



HEALTH ISSUES

Alert No. 2022-H-5

August 16, 2022

President Biden Signs Inflation Reduction Act of 2022

Today, President Biden signed the [*Inflation Reduction Act of 2022*](#) (H. R. 5376) into law, which includes provisions pertaining to inflation and deficit reduction, clean and efficient energy and climate change, and health care coverage and costs (Subtitle C).

The law includes health care coverage and cost-specific provisions that could be of interest to actuaries, including:

- Extending the enhanced premium subsidies for Affordable Care Act (ACA) exchange coverage first enacted through the [*American Rescue Act Plan \(ARPA\)*](#) (Part 7, Section 966) for three years until 2025.
- Addressing prescription drug pricing by:
 - Creating the Drug Price Negotiation Program giving the secretary of Health & Human Services (HHS) authority to negotiate with drug manufacturers the price of a limited number of high-priced single-source drugs (beginning with 10 drugs and increasing by a specified formula thereafter) broadly for the Medicare Part D programs beginning in 2026, 15 Part D or Part B drugs for 2028, and 20 Part D or Part B drugs for 2029 and later years.
 - Creating a rebate program for certain drugs covered under Medicare parts B and D whose price increases outpace inflation beginning in 2023.
 - Creating a drug manufacturer discount program within Part D to allow the HHS secretary to enter into agreements with drug manufacturers regarding discounted prices for applicable drugs beginning in 2025.

- Capping the copayment amount for insulin at \$35 per month for Medicare Part D or MA-PD plans beginning in 2023.
- Expanding premium and copay assistance on prescription drugs for low-income individuals under the [Low-Income Subsidy Program](#) for individuals under 150% of the federal poverty level (FPL) beginning in January 2024.
- Making structural changes to Medicare program, including:
 - Modifying Part D to establish an annual out-of-pocket annual cap to be \$2,000 beginning in 2025, creating a formula for subsequent cap amounts and amending the formula for determining reinsurance payment amounts.
 - Capping Part D premium growth to no more than 6% per year from 2024 to 2029.
 - Creating a maximum monthly cap on cost-sharing payments for Part D and MA-PD plans beginning in 2025
- Eliminating cost-sharing for adult vaccines covered under Medicare Part D and improving access to vaccines under the Children’s Health Insurance Program (CHIP) and for adults under Medicaid.
- Repealing the prescription drug rebate rule that would have been effective in January 2027.¹

If you have any questions regarding this *Academy Alert*, please contact Matthew Williams, senior policy analyst, health (williams@actuary.org).

© Copyright 2022 American Academy of Actuaries. All rights reserved

¹ [Topline Messages for Senate Prescription Drug Pricing Reforms – FY22 Budget Reconciliation: How Would the Prescription Drug Provisions in the Senate Reconciliation Proposal Affect Medicare Beneficiaries? | KFF](#)