

# How will pending budget bill reduce drug prices for Americans?

August 9 2022

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The Inflation Reduction Act contains provisions that are expected to

lower drug costs for millions of Americans by allowing Medicare to negotiate some drug prices and by limiting the amount of out-of-pocket drug costs for Medicare Part D patients.

John Clark, clinical associate professor at the University of Michigan College of Pharmacy and associate chief pharmacy officer at Michigan Medicine, explains what this means to consumers.

### **What are the major components of this new drug pricing package?**

The drug cost pricing package allows for Medicare to negotiate pricing for certain [prescription medications](#). The number of medications is phased in and starts with 10 medications in 2026. Starting in 2023, [drug companies](#) must pay rebates if [drug prices](#) rise faster than inflation. It is common for medication price hikes to exceed inflation.

In 2024, a 5% co-insurance required for Part D (the Medicare prescription drug benefit) catastrophic coverage is eliminated. In 2020, it was estimated that this would benefit 2.7 million Medicare Part D enrollees. The co-insurance elimination decreases the patient burden of cost that they would experience currently.

### **How will it help consumers, and which ones?**

Consumers eligible for Medicare will find assistance in this. An example is that beginning in 2025 [drug costs](#) will be capped at \$2,000 for Medicare beneficiaries and vaccines free for part D recipients coming up already in 2023. Significant cost savings for Medicare expenditures are predicted, which will allow for different choices in government spending. The Congressional Budget Office predicts \$288 billion in savings over 10 years. Not included are any medications covered by commercial insurance. Individuals seeing cost decreases will depend on the medications chosen to target for these savings for Medicare

recipients and cost changes from the manufacturers.

### **Is this a substantial change that will bring real relief regarding drug prices?**

This is yet to be seen, but this is the first governmental intervention in medication prices to attempt to provide stabilization of pricing for U.S. patients who pay more than others in the world for the same medication products. This will make a difference in numerous patients' lives and is the first breakthrough in managing rising pharmaceutical costs for U.S. patients and the government.

### **What wasn't included that needed to be?**

Discounts for commercial insurance patients would have provided a significant increase in impact but that was not included in the final package. Also not included was a cap on insulin prices for all Americans. Some see these items being left out as a partial win for the pharmaceutical industry.

Provided by University of Michigan

Citation: How will pending budget bill reduce drug prices for Americans? (2022, August 9) retrieved 24 March 2023 from <https://medicalxpress.com/news/2022-08-pending-bill-drug-prices-americans.html>

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