



Medicare Part D Benefit Redesign and Other Provisions



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Module teacher



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Economist and epidemiologist with
expertise in pricing and
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Module Overview



01. Introduction

- Overview of Medicare Part D
 - Main features of the prescription drug benefit
 - Summary of key changes made by the IRA
-

02. Medicare Part D benefit redesign and other provisions

- IRA benefit redesign in depth
- Changes in other provisions

Session 1: Overview of Medicare Part D

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Module Overview



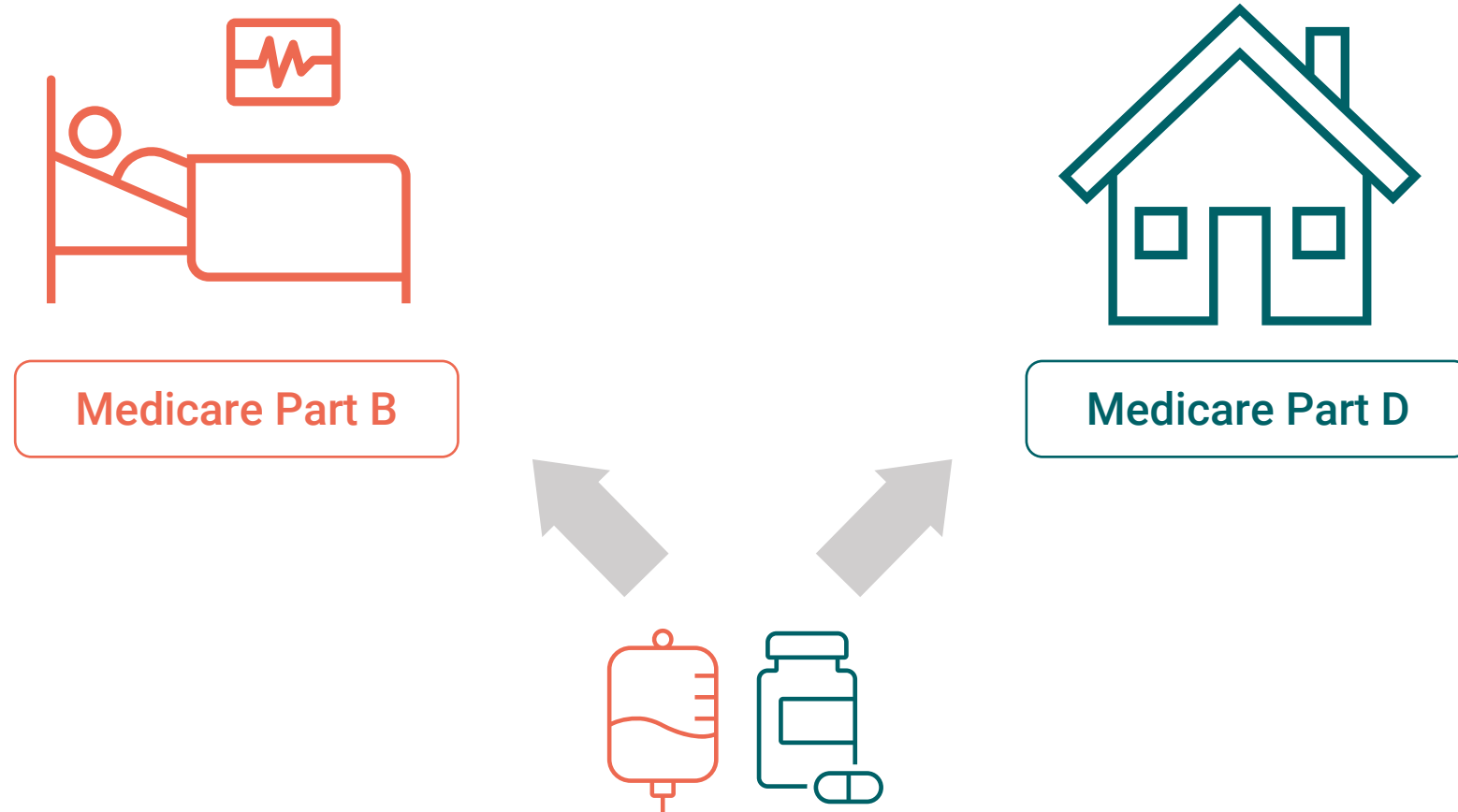
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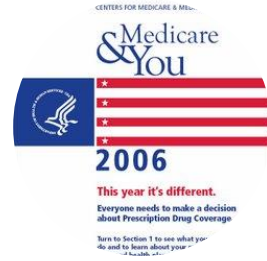
Medicare prescription drug programs



History of Medicare Part D

Medicare Part D is signed into law as part of the Medicare Prescription Drug, Improvement, and Modernization Act (MMA)

2003



2006

Medicare Part D comes into effect

The Affordable Care Act (ACA) is enacted, which reformed Part D benefits by closing the so-called 'Donut Hole'

2010



2022

The Inflation Reduction Act is signed into law, again reforming Part D benefits

Main features of Medicare Part D



Plan design – key features



Deductible



Cost-sharing



Main features of Medicare Part D

Plan design – key features



Deductible



Cost-sharing

Low-income subsidy (LIS)



'Extra help' is available to beneficiaries who are low-income and have limited assets



Helps pay for Part D costs, including premiums, deductibles, and cost sharing



Payments made by Part D beneficiaries

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Premiums

Beneficiaries pay monthly premiums for Part D plans



Deductible

Up until a prespecified amount, all prescription drug costs are borne by the patient each year



Cost Sharing

After the deductible, prescription drug costs are split between patients out-of-pocket, Part D plans, manufacturers, and the government



Patient cost-sharing (out-of-pocket)

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Can make insurance more efficient by mitigating moral hazard induced by third-party payors



Can be designed to nudge patients towards treatments which provide better value-for-money



May reduce the uptake of preventive care & reduce medication adherence, which leads to higher costs in the long run (e.g. due to avoidable hospitalizations)



The IRA reallocates prescription drug costs between patients, manufacturers, plans, & gov't



The Medicare Part D redesign is intended to:

Lower cost sharing for patients, including a limit on annual out-of-pocket spending



Decrease direct federal government liability and increase Part D plan liability above the catastrophic threshold



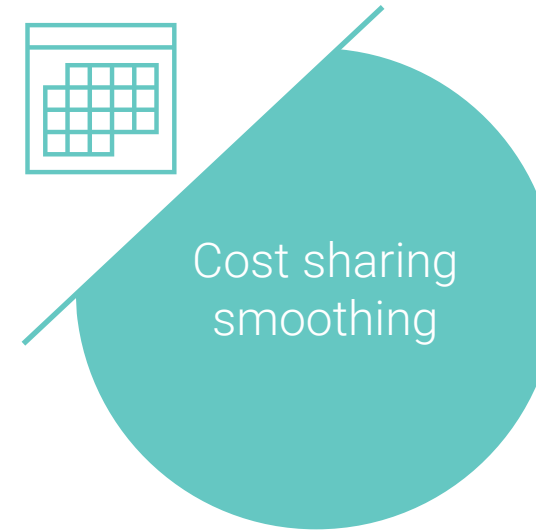
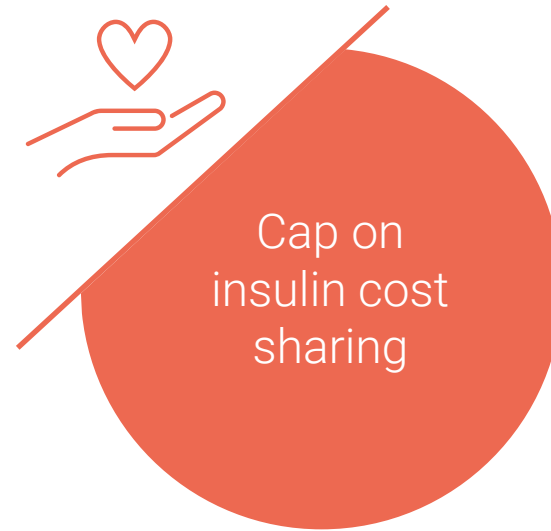
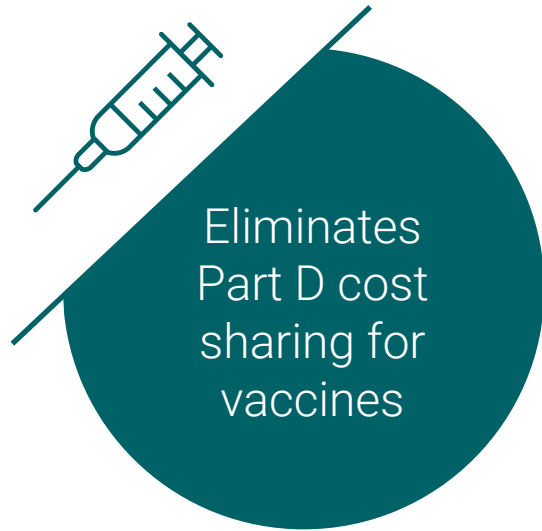
Increase the share of the benefit financed by manufacturers



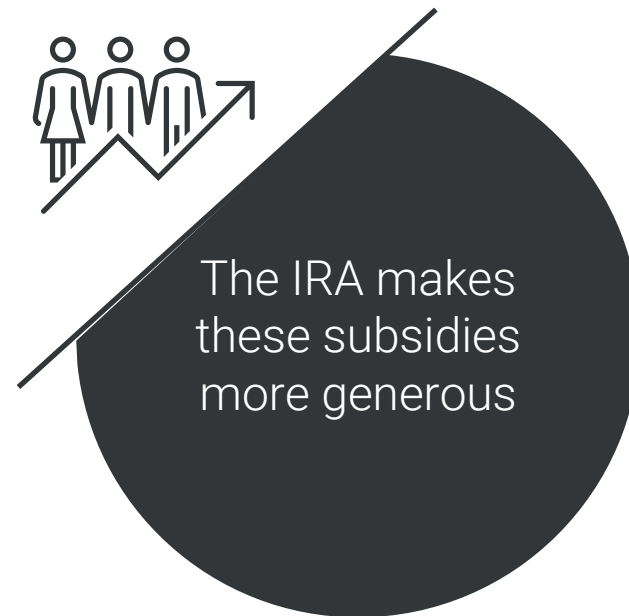
Limit premium growth to 6% annually through 2029



Additional provisions include:



Changes in the low-income subsidy (LIS)



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What's next

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Session 2: Medicare Part D benefit redesign

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What we have learnt so far & what we are learning in this session

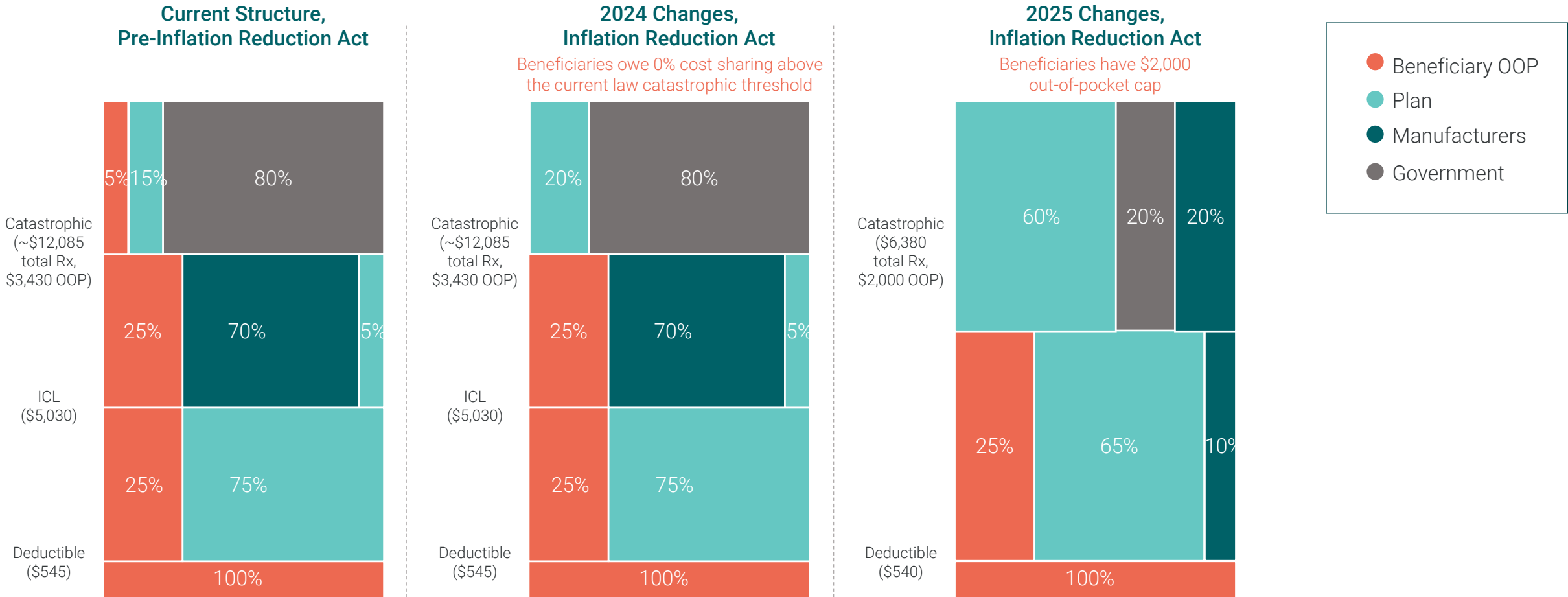
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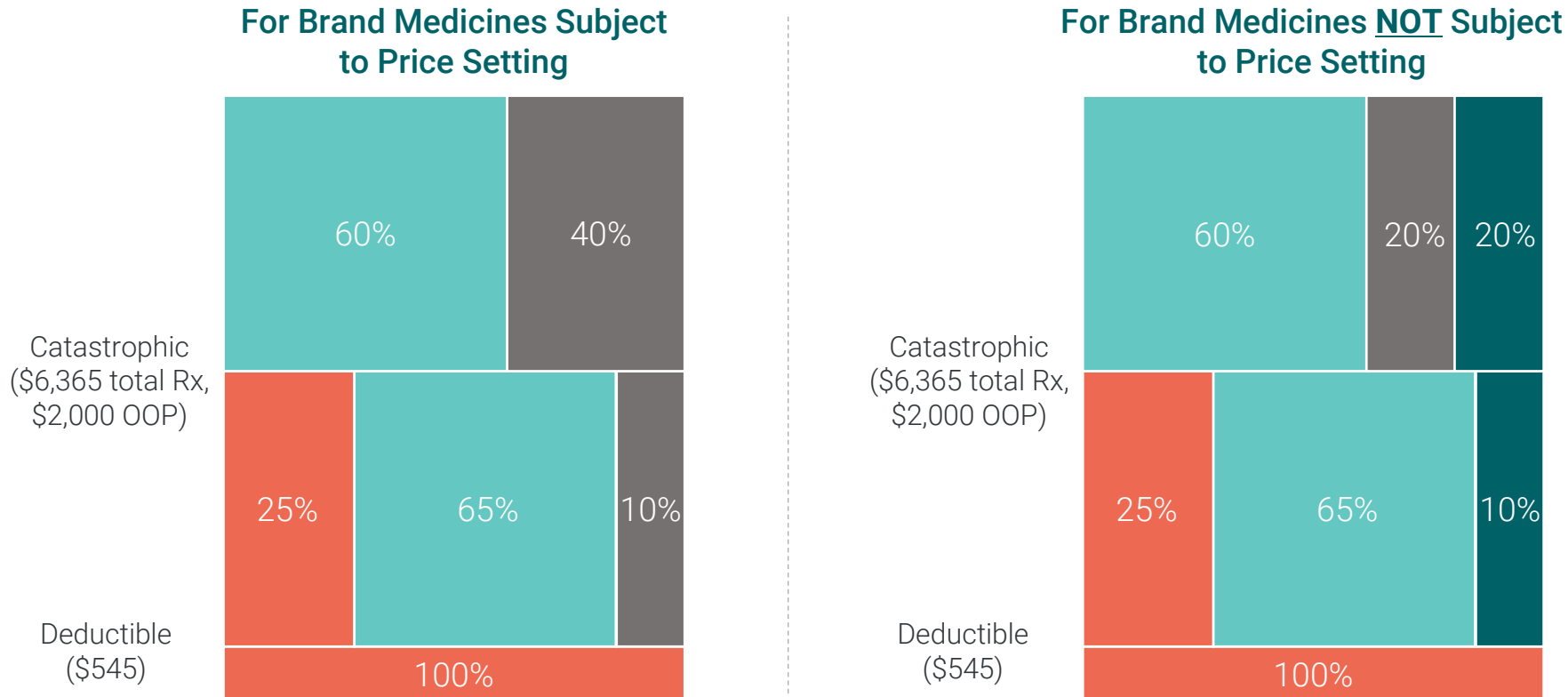
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Cost sharing changes in depth



Additional benefit changes once price setting provisions take effect



Effect of the IRA on premiums



Benefit design
increases Part D
plans' share of
spending



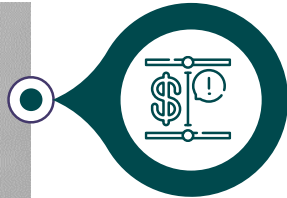
Other IRA reforms
aim to ensure that
the benefit
redesign does not
create a spike in
Part D premiums



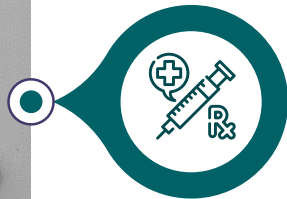
To ensure that Part D
premium growth remains
stable, the beneficiary share
of premiums is limited to
6% annual increases from
2024–2029, with the
federal government
covering the difference
if plan costs grow faster



IRA insulin provisions



The existing Part D Senior Savings Model limits insulin co-pays to \$35/month for participating plans



The IRA expands the monthly co-pay cap to all Medicare Part D plans, which are now required to limit insulin co-pays to \$35/month



Beginning in 2026, cost sharing for insulin limited to the lesser of \$35 or 25% of the negotiated price paid by the Part D plan

IRA vaccine provisions



Most vaccines in Medicare are covered under Part D, with certain vaccines covered under Part B

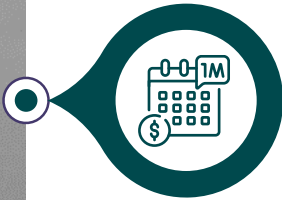


The IRA eliminates cost sharing for Part D-covered vaccines



Vaccines recommended by the ACIP, such as shingles, will have no OOP cost

IRA payment smoothing

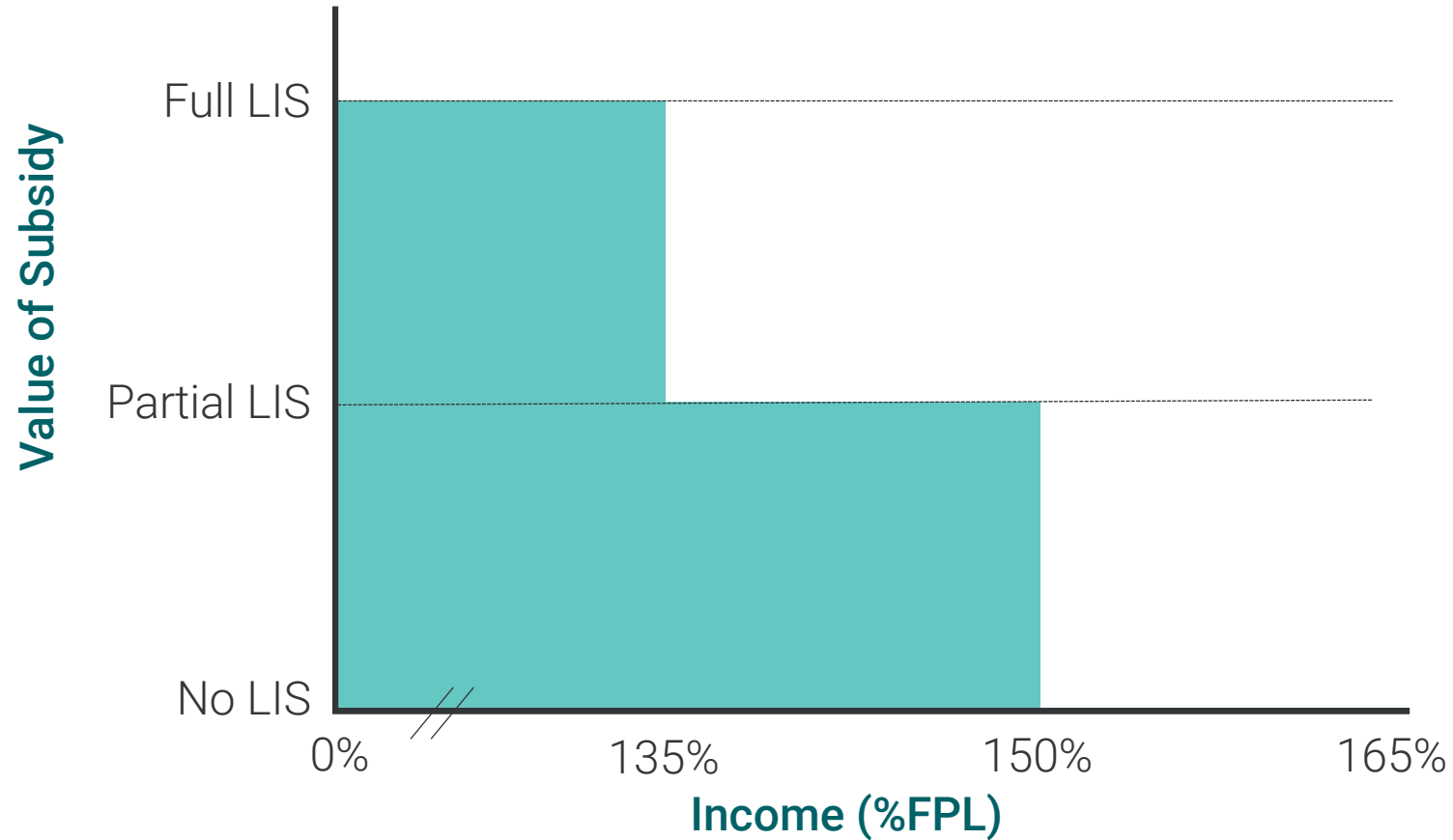


High OOP costs can create financial stress for Medicare beneficiaries, especially when incurred in a single month

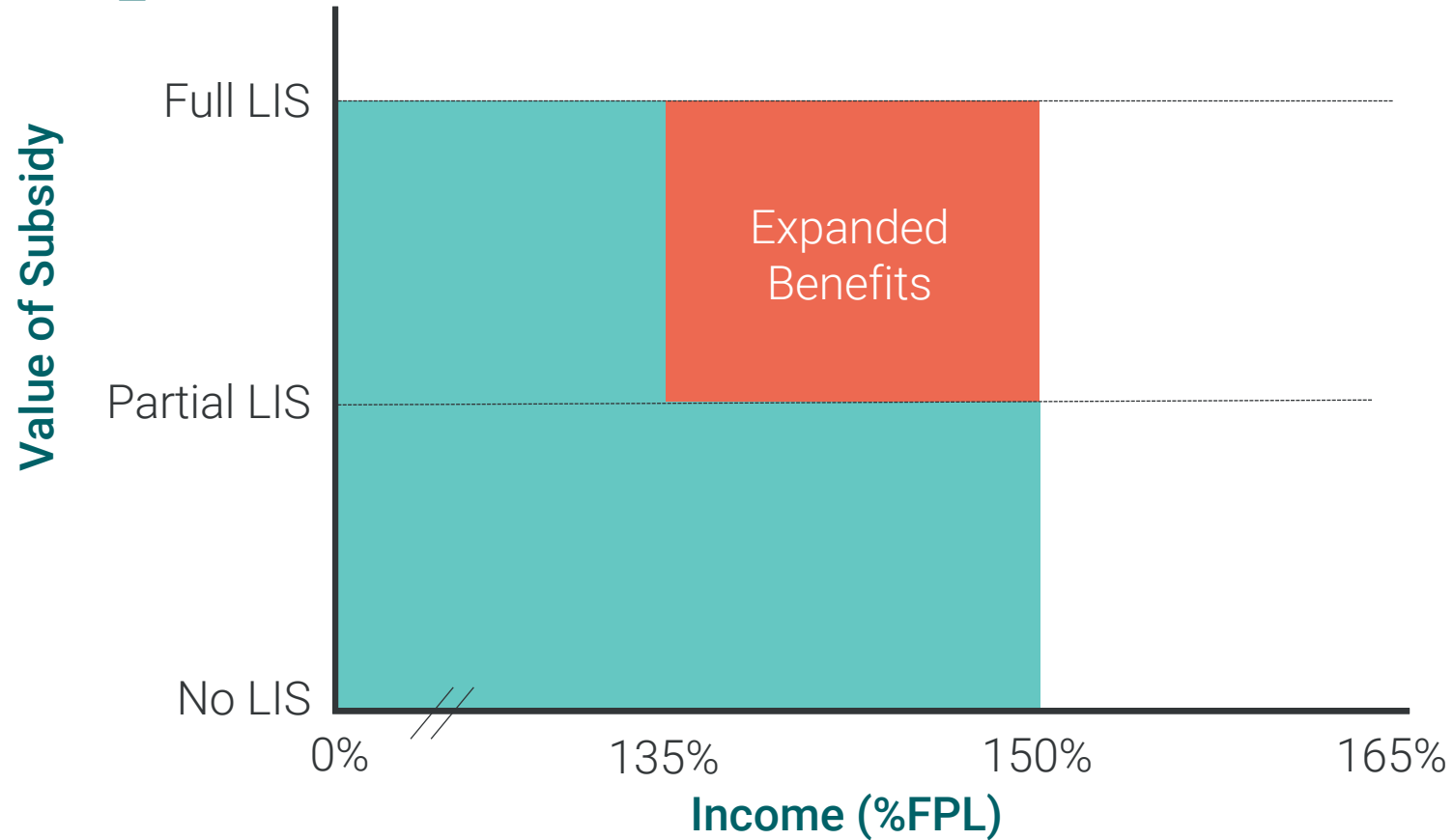


The IRA (effective 2025) allows patients to spread their share of costs over the remaining months of the year

Pre-IRA low-income subsidy (LIS) benefit



IRA low-income subsidy (LIS) benefit expansion



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SUMMARY

Medicare Part D redesign

- The IRA benefit redesign will change beneficiary, Part D plan, manufacturer, and government liability for prescription drug costs above the deductible
- Implements a new \$2,000 annual out-of-pocket cap beginning in 2025
- Replaces coverage gap discount program with new manufacturer discount
 - 10% below catastrophic threshold and 20% above catastrophic threshold; applies to both LIS and non-LIS beneficiaries
- Simultaneously decreases federal government liability and increases Part D plan liability above the catastrophic threshold
- Other provisions include limits on out-of-pocket payments for insulin and vaccines, as well as cost sharing smoothing and an expansion of the low-income subsidy



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Next: Final Summary



PLEASE TAKE THE TIME TO COMPLETE THE FEEDBACK FORM

YEARS OF RESEARCH
OHE
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