REGIONAL LEADERSHIP COUNCIL

Leader Hakeem Jeffries —— Chair Steny H. Hoyer

How Alabama's 7th District is Benefitting from Lower Insulin Prices

Executive Summary

As part of the Investing in America Agenda, Congress passed drug pricing reforms that have significantly lowered the cost of insulin. As a result of the Inflation Reduction Act (IRA), Medicare beneficiaries' out-of-pocket insulins costs are now capped at $35 a month, and the American Rescue Plan (ARP) strengthened Medicaid's ability to limit drug price increases starting in 2024. As a result of these laws, the three largest manufacturers of insulin, who supply nearly all the insulin in the United States, announced that they would slash the cost of their insulins by up to 75%.

Although the degree of savings that any individual may experience will depend on the type of insulin they use, these reforms are significantly reducing insulin costs for the approximately **84,000** individuals with diabetes living in **Alabama's 7th District**, including **28,000** who require daily shots of insulin. Due to Medicare's cap on insulin costs, **3,800** Medicare beneficiaries who rely on insulin to manage their diabetes living in the district are saving on average **$400** annually compared to 2020 prices.

There are **5,600** district residents with employer health insurance coverage and **830** who are uninsured who rely on insulin. A substantial number of these individuals will also experience significant savings when the manufacturers' price reductions take effect.

Background

Americans with Diabetes Face Soaring Insulin Costs

Diabetes is a life-threatening chronic health condition that affects the lives of over 38 million people in the United States, including nearly one third of Americans 65 or older.[1] The prevalence of diabetes is especially high among African Americans (12.5%),

[1] Centers for Disease Control and Prevention, *National Diabetes Statistics Report Website* (July 31, 2024). (https://www.cdc.gov/diabetes/php/data-research/index.html).

Hispanics (10.3%), Asians (9.2%), and American Indians and Alaskan Natives (16%).[2] Due in part to rising rates of obesity and an aging population, the prevalence of diabetes has increased substantially over the last 25 years. Between 1999 to 2016, the percentage of U.S. adults with diabetes increased by over 70%.[3]

The rising prevalence of diabetes is a major public health challenge. In 2021, diabetes ranked as the eighth leading cause of death in the United States, directly claiming the lives of over 103,000 Americans and contributing to approximately 399,000 additional deaths.[4] Diabetes also increases the risk of a wide range of medical complications, including kidney failure, heart disease, stroke, limb amputation, liver disease, cancer, and functional and cognitive disabilities.[5]

These health risks are a financial burden for individuals and the health care system. In 2022, individuals diagnosed with diabetes had an average of $19,736 in medical expenses, over two times the national average. In that same year, the total cost of treating all Americans with diabetes amounted to $413 billion, including $307 billion in direct medical costs and $106 billion in lost productivity.[6]

Medications play a crucial role in controlling diabetes and reducing the disease's health risks. Over 80% of adults with diabetes rely on medications to manage their condition, and 34% rely on daily insulin injections to manage their diabetes.[7]

The high price of insulin, however, has created an intense financial burden for many individuals who depend on these medications. Uninsured patients can often pay up to $1,000 per month for insulin.[8] Insured insulin patients also experience financial strain, with nearly one in six facing "catastrophic" costs, meaning that they spend over 40% of their discretionary income on their insulin prescription.[9]

Additionally, nearly a fifth of insulin users reported rationing their insulin, which significantly increases their risk of additional medical complications.[10] A recent study

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[2] Centers for Disease Control and Prevention, Diabetes Report Card National and State Diabetes Trends, Figure 4 (May 17, 2022). https://www.cdc.gov/diabetes/library/reports/reportcard/national-state diabetes-trends.html.
[3] Fang, M., "Trends in the Prevalence of Diabetes Among U.S. Adults," *American Journal of Preventive Medicine*, (August 2018). https://www.ajpmonline.org/article/S0749-3797(18)31908-1/abstract.
[4] American Diabetes Association, *Statistics About Diabetes* (https://diabetes.org/about-us/statistics/about-diabetes).
[5] Deshpande, A., et. al., "Epidemiology of Diabetes and Diabetes-Related Complications," *Physical Therapy*, (November 2008). https://www.ncbi.nlm.nih.gov/pmc/articles/PMC3870323/. Tomic, D., et. al., "The Burden and Risks of Emerging Complications of Diabetes Mellitus," *Nature* (June 6, 2022). https://www.nature.com/articles/s41574-022-00690-7.
[6] American Diabetes Association, *Economic Costs of Diabetes in the U.S. in 2022* (November 1, 2023) (https://diabetesjournals.org/care/article/47/1/26/153797/Economic-Costs-of-Diabetes-in-the-U-S-in-2022).
[7] Centers for Disease Control and Prevention, *Diabetes Medication Use – Total, Adults with Diabetes Aged 18+ Years, Age-Adjusted Percentage, National*. https://gis.cdc.gov/grasp/diabetes/diabetesatlas-surveillance.html.
[8] Washington Post, *Life, Death and Insulin* (January 7, 2019). https://www.washingtonpost.com/news/magazine/wp/2019/01/07/feature/insulin-is-a-lifesaving-drug-but-it-has-become-intolerably-expensive-and-the-consequences-can-be-tragic/?utm_term=.031131d91adb.
[9] Bakkila, B., et., al., Health Affairs, *Catastrophic Spending On Insulin In The United States, 2017–18* (July 2022). https://www.healthaffairs.org/doi/suppl/10.1377/hlthaff.2021.01788.
[10] Department of Health and Human Services, Assistant Secretary for Planning and Evaluation, *Report on the Affordability of Insulin*, page 7 (December 16, 2022). https://aspe.hhs.gov/sites/default/files/documents/b60f396f32e29a2a9469276d9ca80e4b/aspe-insulin-affordibility-rtc.pdf.

estimated that the Medicare program incurs $11 billion of these preventable costs annually.[11]

The Investing in America Agenda Reversed Rising Costs

The IRA and ARP has halted this trend of rising insulin prices. As a result of the IRA, the approximately 4 million Medicare beneficiaries who use insulin will never pay more than $35 a month for their insulin and will together save roughly $734 million a year.[12]

Starting next year, the ARP increases Medicaid's penalties on drug manufactures that increase the prices of their drugs faster than inflation. Prior to the ARP, these Medicaid penalties were capped at the manufacturer's average price for the drug, which limited the penalties for manufacturers who significantly increased their prices.[13] As a result of the ARP, starting next year, drug manufacturers that increased the price of a drug above the overall rate of inflation will have to pay Medicaid the full amount of their price increases above the rate of inflation. Because Eli Lily, Novo Nordisk, and Sanofi's increased the price of their insulins much faster than inflation, they would have had to pay Medicaid large rebates next year if they kept their prices at current levels.

A result of the IRA and ARP, all three companies have announced that they will reduce the price of their insulins by up to 75%, and Sanofi and Eli Lilly committed to capping out-of-pocket costs to $35 a month for all privately insured patients.[14] Eli Lilly's price reductions are already in effect, and Sanofi and Novo Nordisk will cut the price of their insulins by the start of next year. Altogether these reductions will save billions of dollars and provide relief for the 2.5 million insulin users with private insurance.[15]

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[11] These costs are not included in this analysis. For more information, see IHS Markit, Passing a Portion of Negotiated Rebates Through to Seniors with Diabetes Can Improve Adherence and Generate Savings in Medicare (May 14, 2018). https://cdn.ihs.com/www/pdf/IHSM-RebateSharingReport-10May2018.pdf.

[12] Department of Health and Human Services, Assistant Secretary for Planning and Evaluation, *Report on the Affordability of Insulin*, Table 4-1, page 40 (December 16, 2022). https://aspe.hhs.gov/sites/default/files/documents/b60f396f32e29a2a9469276d9ca80e4b/aspe-insulin-affordibility-rtc.pdf. Department of Health and Human Services, Assistant Secretary for Planning and Evaluation, *Insulin Affordability and the Inflation Reduction Act: Medicare Beneficiary Savings by State and Demographics* (January 24, 2023). https://aspe.hhs.gov/sites/default/files/documents/bd5568fa0e8a59c2225b2e0b93d5ae5b/aspe-insulin-affordibility-datapoint.pdf.

[13] Kaiser Family Foundation, *Understanding the Medicaid Prescription Drug Rebate Program* (November 12, 2019). https://www.kff.org/medicaid/issue-brief/understanding-the-medicaid-prescription-drug-rebate-program/. Medicaid and CHIP Payment and Access Commission, *June 2019 Report to Congress on Medicaid and CHIP, Chapter 1: Next Steps in Improving Medicaid Prescription Drug Policy*, page 7 (June 15, 2019). https://www.macpac.gov/wp-content/uploads/2019/06/June-2019-Report-to-Congress-on-Medicaid-and-CHIP.pdf.

[14] Eli Lilly, *Lilly Cuts Insulin Prices by 70% and Caps Patient Insulin Out-of-Pocket Costs at $35 Per Month* (March 1, 2023). https://investor.lilly.com/news-releases/news-release-details/lilly-cuts-insulin-prices-70-and-caps-patient-insulin-out-pocket. Novo Nordisk, *Novo Nordisk to Lower U.S. Prices of Several Pre-Filled Insulin Pens and Vials up to 75% for People Living with Diabetes in January 2024* (March 14, 2023). https://www.novonordisk.com/news-and-media/latest-news/lowering-us-list-prices-of-several-products-.html#. Sanofi, Press Release: *Sanofi cuts U.S. list price of Lantus®, its most-prescribed insulin, by 78% and caps out-of-pocket Lantus costs at $35 for all patients with commercial insurance* (March 16, 2023). https://www.sanofi.com/en/media-room/press-releases/2023/2023-03-16-20-06-43-2629188.

[15] Department of Health and Human Services, Assistant Secretary for Planning and Evaluation, *Report on the Affordability of Insulin*, Tables ES-1 & 4-1, pages 7 & 40 (December 16, 2022). https://aspe.hhs.gov/sites/default/files/documents/b60f396f32e29a2a9469276d9ca80e4b/aspe-insulin-affordibility-rtc.pdf.

Savings for Medicare Beneficiaries

In **Alabama's 7th District**, there are an estimated **40,000** Medicare beneficiaries who have been diagnosed with diabetes, **13,400** of whom are estimated to use insulin. In 2020, these beneficiaries filled **141,000** monthly insulin prescriptions through Medicare drug plans. In total, these prescriptions cost the Medicare program, including beneficiary co-pays, **$65,822,000** dollars in 2020, the most recent year that data is available.

Of the Medicare beneficiaries in the district who use insulin, **3,800** paid more than $35 per month for their insulin in 2020. Because of the IRA, they will now save on average **$400** annually on their insulin.

The savings for any individual Medicare beneficiary depends on the insulin being used and the drug benefit the individual has. Individuals who qualify for Medicare's low-income subsidy do not pay more than $11.20 per brand-name drug in 2024.[16] For Medicare beneficiaries who do not qualify for low-income subsidies, the amount they pay for insulin will depend on the design of their drug benefit. The examples below show the number of Medicare beneficiaries in the district who use three popular insulins and the savings they would realize if they were on Medicare's standard drug benefit:

- **Novolog Flexpen**: Approximately **1,774** Medicare beneficiaries in the district were prescribed Novolog Flexpen in 2020. Under the standard Part D benefit, these beneficiaries would have paid **$2,035** out of pocket for their insulins. As a result of the IRA's $35 cap on insulin prices, the out-of-pocket costs for beneficiaries with the standard benefit are **79%** lower this year, saving them **$1,615**.
- **Lantus Solostar**: Approximately **3,933** Medicare beneficiaries in the district were prescribed Lantus Solostar in 2020. Under the standard Part D benefit, these beneficiaries would have paid **$1,477** out of pocket for their insulins. As a result of the IRA's $35 cap on insulin prices, the out-of-pocket costs for beneficiaries with the standard benefit are **72%** lower this year, saving them **$1,057**.
- **Humalog**: Approximately **541** Medicare beneficiaries in the district were prescribed Humalog in 2020. Under the standard Part D benefit, these beneficiaries would have paid **1,973** out of pocket for their insulins. As a result of the IRA's $35 cap on insulin prices, the out-of-pocket costs for beneficiaries with the standard benefit are **79%** lower this year, saving them **1,553**.[17]

[16] Department of Health and Human Services. *Help with drug costs,* (July 31, 2024). (https://www.medicare.gov/basics/costs/help/drug-costs).
[17] The total number of Novolog Flexpen, Lantus Solostar, and Humalog users may exceed the estimated number of Medicare beneficiaries in the district who benefit from the $35 out-of-pocket cap. This is because the total number of users includes Medicare beneficiaries whose out-of-pocket costs may be less than $35 per prescription due to the low-income subsidy or the design of the beneficiary's Part D drug plan.

Savings for Other District Residents

An estimated **17,000** residents in the district who are diagnosed with diabetes are insured through their current or former employer, **5,600** of whom rely on insulin to manage their diabetes.

Depending on the insulin these residents are using and the terms of their insurance coverage, they are likely seeing significant savings due the manufacturer price reductions. Nationally, 35% of individuals with private insurance who use insulin pay more than $35 per prescription.[18]

Uninsured individuals using insulin may see the largest savings since they can be required to pay the full list price of their insulin. An estimated **4,100** residents in the district are uninsured and diagnosed with diabetes, and **830** rely on insulin.

Conclusion

For too long, life-saving medication has been priced out of reach for Americans who need it—oftentimes leading to individuals rationing their medication and putting an undue financial pressure on families. Americans should never have had to choose between paying rent or paying for insulin. Two new laws, the IRA and the ARP, are significantly lowering insulin costs for individuals with diabetes in **Alabama's 7th District** bringing much needed financial relief to thousands of families in the district.

This report was last updated on August 16, 2024[19]

[18] Department of Health and Human Services, Assistant Secretary for Planning and Evaluation, *Insulin Affordability and the Inflation Reduction Act: Medicare Beneficiary Savings by State and Demographics* (January 24, 2023). https://aspe.hhs.gov/sites/default/files/documents/bd5568fa0e8a59c2225b2e0b93d5ae5b/aspe-insulin-affordibility-datapoint.pdf.

[19] Regional Leadership Council, *"Methodology For Regional Leadership Council Briefings"* (August, 2024). (https://rlc.house.gov/sites/evo-subsites/regionalleadershipcouncil.house.gov/files/evo-media-document/RLC%20Methodology%20-%20UPDATED%20August%202024.pdf).