Inflation Reduction Act of 2022 Payer Insights Survey

Gathering Early Perceptions of Payer Response to the IRA: Medicare Part D Redesign

Magnolia Market Access (MMA) conducted interviews with actuaries about the IRA and surveyed medical and pharmacy directors at national and regional payers and pharmacy benefit managers (PBMs) that account for over 290 million covered lives. Our goal was to understand how payers and manufacturers will react to this sweeping legislation, and how participants expect the IRA to affect the future of the pharmaceutical industry and access to care.

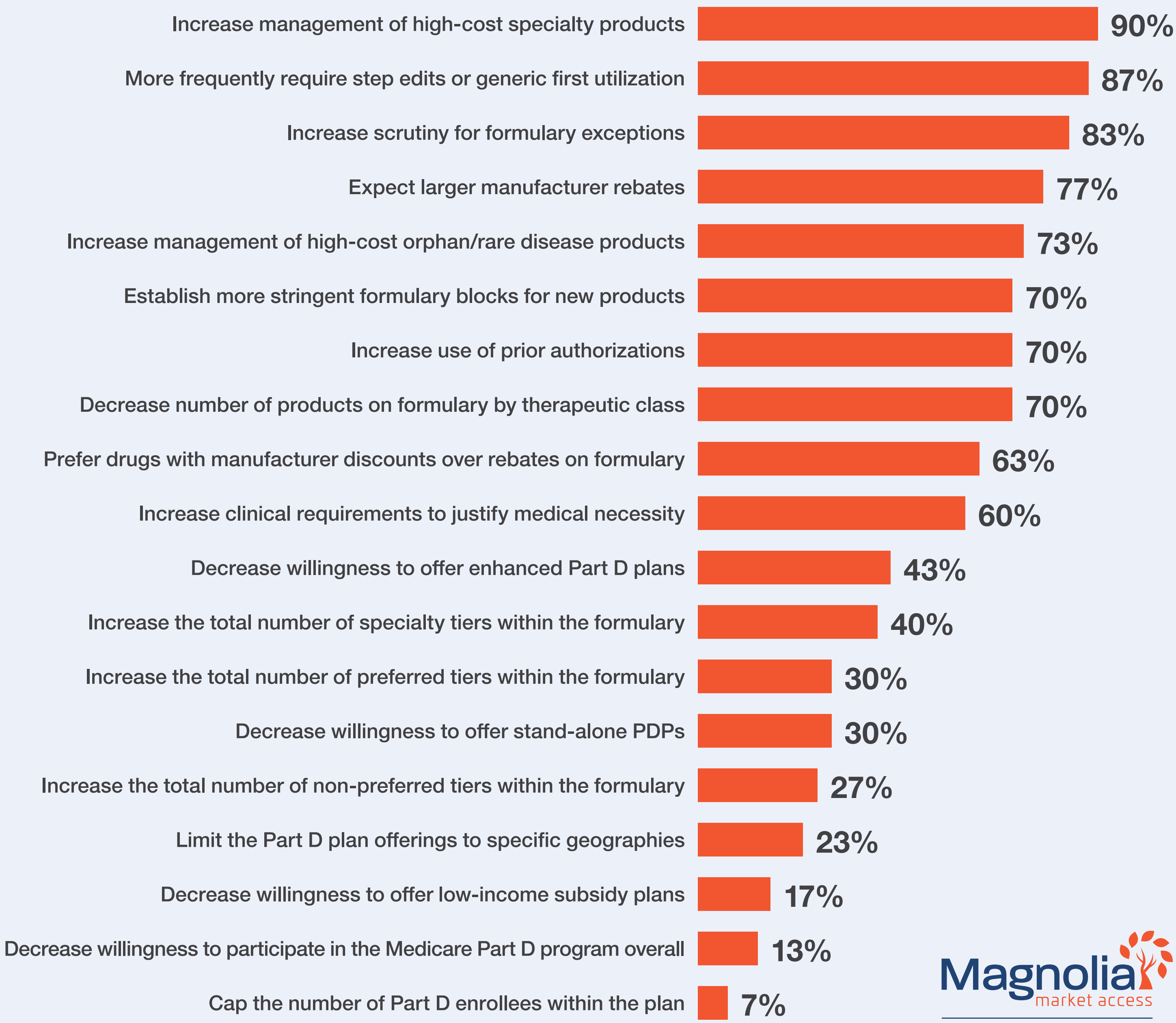
The Medicare Part D redesign provision of the IRA shifts a greater portion of drug costs to Part D plans and manufacturers, and reduces beneficiary cost-sharing over time through 5 key components: benefit redesign, out-of-pocket caps, premium increase limits, mandatory manufacturer discounts, and changes to the Low-Income Subsidy (LIS) program.

Nearly all respondents indicated they expect to employ significant cost control measures in response to patients' out-of-pocket spending being capped at $2,000 per year. While we can expect increased utilization management on high-cost drugs and tighter, more-controlled formularies, payers indicated they are less likely to cap enrollment, limit plan offerings to specific geographies, or choose not to participate in the Medicare Part D program overall.

When asked how they anticipate the Centers for Medicare & Medicaid Services (CMS) will penalize payers, 47% of respondents said they believe payers capping enrollment or establishing geographic restrictions will be penalized; however, the majority (89%) believe that CMS will penalize payers for restricting formularies in violation of Part D non-discrimination rules.

Actions Payers May Take in the Next 12 Months Based on the Part D Redesign

Among All Respondents (N=30)



Magnolia market access

a medical knowledge group company

When asked about the Part D “smoothing” provision:

43%

of respondents believe it will have no financial impact on their organization, while 30% believe it will have a negative impact

67%

of respondents plan to provide only the minimum outreach required by CMS

67%

of respondents will be flexible with patients and late payments

In addition to capping out-of-pocket costs for patients at $2,000 per year beginning in 2025, the IRA also includes a “smoothing” provision to further help beneficiaries afford the cost of their prescription drugs under Medicare Part D. In 2025, Part D plans will be required to offer beneficiaries the option to spread their out-of-pocket costs across the full calendar year, as opposed to paying the entire amount the first month of treatment. While these “smoothing” requirements are intended to assist the patient with the financial responsibility of starting and adhering to treatment, payers have mixed perceptions on how they will structure these programs and how their organizations will be financially affected as a result.

Under the Medicare Part D redesign provision of the IRA, base premium annual increases for patients will be limited to 6% from 2024 to 2029. Beginning in 2023, an additional provision will lower the beneficiary cost-share of standard drug coverage. A majority of respondents believe capping premium increases at 6% will negatively affect plan designs between 2024 and 2029.

MMA Insight:

Actuaries recognize that while they can only increase premiums to beneficiaries by 6% through 2029, they can pass the additional increased costs to CMS. Actuaries have less concern about premium stabilization than other respondents of the survey (who manage formularies) who are more concerned about increased premiums. We note this as an educational opportunity as payers may not fully understand this provision of the IRA.

A majority of survey respondents expect premiums will also increase beginning in 2023 and onward – ranging anywhere from 4% to more than 11% per year. However, actuaries offered a number of other factors that may have a significant influence on whether premiums will increase or decrease over time as a result of the premium stabilization provision.

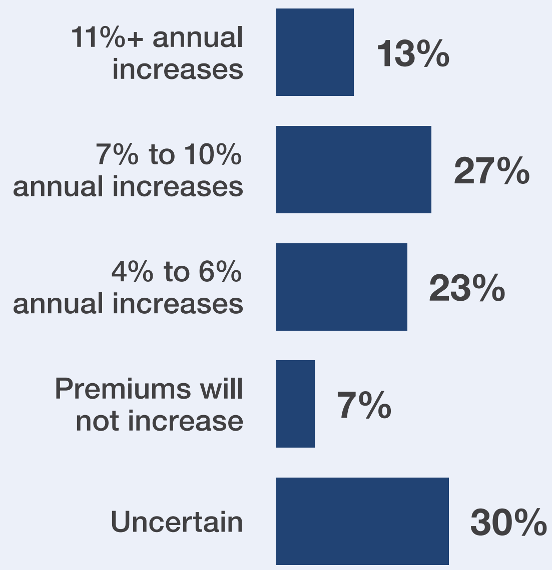
How will Medicare Part D premiums adjust in 2023 and beyond?

"[It] depends on their competitive positioning. You have counterbalancing effects in this legislation, so I think that [the Part D] redesign will bring upward pressure on plan liability and therefore upward pressure on premium rates, but [plans] will still have competitive pressures that are different in each region among each of the players. Plans can still raise premiums and still have the same profit margins, [but] those that don't compete well may drop out. They have to continually find ways to manage that; it comes back to being competitive and membership growth to raise market cap and aggregate profits. It's a volume game."

- Actuary

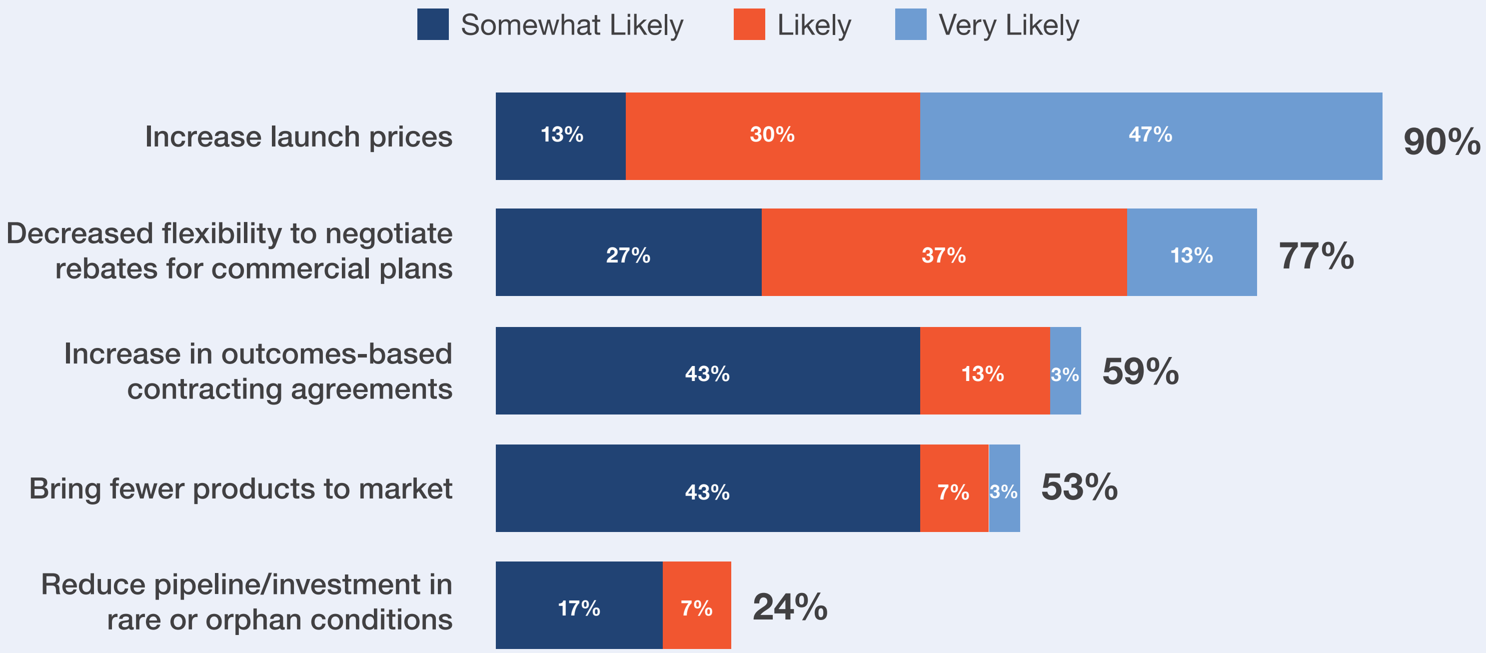
Expected Part D Premium Adjustments in 2030 and Beyond

Among All Respondents (N=30)



Expected Impact of Part D Redesign on Manufacturer Actions

Among All Respondents (N=30)



Payers overwhelmingly believe that manufacturers will increase prices at launch and increase use of outcomes-based contracting agreements in response to the Part D redesign provision.

These responses suggest that payers expect manufacturers to decrease their flexibility in negotiating rebates for commercial plans, but most respondents expect larger manufacturer rebates on Part D drugs due to the IRA. Respondents also indicated payers will give formulary preference to drugs with manufacturer discounts over rebates due to the out-of-pocket cap.

If you are interested in discussing the detailed findings of the IRA Payer Insights Report, or would like to purchase a copy of the full report, please contact us at **IRA@magnoliainnovation.com.**

Magnolia market access
a medical knowledge group company