

IRA Impact on EGWPs



On August 16th, the Inflation Reduction Act of 2022 (IRA) was signed into law. The text of the bill is located [here](#) and some of the major provisions include a maximum monthly cost-sharing on insulin products, no cost-sharing on Advisory Committee on Immunization Practices (ACIP) recommended vaccines, and an annual out-of-pocket cap on enrollee spending. Employer group waiver plans (EGWPs) are required to follow all IRA provisions and will be impacted from a benefit and financial perspective. The purpose of this document is dig deeper into the major provisions that will impact EGWPs from both a financial and enrollee perspective.

2024 Provisions

Insulins and ACIP-Recommended Vaccines Cost-Sharing

Enrollees will not pay more than \$35 for a one-month supply for all formulary and non-formulary insulin products. Enrollees will not pay anything for ACIP-recommended vaccines. This provision was originally enacted in 2023 after bids were already submitted. Plan year 2024 will be the first time plans can factor these costs into their bids.

- Enrollee Impact: Diabetic enrollees will likely experience a more generous benefit applied at the pharmacy for any insulin products. The monthly cap also extends to 2-month (\$70 max) and 3-month (\$105 max) supplies. Enrollees will not incur any costs for ACIP-recommended vaccines. Enrollees may experience an increase in their monthly premium amount to account for these additional benefits.
- EGWP Impact: In 2023, the Centers for Medicare & Medicaid Services (CMS) will fully subsidize and reimburse the enrollee's reduction in cost-sharing for insulins and vaccines. Starting 2024, plans will continue to apply the benefits at the point-of-sale but will no longer receive any claim subsidies. The additional plan liability will result in the industry average bid amount increasing, which is a factor used to calculate a plan's monthly direct subsidy premium amount. An increase to the bid amount will subsequently result in an increase in CMS' monthly premium amount for all enrollees.

Elimination of Catastrophic Cost-Sharing

Enrollees will not incur any cost-sharing once they reach the True out-of-pocket (TrOOP) threshold of \$8,000. Prior to this provision, enrollees would have been liable for up to 5% of the cost of the medication.

- Enrollee Impact: Enrollees will no longer have any cost-sharing after they reach the TrOOP threshold. Enrollees on high-cost medication would likely benefit from this provision. Enrollees may experience an increase in their monthly plan premium amount to account for the additional benefit.
- EGWP Impact: In 2024, the plan is liable for the 5% enrollee liability above the TrOOP threshold. The additional enrollee benefits will result in an increase in the plan liability. The additional plan costs will result in an increase in the industry average bid amount, causing the monthly CMS direct subsidy premium amounts to increase for all enrollees. Due to the enrollee no longer having a cost-share after reaching the TrOOP threshold, plans may also experience an increase in the enrollee's drug utilization for the remainder of the plan year.

2025 Provisions

Maximum Out-of-Pocket (MOOP)

After incurring \$2,000 in member out-of-pocket (MOOP) costs, enrollees will no longer have any cost-sharing for the rest of the plan year.

- Enrollee Impact: Enrollees will no longer have any cost-sharing after they reach the MOOP limit. This provision will likely benefit enrollees who are prescribed high-cost medications. Enrollees may experience an increase in their monthly plan premium amount to account for the additional benefit.
- EGWP Impact: The plan's liability will increase for any drug costs above the MOOP limit. The additional plan liability will likely result in an increase in the industry average bid amount, causing the monthly CMS direct subsidy premium amount to increase for all enrollees. Due to the enrollee no longer having a cost-share after reaching the MOOP limit, plans may also experience an increase in the enrollee's drug utilization for the remainder of the plan year.

New Manufacture Discount Program

CMS will sunset the current coverage gap discount program which provides a 70% discount on all branded medications within the coverage gap for enrollees who are not eligible for extra help. The new manufacture discount program will be at a smaller discount rate, would be applied earlier within the benefit, continue throughout the plan year, and would apply to all enrollees. The new manufacture discount program will be a 10% discount on all branded medications after the standard deductible and before the MOOP limit. After the MOOP limit, the discount will increase to 20% and will continue to be applied for the remainder of the plan year. Additionally, the new discount program will be applied to all enrollees.

- Enrollee Impact: This provision will impact the plan reimbursement rates and will not directly impact the enrollee cost-sharing or the enrollee's advancement through the benefit. Any increase to the plan liability because of this provision may impact the enrollee's monthly premium amount.
- EGWP Impact: Plans with a high enrollment rate of enrollees who qualify for extra help will likely see an increase in their manufacture payments. However, EGWPs typically have a low enrollment of enrollees who qualify for extra help and extending out the benefit to this additional population is not significantly beneficial. EGWPs will likely see a reduction in manufacture payments under this new program, resulting in an increase in plan liability and a premium adjustment.

Reduction in Reinsurance

Prior to IRA, the final plan liability above the TrOOP threshold was 15% (80% reinsurance payment, 5% enrollee liability). Starting in 2025, the final plan liability above the MOOP limit will increase to 60% (Generics: 40% reinsurance, Brands: 20% reinsurance, 20% manufacturer discount).

- Enrollee Impact: This provision will impact the plan's reimbursement rates and will not directly impact enrollee costs. Enrollees will likely experience an increase in their monthly premium amount to account for the increase in plan liability.
- EGWP Impact: The EGWP liability for drugs above the MOOP limit will increase. **The monthly CMS direct subsidy amount should increase to assist in offsetting the additional plan liability. Amwins Rx continues to assess additional cost containment strategies for 2025.**

Conclusion

Overall, there are several provisions that would impact Part D plans and EGWPs. Although not outlined within this document, CMS will also institute provisions to control and manage the cost of Medicare Part D drugs, which may further assist plans with mitigating their financial costs in the future. Based on the current and future provisions, the IRA serves to provide enrollees with more generous benefits but also results in lower claim reimbursements to the plan (reinsurance and manufacturer discount). This combination will result in an increase in plan liability across the industry and likely an increase in the industry's average bid amount. An increase in the industry average bid amount would result in CMS paying out additional monthly direct subsidy premium payments to plans to offset the increase in plan costs.