Healthcare Reform Digest:
H.R. 5376, "The Inflation Reduction Act"

On August 7th, 2022, the United States Senate approved a package of legislation entitled "The Inflation Reduction Act," or (H.R. 5376), a scaled back version of the Biden Administration's Build Back Better Act (BBB Act) that stalled in the Senate in December 2021. The House of Representatives passed the bill on Friday, August 12th, 2022, without any amendments and sent it to President Biden's desk. President Biden is expected to sign the legislation during the week of August 15th. The Act's proponents positioned it as an inflation reduction measure, which means the Act contains new taxes designed to reduce the deficit, as well as several longtime Democrat priorities, including lowering prescription drug costs, addressing healthcare affordability, climate change, and tax reform.

What are the Healthcare Provisions in HR. 5376, The Inflation Reduction Act?

There are several important healthcare provisions included in this legislative package, some of which only apply to individuals covered by Medicare.

Medicare Drug Price Negotiation

The Act creates a new Medicare Part E, establishing a Medicare drug negotiation program. For the first time, beginning in 2026, the Secretary of Health and Human Services (HHS) will be empowered to negotiate drug prices directly with pharmaceutical manufacturers on behalf of Medicare members. Starting with ten high priced drugs initially, then growing to 20 drugs by 2029, the Medicare program expects to save more than $200 billion dollars over ten years. The drugs eligible for negotiation are those with the highest expenditures that have been on the market for several years without competition (including generics).

Medicare Drug Price Inflation Cap

Beginning in 2023, drug manufacturers that increase the price of their single source drugs or biologics faster than inflation will be required to rebate the difference back to the government. HHS would inform manufacturers about which drugs qualify for the rebate based on a comparison of inflation and drug price increases, and manufacturers would be required to reimburse HHS within 30 days of receiving the information.

Limit on Medicare Enrollees' Out-of-Pocket Drug Costs

In a major redesign of Medicare Part D, Medicare enrollees' out-of-pocket drug costs are capped at $2,000 per year, beginning in 2025. .

Elimination of all Vaccine Copayments for Medicare Enrollees

This provision eliminates cost sharing, including deductibles and copayments for all vaccines recommended by the Advisory Committee on Immunization Practices effective in 2023. Currently, many Medicare beneficiaries do not have cost sharing for some vaccines like Covid-19, flu and pneumonia.

Insulin Copayment Capped at $35 for Medicare Enrollees

Beginning in 2023, Medicare enrollees filling a prescription for covered insulin will not have to pay more than a $35 copayment for a month's supply of the medication. This provision is limited to Medicare and would not apply to the commercial or self-insured insurance markets. Senate Leader Chuck Schumer has vowed to take up expanding this insulin copay cap to more markets in a stand-alone bill in the near future. (Note that the R.I. General Assembly enacted a $40 copay cap on insulin that went into effect for commercial subscribers on January 1, 2022.)

Extension of the Affordable Care Act Premium Subsidies

In March of 2021, in response to the ongoing pandemic, Congress enacted the American Rescue Plan, which included provisions expanding subsidies for insurance provided through the ACA exchanges. The Inflation Reduction Package extends until 2025 the enhanced premium subsidy for 13 million current enrollees who would have otherwise seen significant premium increases. In Rhode Island, approximately 27,000 individuals receive a premium subsidy through HealthSource RI, Rhode Island's health insurance exchange.

How Are These New Benefits Paid for Under This Legislation?

Beyond the expected $200 billion in projected savings from Medicare negotiating prices with drug makers, the Inflation Relief Act includes several revenue generating tax system changes that are projected to raise an additional $540 billion to offset the cost of the health-related expenditures and the $350 billion climate initiatives briefly described below, as well as to provide $300 billion in deficit reduction. Corporations with profits more than $1 billion a year will be assessed a minimum 15% tax. Up until now, about 150 major corporations paid far less than a 15% tax on their net profit. This provision is expected to raise more than $300 billion in revenue. Further, a 1% tax on corporate stock buy backs, (during stock market downturns corporations often buy back their company stock in order to drive up its value) is expected to raise an additional $74 billion. There is also a provision to provide the I.R.S. $8 billion per year, for ten years, in order to facilitate the collection of an estimated $20 billion in taxes that annually goes unpaid by wealthy individuals.

What Are The Major Climate Provisions In The Package?

Touted as the largest national investment to address climate change, the Inflation Reduction Act spends nearly $370 billion to reduce climate pollution by approximately 40 percent by 2030. The legislation uses a carrot and stick approach. There are extensions of tax credits for electric vehicles, residential solar installations, for wind turbines, battery storage, heat pumps, geothermal and biogas, and incentives for manufacturers to create the technology in the United States. There is an expanded tax credit for energy efficiency in commercial buildings and new tax credits for carbon capture technology and hydrogen electricity generation. And there is a new fee that will be imposed on companies that generate excess methane, a particularly potent climate change culprit.

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