



Inflation Reduction Act

What It Means for Medicare

Today's Agenda



- ✓ Introduction
- ✓ What Is the Inflation Reduction Act
- ✓ What It Means for Members
- ✓ Impact of Part D Benefit Changes
- ✓ MAPD & Part D Benefits
- ✓ What to Expect Beyond 2025
- ✓ Next Steps



What Is the IRA?



- ✓ President Biden signed the Inflation Reduction Act into law on August 16, 2022.
- ✓ The IRA was deemed a “landmark legislation” expanding renewable energy, addressing air pollution, access to clean water and social injustices to vulnerable populations — including Medicare beneficiaries.
- ✓ The goal was to improve Medicare in a number of ways, including lowering drug costs, expanding benefits and stabilizing prescription drug premiums.



IRA Reduces Member Costs



The Part D redesign started to drive member cost savings in 2025 and expands savings in 2026 and beyond

1

Part D Benefit Redesign

Revises Part D cost-sharing, shifts cost to plans and manufacturers, introduces insulin copay caps, and expands LIS eligibility

2

Drug Price Negotiations

CMS can negotiate drug pricing for mature, single-source high cost drugs — and has negotiated the first 10 for 2026

3

Drug Price Inflation Caps

Limits Medicare drug price increase to level of inflation via rebates

Source: <https://www.kff.org/medicare/faqs-about-the-inflation-reduction-acts-medicare-drug-price-negotiation-program/>

2026 Drugs with Negotiated Prices

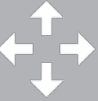


- ✓ Januvia
- ✓ Flasp; Flasp FlexTouch; Flasp PenFill; NovoLog; NovoLog FlexPen; NovoLog PenFill
- ✓ Farxiga
- ✓ Enbrel
- ✓ Jardiance
- ✓ Stelara
- ✓ Xarelto
- ✓ Eliquis
- ✓ Entresto
- ✓ Imbruvica

For more information, including negotiated prices, see:

<https://www.cms.gov/priorities/medicare-prescription-drug-affordability/overview/medicare-drug-price-negotiation-program/selected-drugs-and-negotiated-prices>

Impact of Part D Benefit Changes



- ✓ After redesign, who pays what is changing:
 - Drug manufacturer liability increases
 - Member drug costs decrease
 - Member costs decrease
 - Plan cost will increase significantly
- ✓ Member out-of-pocket costs are decreasing: \$2,100 maximum out of pocket in 2026
- ✓ Members pay 100% of all expenses up to Part D deductible
- ✓ Members pay 25% of costs after deductible (until the out-of-pocket maximum cost threshold)
 - After the out-of-pocket maximum, members pay \$0
- ✓ “Gap” or “donut hole” eliminated — now just deductible, initial coverage phase and catastrophic

FAQs about the Inflation Reduction Act's Medicare Drug Price Negotiation Program, KFF,
<https://www.kff.org/medicare/faqs-about-the-inflation-reduction-acts-medicare-drug-price-negotiation-program/>

Other Part D Plan Considerations



Smoothing Provision

- Members may opt to make monthly payments to “smooth” high-cost expenditures over the plan year
- Low adoption rates of this benefit in 2025 — consumer awareness could be low
- Smoothing and the lower Part D MOOP increases affordability of Rx and helps with adherence and treatment disruptions

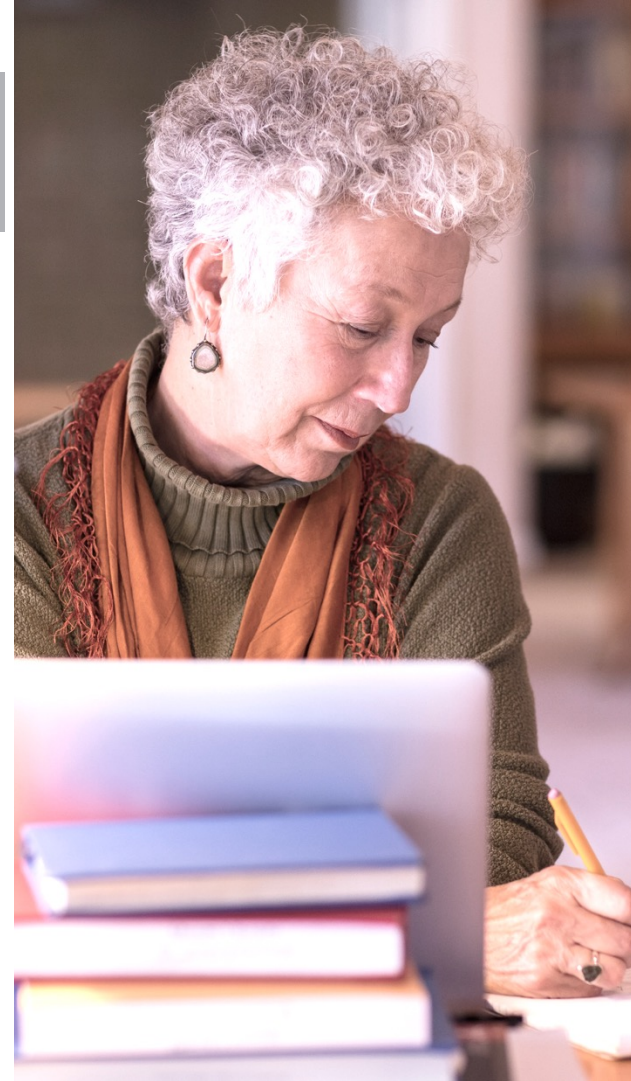


Part D Risk Adjustment

- Increased emphasis on Part D risk scores, an area plans have typically not focused on, as Direct



What to Expect



- ✓ Part D payments will not increase sufficiently
 - Part D revenue may have seen increases after 2025's plan changes, but revenue will not be sufficient to cover increased plan liability.
- ✓ Most plans will face meaningful revenue pressure
 - Between lower CMS revenue, Stars updates and changes in risk adjustment methodology along with rising utilization, the industry is sure to continue experiencing headwinds in 2026 and beyond.

What Are the Options?



Because carriers have margin requirements from CMS, Part D plans may need to:

- ✓ Use strategic initiatives to mitigate impact
- ✓ Lean out select Medical benefits to offset increased costs from Part D (MAPD only), or increase Part D cost-sharing or deductibles
- ✓ Refine formulary design
- ✓ Increase premiums — to keep member premiums flat, MAPD plans will be required to move value to Part D vs. supplemental benefits or other cost-sharing reductions



MAPD vs. PDP Plan Impacts



MAPD vs. PDP Considerations

- ✓ MAPD and PDP plans will see similar cost increase
- ✓ Revenue increase in PDP will be smaller
- ✓ MAPD plans have a broader set of benefits to adjust if needed to maintain CMS compliance

2026 Plan Impacts

- ✓ MAPD plans will try to hold affordable premiums and maintain stable benefits for members — though we will likely see some benefit/formulary changes
- ✓ PDP plans are likely to raise premiums again in 2026
- ✓ MAPD value proposition may become more favorable to some (but not to all) members

MAPD Benefit Changes



- ✓ Expect to see significant variance in the level and types of changes plans make
- ✓ Plan by plan and carrier by carrier variance will continue to be high in 2026
- ✓ Many carriers will remove poor performing counties or terminate entirely based on plan level margin and headwinds
- ✓ Benefit reduction may be most likely to come from:
 - “Non-core” supplementals
 - Higher copays/coinsurance on brand drug tiers — and some plans may add Part D deductibles
 - Increase cost-sharing for less “shoppable” Medicare covered benefits

PDP Benefit Changes



- ✓ Enhanced value in defined standard benefit may lead to refined plan designs and streamlined portfolios
- ✓ Increase in PDP plan offerings using defined standard benefits is expected, or with very limited enhancement moving forward
- ✓ MedSupp clients who need drug coverage will seek help from brokers, even as some PDP plans become non commissionable
- ✓ Value plans are more likely to shift to defined standard or limited copays on Tier 1, Tier 2 and Tier 3 enhancements only
- ✓ High coinsurance may not be as impactful given member cost-sharing smoothing implementation

Formulary & Pharmacy Changes



✓ Formulary Design Changes

- Some plans may adjust which drugs are included in their formulary
- Some plans may adjust what tiers they fall on
- Plans must be aware of member disruption and impact on rebates/net cost of care

✓ Clinical Pharmacy Programs

- Changes to UM programs or other clinical pharmacy programs may occur to ensure members have the best outcomes and highest quality/cost-effective treatments

✓ Risk Adjustment

- Changes in Part D programs dramatically increase the value of accurate coding to mitigate the need for any product changes

Premium Impacts



- ✓ Affordable MAPD plans will still be achievable and likely to persist but with lower benefits as value moves to Part D
- ✓ Any premium increases would likely occur predominantly on MAPD products that already have a premium
- ✓ Some plans may reduce Part B Premium Givebacks, though it's less likely they will be removed altogether
- ✓ PDP plans have fewer alternatives to premium increases — overall more likely in PDP vs. MAPD



MAPD Product Outlook



MAPD will still offer immense value for Medicare beneficiaries:

- ✓ Rich benefits, predictable costs
- ✓ Simplicity of a single plan/card
- ✓ Guaranteed access to in-network providers
- ✓ Support programs to help members better utilize and navigate benefits
- ✓ Care management programs and value-add services/benefits to support better outcomes



PDP Value Proposition



- ✓ IRA enhancements make PDP benefits better, though premiums may increase
- ✓ Each PDP sponsor can lessen premium impacts with formulary updates or cost-management, but without Part C medical revenue, premiums may be more likely to increase than in MAPD — expect to see significant variance by carrier and plan
- ✓ MOOP and smoothing will limit member cost-sharing and could make PDP plans more attractive for some high-acuity members
- ✓ PDP will remain more attractive than discount program alternatives for most members given lower costs and mitigation of future risk
- ✓ Price-conscious populations may consider MAPD plans in 2026

What Can You Do



1

Agents/brokers will be key to ensuring member disruption is limited, and to assist with member experience and education

2

Begin your AEP prep today!

3

Contact your upline to download our Pre-AEP Readiness Kit and discuss your 2026 AEP Strategy with a member of our team





Thank You