

Inflation Reduction Act (IRA) Impact on Medicare Part D in 2025

OVERVIEW

The 2022 Inflation Reduction Act (IRA) makes significant changes to the Medicare Part D standard benefit, including capping annual enrollee out-of-pocket spending. The new provisions are being implemented gradually through 2025. While some changes took effect in 2023 and 2024, below are the additional changes to the standard benefit to be implemented in 2025.

KEY CHANGES FOR CALENDAR YEAR 2025:

- Elimination of the Coverage Gap (“Donut Hole”)
 - The traditional coverage gap will be eliminated, simplifying the benefit structure for members.
- New MFG Program 10% discount after deductible stage
 - Drugs selected for drug price negotiation are excluded from the discount program.
- Catastrophic phase begins at \$2,000 MOOP
 - Federal reinsurance decreases from 80% to 20% for Brands and 40% for Generics.
 - Manufacturer provides 20% reimbursement for Brands.
 - Plan sponsor responsibility will increase from 20% to 60%.
- Capitation has increased dramatically to cover increased plan cost
 - We will continue to pass 100% capitation directly to our self-funded groups.
- Premium Stabilization Program
 - CMS announced a new capitation demonstration for 2025.
 - This is a 3-year program designed to support plan sponsors in managing and offsetting rising healthcare costs.
 - The amount is \$15.00 PMPM for 2025 and CMS can make changes for the upcoming calendar years.
- Medicare Prescription Payment Plan (M3P, aka Smoothing)
 - Members enrolled in M3P will pay \$0 at the pharmacy counter and be billed monthly for their medications.
 - Cost will be spread over the remainder of the year.
 - Plans cannot charge interest or fees for the program.
 - Bad debt is viewed as an administrative expense to the plan.
 - Members can be termed from M3P for non-payment after 60 days.
 - M3P will have applicable administration fee to be charged to client.

We will continue to provide timely updates and detailed guidance as more information becomes available. Please feel free to reach out to us with any questions or concerns. Together, we will ensure a smooth transition into the new year.