REGIONAL LEADERSHIP COUNCIL

Leader Hakeem Jeffries —— Chair Steny H. Hoyer

How New Jersey's 1st District is Benefitting from Lower Prescription Drug Prices

Executive Summary

When the House and Senate both had Democratic majorities, Congress enacted drug pricing reforms through the American Rescue Plan (ARP) and Inflation Reduction Act (IRA) to considerably lower the cost of medications for Medicare beneficiaries. As a result of the IRA, **32,000** Medicare beneficiaries in **New Jersey's 1st District** are projected to save a total of **$9 million** in out-of-pocket costs for their prescription medications this year. Next year, the number of those benefiting from the IRA will increase to **43,000**, and their savings will increase to **$21.6 million**.

The average savings for a beneficiary in the district who is not eligible for low-income subsidies is projected to be **$564** this year and **$880** next year.

The ARP and IRA accomplishes this primarily through four major policy changes. First, the IRA caps out-of-pocket insulin costs for Medicare beneficiaries at $35 per month. Although the degree of savings will vary among individuals, these reforms are significantly reducing insulin costs for many of the approximately **29,000** Medicare beneficiaries with diabetes living in **New Jersey's 1st District**, including **8,200** who require daily shots of insulin.

Second, the IRA makes adult vaccines free for Medicare beneficiaries by eliminating all cost sharing. This provision will save beneficiaries hundreds of dollars a year on vaccines for shingles, RSV, tetanus, diphtheria, pertussis (whooping cough), and other diseases.

Third, starting this year, the IRA protects all Medicare beneficiaries from catastrophic drug costs. A Medicare beneficiary in **New Jersey's 1st District** will not be required to pay more than about $3,330 in out-of-pocket costs for brand-name drugs in 2024, and no more than $2,000 in total out-of-pocket costs in 2025. The ARP also increased the penalties that drug manufacturers are required to pay Medicaid when they increase their prices faster than inflation. These measures could save beneficiaries thousands of dollars each year on high-cost drugs.

Fourth, the IRA expanded access to Medicare's Low-Income Subsidy (LIS) program. As a result, more low-income seniors could save over 80% on annual out-of-pocket costs by expanding those who can benefit from the program, which reduces premiums and out-of-pocket costs for those who need it.

These savings will grow in future years. The IRA authorizes Medicare to negotiate the price of the most expensive medications that lack competition each year. Medicare has begun negotiations to lower the price of the first 10 high-cost drugs, which will go into effect beginning in2026, and Medicare will continue negotiating lower prices for additional high-cost drugs for years 2027 and beyond. Depending on the price of the drug and a beneficiary's coverage, these negotiations could potentially lower an individual's out-of-pocket costs by hundreds or even thousands of dollars.[1] In total, these negotiations are projected by the Congressional Budget Office to save Medicare $4 billion in 2026 and an additional $95 billion through 2031.[2]

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.[3] The rate of diabetes is especially high among African Americans (12.5%), Hispanics (10.3%), Asians (9.2%), and American Indians and Alaskan Natives (16%).[4] Due in part to rising rates of obesity and an aging population, the prevalence of diabetes has increased substantially over the last 25 years. From 1999 to 2016, the percentage of U.S. adults with diabetes increased by over 70%.[5]

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.[6] Diabetes also increases the risk of various medical complications, including

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[1] Department of Health and Human Services, Assistant Secretary for Planning and Evaluation, *Medicare Drug Price Negotiation Program: Understanding Development and Trends in Utilization and Spending for the Selected Drugs* (December 14, 2023) (https://aspe.hhs.gov/sites/default/files/documents/4bf549a55308c3aadc74b34abcb7a1d1/ira-drug-negotiation-report.pdf); Kaiser Family Foundation, How Medicare's New Drug Price Negotiation Program Could Expand Access to Drugs (September 26, 2023).
(https://www.kff.org/medicare/issue-brief/how-medicares-new-drug-price-negotiation-program-could-expand-access-to-selected-drugs/).

[2] Congressional Budget Office, *Estimated Budgetary Effects of Title I, Committee on Finance, of Public Law 117-169, to Provide for Reconciliation Pursuant to Title II of S. Con. Res. 14, Table 1, Sec. 11001* (September 7, 2022).
(https://www.cbo.gov/system/files/2022-09/PL117-169_9-7-22.pdf).

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

[4] Centers for Disease Control and Prevention, *National Diabetes Statistics Report Website, Table 2. crude prevalence of diagnosed diabetes by detailed race and ethnicity among adults aged 18 years or older, United States, 2019–2021"* (July 31, 2024).
(https://www.cdc.gov/diabetes/php/data-research/index.html).

[5] 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).

[6] American Diabetes Association, *Statistics About Diabetes* (https://diabetes.org/about-us/statistics/about-diabetes).

kidney failure, heart disease, stroke, limb amputation, liver disease, cancer, and functional and cognitive disabilities.[7]

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.[8]

Medications play a crucial role in controlling diabetes and reducing the disease's health risks. Over 80% of adults with diabetes depend on medications to manage their condition, and 34% use insulin daily.[9]

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.[10] 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.[11]

Additionally, nearly a fifth of insulin users have reported rationing their insulin, which significantly increases their risk of further medical complications.[12] A recent study estimated that the Medicare program incurs $11 billion of these preventable costs annually.[13]

The Investing in America Agenda Reversed Rising Costs

The IRA and ARP have halted this trend of rising insulin prices by capping Medicare beneficiaries' insulin costs at $35 a month and by increasing Medicaid's penalties for increasing drug prices (often referred to as rebates).[14]

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[7] 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/s41574-022-00690-70).
[8] 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).
[9] 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).
[10] 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).
[11] 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).
[12] 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.
[13] 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.
[14] Kaiser Family Foundation, *What Are the Implications of the Recent Elimination of the Medicaid Prescription Drug Rebate Cap* (January 16, 2024). (https://www.kff.org/policy-watch/what-are-the-implications-of-the-recent-elimination-of-the-medicaid-prescription-drug-rebate-cap); Kaiser Family Foundation, *Explaining the Prescription Drug Provisions in the Inflation Reduction Act* (January 24, 2023). (https://www.kff.org/medicare/issue-brief/explaining-the-prescription-drug-provisions-in-the-inflation-reduction-act/).

As a result of the IRA's monthly out-of-pocket cap on insulin costs, the approximately 4 million Medicare beneficiaries who use insulin are saving a total of $734 million a year.[15]

In addition, the ARP has increased the amount of rebates drug manufacturers are required to pay Medicaid when they increase their prices faster than inflation. Prior to the ARP, these Medicaid rebates were capped at the manufacturer's average price for the drug.[16] As a result of the ARP, Medicaid's rebate formula could now require drug manufacturers that rapidly increased their prices to pay much larger rebates.

Altogether, these measures has led to Eli Lily, Novo Nordisk, and Sanofi announcing that they will reduce the price of their insulins by up to 75% and cap out-of-pocket costs to $35 a month for all privately insured patients.[17] These reductions will save billions of dollars and provide relief for the 2.5 million insulin users with private insurance.[18]

The Investing in America Agenda Expanded Access to Vaccines

Vaccinations are an essential public health tool in preventing infectious diseases, especially among older adults and those with chronic conditions. Adult vaccines include the flu vaccine; the pneumonia vaccine; the shingles vaccine; the tetanus, diphtheria and pertussis (whooping cough) vaccine; the respiratory syncytial virus (RSV) vaccine; and the COVID-19 vaccine.[19] Taking these vaccines can significantly reduce the incidence of these diseases – which can be severe and lead to hospitalizations and associated health care costs.[20]

Prior to the IRA, however, Medicare only fully covered the cost of vaccines for the flu, pneumonia, Hepatitis B, and COVID-19, compelling Medicare beneficiaries to pay out-of-pocket costs for all other vaccines.[21] These out-of-pocket costs could dissuade

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[15] 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.

[16] Kaiser Family Foundation, *What Are the Implications of the Recent Elimination of the Medicaid Prescription Drug Rebate Cap* (January 16, 2024). (https://www.kff.org/policy-watch/what-are-the-implications-of-the-recent-elimination-of-the-medicaid-prescription-drug-rebate-cap).

[17] 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).

[18] 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.

[19] Centers for Medicare & Medicaid Services, *Medicare Part D Vaccines* (June 2023). (https://www.cms.gov/outreach-and-education/medicare-learning-network-mln/mlnproducts/downloads/vaccines-part-d-factsheet-icn908764.pdf).

[20] Charlene Rodrigues and Stanley Plotkin, *Frontiers in Microbiology, Impact of Vaccines; Health, Economic, and Social Perspectives* (July 14, 2020). (https://www.ncbi.nlm.nih.gov/pmc/articles/PMC7371956/).

[21] Medicare Payment Advisory Commission, *June 2021 Report to the Congress, Chapter 7: Medicare Vaccine Coverage and Payment*, page 245 (June 15, 2021)

individuals from taking those vaccinations, leading to lower vaccination rates and a higher risk of vaccine-preventable diseases.[22]

The IRA ensures that all vaccines recommended by the Advisory Committee on Immunization Practices are free for all Medicare beneficiaries.[23] This policy will help prevent infections and hospitalizations and save beneficiaries at least $234 million annually in out-of-pocket costs.[24]

The Investing in America Agenda Caps Out-of-Pocket Costs for Medicare Beneficiaries

In a major change, the IRA capped Medicare beneficiaries' out-of-pocket expenses for brand name drugs at about $3,300 in 2024. Next year, they won't pay more than $2,000 out of pocket.[25] This provision affords Medicare beneficiaries with better financial security by allowing them to significantly reduce the up-front costs of expensive medications and diffuse those charges over the calendar year.[26]

The Investing in America Agenda Makes Health Care More Affordable for Low-Income Individuals

Before the IRA, some Medicare beneficiaries could face extreme benefit cliffs after they have been prescribed expensive medications. Traditionally, Medicare's Low-Income Subsidy (LIS) program has allowed Americans with incomes up to 150% of the federal poverty level (FPL) and limited financial assets to receive enhanced coverage for prescription drugs. If a Medicare beneficiary had an income up to 135% of the FPL and limited assets, they were able to enroll in Part D coverage with a low copayment and no annual premiums or deductibles. However, if a beneficiary had an income between 135% and 150% of the FPL, they had to pay a premium, a deductible, and a 15% coinsurance on drug costs above their deductible.[27]

(https://www.medpac.gov/wp-content/uploads/import_data/scrape_files/docs/default-source/default-document-library/jun21_ch7_medpac_report_to_congress_sec.pdf).

[22] Zhuliang Tao, et al., Vaccines, *Impact of Out-of-Pocket Cost on Herpes Zoster Vaccine Update: An Observational Study in a Medicare Managed Care Population* (December 2018). (https://www.ncbi.nlm.nih.gov/pmc/articles/PMC6313857/).

[23] Centers for Medicare & Medicaid Services, *Medicare Part D Vaccines* (June 2023). (https://www.cms.gov/outreach-and-education/medicare-learning-network-mln/mlnproducts/downloads/vaccines-part-d-factsheet-icn908764.pdf).

[24] Department of Health and Human Services, Assistant Secretary for Planning and Evaluation, *Medicare Part D Enrollee Savings from Elimination of Vaccine Cost-Sharing* (March 15, 2023). (https://aspe.hhs.gov/sites/default/files/documents/329fd579ada6515d3be404f06821c361/aspe-ira-vaccine-part-d.pdf).

[25] Department of Health and Human Services, Assistant Secretary for Planning and Evaluation, *Medicare Part D Enrollee Out-Of-Pocket Spending: Recent Trends and Projected Impacts of the Inflation Reduction Act* (July 7, 2023 (Revised January 30, 2024)) (https://aspe.hhs.gov/sites/default/files/documents/1b652899fb99dd7e6e0edebbcc917cc8/aspe-part-d-oop.pdf).

[26] Kaiser Family Foundation, *Millions of People with Medicare Will Benefit from the New Out-of-Pocket Drug Spending Cap Over Time* (February 8, 2024). (https://www.kff.org/medicare/issue-brief/millions-of-people-with-medicare-will-benefit-from-the-new-out-of-pocket-drug-spending-cap-over-time/); Department of Health and Human Services, Assistant Secretary for Planning and Evaluation, *Medicare Part D Enrollee Out-Of-Pocket Spending: Recent Trends and Projected Impacts of the Inflation Reduction Act* (July 7, 2023 (Revised January 30, 2024)) (https://aspe.hhs.gov/sites/default/files/documents/1b652899fb99dd7e6e0edebbcc917cc8/aspe-part-d-oop.pdf).

[27] Department of Health and Human Services, Assistant Secretary for Planning and Evaluation, *Medicare Enrollees and the Part D Drug Benefit: Improving Financial Protection Through the Low-Income Subsidy* (February 2024). (https://aspe.hhs.gov/sites/default/files/documents/1b1f69ae062bac6482241b17a6a7f17e/lis-issue-brief.pdf).

The IRA closes this gap in benefits by allowing all beneficiaries with incomes up to 150% of the FPL and a qualifying amount of assets to receive Part D coverage for their medications with no annual premium, deductible, or 15% coinsurance.[28] Hundreds of thousands of LIS beneficiaries will receive more generous LIS benefits as a result, helping to reduce their out-of-pocket costs by more than 80%.[29]

The Investing in America Agenda's Drug Price Negotiations

When the Medicare Part D Program was established under the Medicare Prescription Drug, Improvement, and Modernization Act (MMA) of 2003, Medicare was explicitly prohibited in law from negotiating with pharmaceutical manufacturers for lower prices under Medicare Part D. The IRA, for the first time, allows Medicare to negotiate lower prices for certain brand name drugs that do not have generic alternatives. Medicare's ability to negotiate the price of prescription drugs are projected to give additional savings to Medicare beneficiaries starting in 2026, when these prices take affect, depending on their medications and Part D coverage.[30] The Congressional Budget Office expects the negotiation program will save Medicare $99 billion over its first six years.[31]

Medicare and drug manufacturers began negotiating the prices of ten widely-used, high-cost drugs in February 2024, which account for approximately 20% of Medicare Part D's total annual drug spending.[32] New prices for these ten drugs were finalized in August of 2024 and will take effect in 2026.[33] The savings will vary by 25% to 60% depending on the manufacturers' current prices and how long the drug has been for

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[28] Kaiser Family Foundation, *Explaining the Prescription Drug Provisions in the Inflation Reduction Act, Expanded Eligibility for Full Benefits Under the Medicare Part D Low-Income Subsidy Program, Beginning in 2024* (January 24, 2023). (https://www.kff.org/medicare/issue-brief/explaining-the-prescription-drug-provisions-in-the-inflation-reduction-act).

[29] Department of Health and Human Services, Assistant Secretary for Planning and Evaluation, *Medicare Enrollees and the Part D Drug Benefit: Improving Financial Protection Through the Low-Income Subsidy* (February 2024) (https://aspe.hhs.gov/sites/default/files/documents/1b1f69ae062bac6482241b17a6a7f17e/lis-issue-brief.pdf); Department of Health and Human Services, Assistant Secretary for Planning and Evaluation, Medicare Part D Enrollee Out-Of-Pocket Spending: Recent Trends and Projected Impacts of the Inflation Reduction Act, Tables 7A and 7B, pages 19-20 (July 7, 2023 (Revised January 30, 2024)).

[30] Department of Health and Human Services, Assistant Secretary for Planning and Evaluation, *Medicare Drug Price Negotiation Program: Understanding Development and Trends in Utilization and Spending for the Selected Drugs* (December 14, 2023) (https://aspe.hhs.gov/sites/default/files/documents/4bf549a55308c3aadc74b34abcb7a1d1/ira-drug-negotiation-report.pdf); Kaiser Family Foundation, How Medicare's New Drug Price Negotiation Program Could Expand Access to Drugs (September 26, 2023) (https://www.kff.org/medicare/issue-brief/how-medicares-new-drug-price-negotiation-program-could-expand-access-to-selected-drugs/).

[31] Congressional Budget Office, *How CBO Estimated the Budgetary Impact of Key Prescription Drug Provisions in the 2022 Reconciliation Act.* (February 17, 2023) (https://www.cbo.gov/publication/58850); Congressional Budget Office, *Estimated Budgetary Effects of Title I, Committee on Finance, of Public Law 117-169, to Provide for Reconciliation Pursuant to Title II of S. Con. Res. 14, Table 1, Sec. 11001* (September 7, 2022). (https://www.cbo.gov/system/files/2022-09/PL117-169_9-7-22.pdf).

[32] Department of Health and Human Services, *HHS Selects the First Drugs for Medicare Drug Price Negotiation* (August 29, 2023). (https://www.hhs.gov/about/news/2023/08/29/hhs-selects-the-first-drugs-for-medicare-drug-price-negotiation.html).

[33] White House, FACT SHEET: Biden-Harris Administration Announces New, Lower Prices for First Ten Drugs Selected for Medicare Price Negotiation to Lower Costs for Millions of Americans (https://www.whitehouse.gov/briefing-room/statements-releases/2024/08/15/fact-sheet-biden-harris-administration-announces-new-lower-prices-for-first-ten-drugs-selected-for-medicare-price-negotiation-to-lower-costs-for-millions-of-americans/); Centers for Medicare & Medicaid Services, *Fact Sheet: Key Information on the Process for the First Round of Negotiations for the Medicare Drug Price Negotiation Program* (September 2023). (https://www.cms.gov/files/document/fact-sheet-negotiation-process-flow.pdf).

sale.[34] Future negotiations will target 15 additional drugs in 2027 and 2028 and 20 drugs a year thereafter.[35]

Savings in New Jersey's 1st District

There are **32,000** Medicare beneficiaries in **New Jersey's 1st District** who will benefit from the IRA drug pricing reforms this year. The financial benefits will vary based on a person's prescription expenses and income.

In 2024, these beneficiaries are projected to save an average of **$277**. Participants who are not covered by Medicare's low-income subsidy will save **$564** on average. In total, Medicare beneficiaries in **New Jersey's 1st District** will save an estimated **$9 million**.

In 2025, total district-wide savings will rise to **$21.6 million**. The number of Medicare beneficiaries with savings will increase to **43,000**, and their average savings is projected to be **$500**. Those who are not covered by Medicare's low-income subsidy will save an average of **$880**.

Insulin Savings

In **New Jersey's 1st District**, an estimated **29,000** Medicare beneficiaries have been diagnosed with diabetes, and an estimated **8,200** use insulin. In total, these insulin prescriptions cost the Medicare program, including beneficiary copays, **$16,985,000** dollars in 2022, the most recent year that data is available. Because of the IRA, they will now save, on average, **$485** annually on their insulin.

The savings for any individual Medicare beneficiary depends on the insulin they use and their Part D coverage. Individuals who qualify for Medicare's low-income subsidy do not pay more than $11.20 per brand-name drug in 2024.[36] For Medicare beneficiaries who do not qualify for low-income subsidies, the amount they pay out-of-pocket for insulin will depend on the design of their drug coverage. 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 enrolled in Medicare Part D's standard drug coverage:

- **Novolog Flexpen**: Approximately **1,426** Medicare beneficiaries in the district were prescribed Novolog Flexpen in 2022. Under the standard Part D benefit, these beneficiaries would have paid **$2,031** out of pocket for their insulins in 2022. As a

[34] These reductions are relative to manufacturers' "nonfederal average manufacturer price" (non-FAMP), which the average price, net of certain discounts, paid by wholesalers for nonfederal purchasers. Congressional Research Service, Medicare Drug Price Negotiation Under the Inflation Reduction Act: Industry Responses and Potential Effects (December 8, 2023) (https://crsreports.congress.gov/product/pdf/R/R47872).
[35] Beginning in 2027, Medicare will be able to negotiate drugs covered by either Part B, which are administered in physician offices, or Part D. Centers for Medicare & Medicaid Services, Medicare Drug Negotiation Program: Manufacturer Agreements for Selected Drugs for Initial Price Applicability Year 2026 (October 3, 2023). (https://www.cms.gov/files/document/fact-sheet-manufacturer-agreements-selected-drugs-ipay-2026.pdf); Kaiser Family Foundation, Explaining the Prescription Drug Provisions in the Inflation Reduction Act (January 24, 2023). (https://www.kff.org/medicare/issue-brief/explaining-the-prescription-drug-provisions-in-the-inflation-reduction-act/).
[36] Department of Health and Human Services. *Help with drug costs*, (July 31, 2024). (https://www.medicare.gov/basics/costs/help/drug-costs).

result of the IRA's $35 cap on insulin prices, the out-of-pocket costs for these beneficiaries will be **$79%** lower this year, saving them **$1,611**.[37]

- **Lantus Solostar**: Approximately **3,090** Medicare beneficiaries in the district were prescribed Lantus Solostar in 2022. Under the standard Part D benefit, these beneficiaries would have paid **$1,318** out of pocket for their insulins. As a result of the IRA's $35 cap on insulin prices, the out-of-pocket costs for these beneficiaries will be **68%** lower this year, saving them **$898**.
- **Humalog**: Approximately **753** Medicare beneficiaries in the district were prescribed Humalog in 2022. Under the standard Part D benefit, these beneficiaries would have paid **$1,890** out of pocket for their insulins. As a result of the IRA's $35 cap on insulin prices, the out-of-pocket costs for these beneficiaries will be **78%** lower this year, saving them **$1,470**.

Protections from Catastrophic Costs

As a result of the IRA, all of the approximately **124,000** Medicare beneficiaries prescription drug coverage in the district will have protection this year against catastrophic out-of-pocket costs above about $3,300 for brand-name drugs. The level of savings for each beneficiary will depend on their income and the prices of the drugs they use. The examples below show the savings Medicare beneficiaries in the district who use three popular and life-saving drugs would realize with this cap:

- **Revlimid:** Medicare beneficiaries in the district rely on this medication to combat leukemia, lymphoma, and multiple myeloma. Under Medicare's standard drug plan, these beneficiaries would have paid **$13,200** out of pocket each year for this medication. Their out-of-pocket costs for brand name drugs are now capped at around **$3,300** in 2024, saving them **$9,900** on Revlimid costs alone.
- **Xtandi:** Medicare beneficiaries in the district rely on this medication to treat several forms of prostate cancer. Under Medicare's standard drug plan, these beneficiaries would have paid **$10,900** out of pocket each year for this medication. They are now projected to save **$7,500** on Xtandi costs this year alone.
- **Enbrel:** Medicare beneficiaries in the district rely on this medication to treat multiple forms of arthritis and other autoimmune disorders. Under Medicare's standard drug plan, these beneficiaries would have paid **$6,800** out of pocket each year for this medication. They are now projected to save **$3,500** on Enbrel costs this year alone.[38]

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[37] Novolog Flexpen has been selected as one of the first ten drugs for the Medicare Drug Price Negotiation Program. Department of Health and Human Services, HHS Selects the First Drugs for Medicare Drug Price Negotiation (August 29, 2023) (https://www.hhs.gov/about/news/2023/08/29/hhs-selects-the-first-drugs-for-medicare-drug-price-negotiation.html).

[38] Enbrel has been selected as one of the first ten drugs for the Medicare Drug Price Negotiation Program. Department of Health and Human Services, *HHS Selects the First Drugs for Medicare Drug Price Negotiation* (August 29, 2023. (https://www.hhs.gov/about/news/2023/08/29/hhs-selects-the-first-drugs-for-medicare-drug-price-negotiation.html). The results were made public on August 15, 2024. (White House, *FACT SHEET: Biden-Harris Administration Announces New, Lower Prices for First Ten Drugs Selected for Medicare Price Negotiation to Lower Costs for Millions of Americans* (https://www.whitehouse.gov/briefing-room/statements-releases/2024/08/15/fact-sheet-biden-harris-administration-announces-new-lower-prices-for-first-ten-drugs-selected-for-medicare-price-negotiation-to-lower-costs-for-millions-of-americans/).

In addition to these projected savings, the IRA will cap all Part D beneficiaries' out-of-pocket costs at $2,000 next year. As a result, more beneficiaries in the district will see lower drug expenses and higher savings. For instance, those who are prescribed Revlimid will see their annual savings increase to **$11,200**; the annual savings for Xtandi users will increase to **$8,800**; and the annual savings for Enbrel users will increase to **$4,800**.

Affordable Vaccines

Because the IRA eliminated all cost-sharing for adult vaccines, Medicare beneficiaries in New Jersey's 1st District will see substantial savings. Under Medicare's standard drug coverage, beneficiaries would have paid $64 for the Tdap vaccine to prevent tetanus, diphtheria, and whooping cough in 2022. They would also have to pay $399 for Shingrix, a new shingles vaccine. The IRA removes all copays for these vaccines.

Expanded Financial Help for Low-Income Beneficiaries

The IRA has also made it easier to access enhanced Part D coverage through the Low-Income Subsidy (LIS) program. This provision will have a dramatic effect on out-of-pocket costs for beneficiaries with incomes between 135% and 150% of the FPL. For example, Medicare beneficiaries in the district who are taking Revlimid and have an income just below 150% FPL taking Revlimid have to pay only $11.00 this year, a 99%% reduction from 2023.[39]

Conclusion

For too long, too many Americans have been unable to afford life-saving medications due to the rising costs of prescription drugs. These costs have forced individuals to take extreme measures such as rationing their medications or forgoing the purchase of other basic life necessities. The enactment of the Inflation Reduction Act makes historic strides to alleviate these financial circumstances.

As of 2024, the Inflation Reduction Act is lowering the costs of prescription drugs for millions of Medicare beneficiaries across the country. Thanks to four key provisions in the law – the limit on insulin copays, the cap on total drug costs, free adult vaccines, and more generous low-income subsidies – **32,000** Medicare beneficiaries in **New Jersey's 1st District** are projected to save a total of **$9 million** this year. Next year, the number of those benefiting from the IRA will increase to **43,000**, and their savings will increase to **$21.6 million.**

[39] These calculations assume that the beneficiary is prescribed 12 monthly cycles of Revlimid treatments. The 2023 calculations are based on the parameters published in Centers for Medicare & Medicaid Services, Announcement of Calendar Year (CY) 2023 Medicare Advantage (MA) Capitation Rates and Part C and Part D Payment Policies (April 4, 2022). (https://www.cms.gov/files/document/2023-announcement.pdf); Centers for Medicare & Medicaid Services, Announcement of Calendar Year (CY) 2024 Medicare Advantage (MA) Capitation Rates and Part C and Part D Payment Policies (March 31, 2023). (https://www.cms.gov/files/document/2024-announcement-pdf.pdf).

These savings are projected to grow in 2026 and beyond as Medicare negotiates lower prices of high-cost prescription drugs on behalf of beneficiaries.

This report was last updated on August 16, 2024[40]

[40] 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).