

LEGAL UPDATE

Inflation Reduction Act Contains Some Health Reforms

On Aug. 12, 2022, the U.S. House of Representatives passed the [Inflation Reduction Act](#). President Joe Biden is expected to sign it into law shortly. While this bill is primarily aimed at fighting inflation and reducing carbon emissions, it also contains a number of reforms that will impact health coverage. The health reforms included in the bill have staggered effective dates and will be implemented over the next several years.

Overview of the New Health Reforms

The bill's health reforms primarily impact those with Medicare coverage. Specifically, the bill implements the following measures:

- It allows the Secretary of Health and Human Services to **negotiate the prices of certain Medicare drugs** each year. The negotiations will take effect in 2026 for 10 drugs covered by Medicare, increasing to 20 drugs in 2029.
- Beginning in 2023, **the cost of insulin will be capped at \$35 per month for people with diabetes enrolled in Medicare.**
- Beginning in 2025, **out-of-pocket prescription drug costs will be capped at \$2,000 per year for Medicare beneficiaries.**
- The bill also implements a **three-year extension on increased health insurance subsidies for coverage purchased through an Exchange.** These enhanced subsidies were originally provided as part of the [American Rescue Plan Act](#), a COVID-19 relief bill, and were set to expire at the end of 2022.

Individuals should become familiar with the health reforms that are included in the Inflation Reduction Act to determine how their health coverage and costs may be affected.

Effective Dates

2023–2025

Enhanced Exchange subsidies are extended for three years.

2023

The monthly cost of insulin is capped at \$35 for Medicare enrollees.

2025

Out-of-pocket prescription drug costs for Medicare enrollees are capped at \$2,000 annually.

2026

Negotiations for certain prescription drug costs begin.

The Inflation Reduction Act contains a number of health reforms that primarily impact Medicare coverage.

Provided to you by **Cavanaugh Macdonald Consulting**

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