pricing negotiation, capping out-of-pocket costs, and providing recommended vaccines for free.
2. Extending critical health insurance subsidies that have spurred record numbers of enrollment.

Families USA believes it's vital to ensure provisions in the IRA that are key to improving access to health care coverage remain in place, specifically making permanent the enhanced Advance Premium Tax Credits (APTCs). It is also critical to build on this foundation and address further drivers of health care prices largely driven by health care industry consolidation — particularly among hospitals and large health care corporations — that are eliminating healthy competition and leading to monopolistic pricing.

The U.S. Health System in Crisis

High and rising health care prices, particularly hospital and drug prices, as well as high and rising health insurance premiums are putting Americans' health and financial security at risk. More than 100 million Americans are saddled with medical debt; half of all Americans report forgoing medical care due to cost; and a third of Americans indicate that the cost of medical services interferes with their ability to secure basic needs like buying groceries and paying rent.^{1,2}

High and rising health care prices have a significant impact on all families in America.³ Importantly, these rising health care prices drive skyrocketing health insurance costs, which ultimately come directly out of workers' paychecks as annual increases in premiums and cost sharing — crippling the ability of working people to earn a living wage.⁴ Today's real wages (wages after accounting for inflation) are roughly the same as four decades ago, while insurance premiums have risen dramatically.⁵ The total cost of a family on a private insurance plan increased a staggering 272% in the past two decades, rising from \$6,438 in 2000 to \$23,968 in 2023.⁶ As a result, the median U.S. family of four is estimated to have lost more than \$125,000 in wages over that time.⁷ A recent analysis by Families USA found that if policymakers do not take action to rein in high and rising hospital prices and the harmful business practices of large health care corporations, low- and middle-income workers, a group that disproportionately includes people of color, could lose nearly \$20,000 in wages by 2030.⁸

Rising drug prices are also a major driver of higher health care premiums and deductibles, in addition to creating further financial drain for millions of consumers at the pharmacy counter. Almost 30% of adults are not taking their medications as prescribed specifically due to the cost — rationing their medications, skipping doses, or not filling their prescriptions at all.^{9,10,11} Being forced to make those decisions directly results in poorer health outcomes: rationing or skipping needed medication causes an estimated 125,000 deaths a year.^{12,13}

IRA Improves Access to Affordable Prescription Drugs

The IRA works to tackle high and rising drug costs by allowing the federal government to negotiate directly with drug companies for a fairer price on some of the most expensive medications in Medicare. The Medicare Drug Price Negotiation Program recently negotiated the first 10 drugs — drugs that used to treat common conditions like diabetes, Crohn’s disease, arthritis, blood clots and more — which will create an estimated \$6 billion in savings for Medicare and ensure lower costs at the pharmacy counter when new prices take effect in 2026.¹⁴

In addition to lowering the cost of some drugs, Medicare now has the power to take action against companies that are hurting patients by setting irrationally high prices. In 2023, the IRA saved older adults as much as \$618 per average dose on 47 different prescription drugs due to the law’s requirement that drug companies pay rebates on certain drugs if prices outpace the rate of inflation.¹⁵

Medicare is reinvesting these savings to ensure that the millions of older adults and people with disabilities that rely on Medicare will not pay more than \$35 for insulin a month, and starting in 2025, won’t pay more than \$2,000 in out-of-pocket costs annually. The IRA has also ensured that additional recommended vaccines are now free — saving at least \$70 per person in vaccine costs.¹⁶

For many people, quality of life is determined by their ability to pay for medications. High drug costs prevent families from easing their pain or protecting themselves against severe illness. Thanks to the IRA, these families now have a greater opportunity to live their healthiest, happiest lives.

Congress should broaden the impact of the IRA to the commercial market to better protect all families — including the 176 million Americans who rely on the private market for health insurance - from inflated and irrational drug costs, including by expanding the number of drugs eligible for negotiation in Medicare, allowing commercial insurance to voluntarily adopt the Medicare negotiated rate, and extending inflationary rebate protections into the commercial market.

Health Insurance Subsidies Ensure Access to Affordable Insurance

Families need direct relief from the immediate impacts of our unaffordable system and the financial security of knowing that they won’t have to spend significant portions of their income on health coverage. For millions of people across the country with marketplace insurance, that guarantee comes in the form of APTCs, recently enhanced by Congress but set to expire next year without further Congressional action.

These tax credits are a lifeline for those who would otherwise be unable to afford health coverage or to access health care at all. People with household incomes as low as \$14,580 annually for an individual or \$30,000 for a family of four currently benefit from these tax credits in the form of lower monthly premium costs — reducing the average monthly premium cost by \$494 per month.¹⁷

With 48% of privately insured adults saying they worry about affording their monthly premiums¹⁸, this relief is crucial to advancing health equity and closing the coverage gap. The impacts of these tax credits are especially prominent among the Black, Latinx and low-income communities that have historically experienced higher uninsured rates.¹⁹ Thanks in part to additional support from affordability subsidies, marketplace enrollment for Black and Latinx people grew more than 80% since 2021.²⁰

These tax credits are helping real people, like Dean, a 34-year-old who is a self-employed designer and has had a marketplace plan for the past three years. He was able to get a more comprehensive plan due

to the enhanced health care subsidies which turned out to be a critical option when Dean was diagnosed with cancer in 2022 and needed to rely on his plan to cover treatment expenses. He currently has a plan with an affordable monthly premium (around \$80 per month) and a relatively low deductible and out-of-pocket maximum (\$1,000 and \$3,000, respectively). The low out-of-pocket maximum ensured he received all of the treatments and specialty medications that he needed to recover from cancer. Dean's cancer is in remission, but he still has regular follow-up and checkup appointments, so the continuation of the enhanced subsidies is essential so he can receive care and stay healthy.²¹

These enhancements are set to expire at the end of 2025, and if Congress does not act to extend them, millions of people will face significant premium spikes and risk losing their health insurance altogether, forcing families to choose between delaying or skipping needed health care or taking on medical debt they cannot afford.

Families USA urges Congress to take immediate action to extend and make permanent the enhanced APTCs well before the deadline to protect families from dramatic increases in health care premiums that will jeopardize their health and financial wellbeing.

Address Underlying Causes of High and Rising Health Care Costs

We also encourage Congress to take additional actions to address monopolistic prices driven by the health care sector. At its core, our country's health care affordability crisis is driven by a fundamental misalignment between the business interests of the health care sector and the health and financial security of our nation's families – a business model that allows industry to set prices that have little to do with the quality of the care they offer or patient health outcomes. Broken incentives encourage providers to get bigger, not better. Our current system rewards building local monopolies and price gouging instead of rewarding success in promoting the health, wellbeing and financial security of families and communities.²² What's more, health care is one of the only markets in the U.S. economy in which consumers are blinded to the price of a service until they receive a bill after the services are delivered.²³

When considering how to lower health care costs and build on the strong foundation provided by the IRA, this committee should consider additional legislation that would remedy some of the most obvious health system failings that lead to high and irrational health care prices, including the House passed *Lower Costs, More Transparency Act*, which makes progress on codifying and strengthening price transparency rules, expanding site neutral payments for drug administration services in Medicare, and advancing billing transparency reforms.

Conclusion

The IRA was landmark legislation that has taken important strides to improve affordable prescription drug access for millions of older adults and people with disabilities that rely on Medicare – and provide relief through health care subsidies for millions of families getting health care through the marketplaces. While families look to Congress to provide relief from rising health care costs it's important to recognize the critical reforms recently passed. It is also an opportunity to consider common sense policies that rein in abusive health care prices and make health care more affordable for everyone.

We appreciate the important work of this committee to address this concern and look forward to continuing to work with you to ensure all families can achieve affordable health and health care.

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