

IRA Changes to Medicare Part D May Impact Employer Plans

The Inflation Reduction Act of 2022 (IRA) includes several cost-reduction provisions to Medicare Part D plans that are designed to help beneficiaries but may also impact employer-sponsored health plans.

Key benefits include the following:

- Insulin is available at \$35 per month per covered prescription, and recommended adult vaccines are available without cost sharing;
- There is a yearly cap of \$2,000 on out-of-pocket Medicare Part D prescription drug costs; and
- All Medicare Part D plans are required to offer enrollees the option to pay out-of-pocket prescription drug costs in the form of capped monthly installments through the Medicare Prescription Payment Plan instead of all at once at the pharmacy.

Lower Medicare costs could mean higher costs for employers that provide prescription drug coverage as pharmacies and providers seek to make up for lost revenue by increasing costs in the private sector. The changes may also affect the creditable coverage status of employer-sponsored prescription drug coverage.

Creditable Coverage

Employers that provide prescription drug coverage to individuals who are eligible for Medicare Part D must inform them and CMS whether their prescription drug coverage is creditable, meaning that the employer's prescription drug coverage is at least as good as Medicare Part D coverage.

Given the significant changes made to Medicare Part D by the IRA, CMS stated that one of the methods for determining whether coverage is creditable will be revised to better reflect actuarial equivalence.

Employers should monitor for future CMS guidance on the use of the revised method for calendar year 2026 to ensure the appropriate Medicare Part D disclosure notices are sent.

Important Dates

Oct. 15, 2024 - For calendar year 2025, Part D enrollees can opt in to the Medicare Prescription Payment Plan during the period between this date and the beginning of the plan year.

April 7, 2025 - This is the date CMS expects to publish final Part D redesign program instructions for calendar year 2026 with information on a revised creditable coverage determination methodology.

Action Steps

Employers and their benefit advisors should take proactive steps to manage costs should these increases occur and develop cost containment strategies, if necessary. In addition, employers should continue to monitor for guidance on the creditable coverage determination methods for calendar year 2026 to prepare for any changes in the methodologies.

More information, including links to available resources and the latest updates, can be found on the Centers for Medicare and Medicaid Services' (CMS) Part D Improvements webpage.