

How are healthcare payers thinking about the IRA? How are pharmaceutical manufacturers thinking about the IRA?

Magnolia Market Access (MMA) recently surveyed medical and pharmacy directors at national and regional payers and PBMs that account for over 290 million covered lives about the Inflation Reduction Act of 2022 (IRA). Our goal was to understand how participants expect the new Medicare Drug Price Negotiation Program, Medicare inflation penalties, and the Medicare Part D Benefit Redesign to affect the future of the pharmaceutical industry, and how payers and manufacturers will react to deal with this sweeping legislation.

MMA's survey provides comprehensive insights as to how payers will change their plan offerings and adjust their formularies, cost control measures, and how they believe the future of drug price economics will play out in an ever-changing environment.

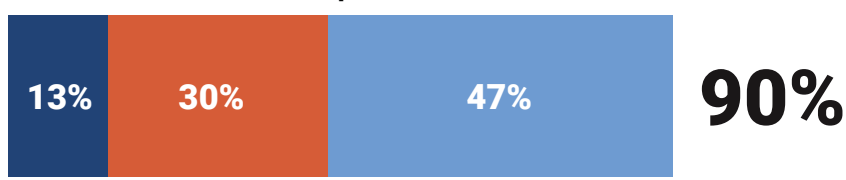
Highlights from the 2022 IRA Payer Insights Survey Report:

- ✓ A majority of respondents believe the IRA will result in Medicare Part B prices lower than their currently negotiated rates, while current Medicare Part D negotiated prices are believed to already be lower
- ✓ For drugs not subject to negotiation, 70% of respondents indicated net price is still their main determinant in covering a drug, regardless of negotiation
- ✓ While most respondents agreed that the IRA inflation penalties could keep drug price growth steady, 83% believe they will result in increased launch prices
- ✓ Payers expect to employ a number of cost controls as a result of the Medicare Part D Benefit Redesign, including increased utilization management and tighter formularies, expecting larger manufacturer rebates, and preferring drugs with manufacturer discounts over rebates
- ✓ Payers think manufacturers will react by increasing launch prices, decreasing flexibility to negotiate rebates for commercial plans, and increase the use of outcomes-based contracting agreements

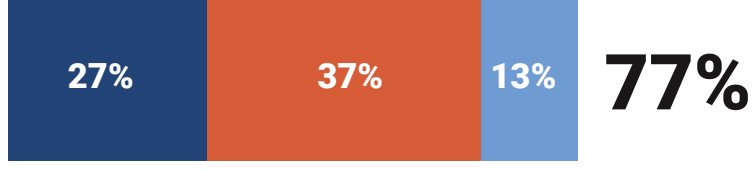
How likely do you think the Medicare Part D Benefit Redesign will affect the following future actions of pharmaceutical manufacturers?

Among All Respondents (n=30)

Increase launch prices



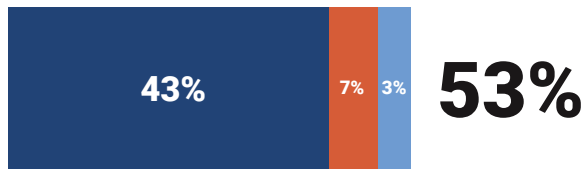
Decreased flexibility to negotiate rebates for commercial plans



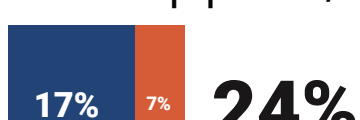
Increase in outcomes-based contracting agreements



Bring fewer products to market



Reduce pipeline/investment in rare or orphan conditions



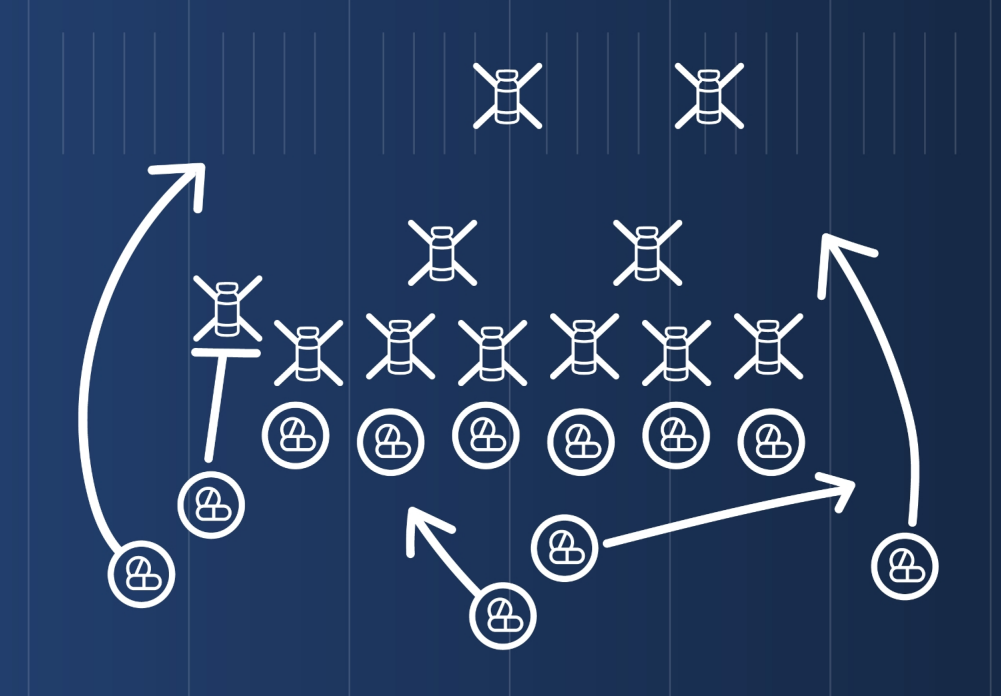
■ Somewhat Likely ■ Likely ■ Very Likely

When we think about our approach for coverage decisions and management of drugs in a post-IRA world, we're still going to evaluate which products within a negotiated class are the net cheapest for the plan, regardless of where the rebate was negotiated.

- Pharmacy Director from a regional health plan

Ultimately, we will preference the products with the lowest net cost in a category when clinicals are comparable.

- Pharmacy Director of a national PBM



Magnolia market access INFLATION REDUCTION ACT Playbook

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

IRA@magnoliainnovation.com.