The IRA Could Lead to Higher Out-of-Pocket Costs for 3.5 Million Medicare Patients in 2026

The Inflation Reduction Act (IRA) gives the federal government unprecedented authority to determine the price of certain medicines in Medicare through the *Medicare Drug Price Negotiation Program*. The government has selected an initial group of 10 medicines whose prices will be limited to what the IRA calls a "maximum fair price" (MFP) beginning in 2026.

In addition to the drug pricing provisions, the IRA includes important coverage improvements in Medicare Part D, including a new $2,000 limit on beneficiaries' annual out-of-pocket costs. PhRMA has long supported adding a cap on out-of-pocket spending in Medicare Part D as an important step to improve access and affordability.

Unfortunately, a new analysis from Milliman finds the IRA's drug pricing provisions could undermine the benefits of the new out-of-pocket limit for millions of seniors and people with disabilities. As a direct result of these provisions, **3.5 million Part D patients taking a medicine subject to an MFP could see higher out-of-pocket costs in 2026.**

How the Ira's Drug Pricing Provisions Translate to Higher Out-of-Pocket Costs

Today, beneficiaries commonly pay fixed copays for most of the 10 medicines that will be subject to an MFP in 2026. IRA's drug pricing provisions could **increase out-of-pocket costs for millions of beneficiaries with copays** by slowing progression toward the Part D maximum out-of-pocket limit. As a result, nearly half of all beneficiaries taking medicines subject to an MFP are **unlikely to experience out-of-pocket savings**, with many likely to see their **out-of-pocket costs increase instead**.

All low-income beneficiaries are projected to see increased out-of-pocket costs because they pay copays. The same is true for most beneficiaries enrolled in a Medicare Advantage prescription drug plan or employer group waiver plan (EGWP), as well as some stand-alone prescription drug plan beneficiaries.

Medicare Beneficiaries May Be Forced to Pay More Out of Pocket for Their Medicines

Beneficiaries enrolled in a Part D plan and taking a medicine subject to an MFP will see an average increase in out-of-pocket costs of 12% in 2026. That increase is likely to be higher for some demographic groups.

29%

Average increase for **beneficiaries enrolled in an EGWP** and taking a medicine subject to an MFP

27%

Average increase for **low-income beneficiaries** enrolled in a Part D plan taking a medicine subject to an MFP

15%

Average increase for **Black beneficiaries** enrolled in a Part D plan taking a medicine subject to an MFP

13%

Average increase for **Asian beneficiaries** enrolled in a Part D plan taking a medicine subject to an MFP

Instead of seeing their out-of-pocket costs decline, many seniors and people with disabilities may have to dig even deeper into their pockets to afford the medicines they need because of the IRA's drug pricing provisions. Rather than continue with misguided policies, Congress and the administration should prioritize strengthening the Part D program and tackling system-wide abuses by insurers and PBMs to ensure patients have consistent and affordable access to medicines.

Note: EGWPs are plans offered by employers or unions to their retirees. MFPs are still unknown for the selected medicines and the analysis does not predict such prices. The analysis assumes MFPs equal estimated ceiling prices.