

Payer Insights Survey: Gathering Early Perceptions of Health Plan Response to the Inflation Reduction Act of 2022

Amanda Forys,* Jessica Duchen,* Reeya Patel*

*Magnolia Market Access



Scan the QR code to learn more about Magnolia Market Access' work with federal policy and the IRA

Introduction

- Signed into law on August 16, 2022, the Inflation Reduction Act of 2022 (IRA) represents a landmark shift in federal policy governing the approach of the Centers for Medicare and Medicaid Services (CMS) to prescription drug pricing and reimbursement*
- IRA provisions aim to improve accessibility and affordability of healthcare by lowering prescription drug costs for patients, addressing rising drug prices, and reducing federal drug spending through policy reforms and changes to the Medicare program
- This survey is the third in a series that was adapted and fielded by Magnolia Market Access (MMA) each year since the passing of the IRA

Objectives

- Understand how payers and manufacturers are reacting to this sweeping legislation and how participants expect the IRA will affect the future of the pharmaceutical industry and access to care
- Examine industry insights, trends, and changes in payer response as IRA provisions are implemented over time

Methods

- A 60-minute, web-based survey was distributed to 26 medical and pharmacy directors from national and regional payers, and pharmacy benefit managers that account for over 259 million covered lives
- Survey results were supplemented with 60-minute synchronous remote interviews conducted with industry experts, including actuaries, economists, financial modelers, and healthcare attorneys

Results

Drug Price Negotiation Program (DPNP)

- 58% of respondents believe the prices negotiated through the DPNP will be **lower** than present prices
- 65% of respondents expect Medicare to have **stronger negotiation power** for physician-administered drugs than that it presently does
- Of the 31% of respondents that believe the IRA will significantly affect their organization's utilization management (UM) tools, many anticipate **step therapy and prior authorization will increase**
- Respondents expect manufacturers will **increase launch prices, decrease drug development pipelines**, and be **less willing to negotiate** in commercial markets (see figure on the right)

Medicare Part B and Part D Inflation Penalties

- 54% of respondents think manufacturers will be expected to pay inflation rebates twice and that they will be aligned with inflation rates

Medicare Part D Redesign

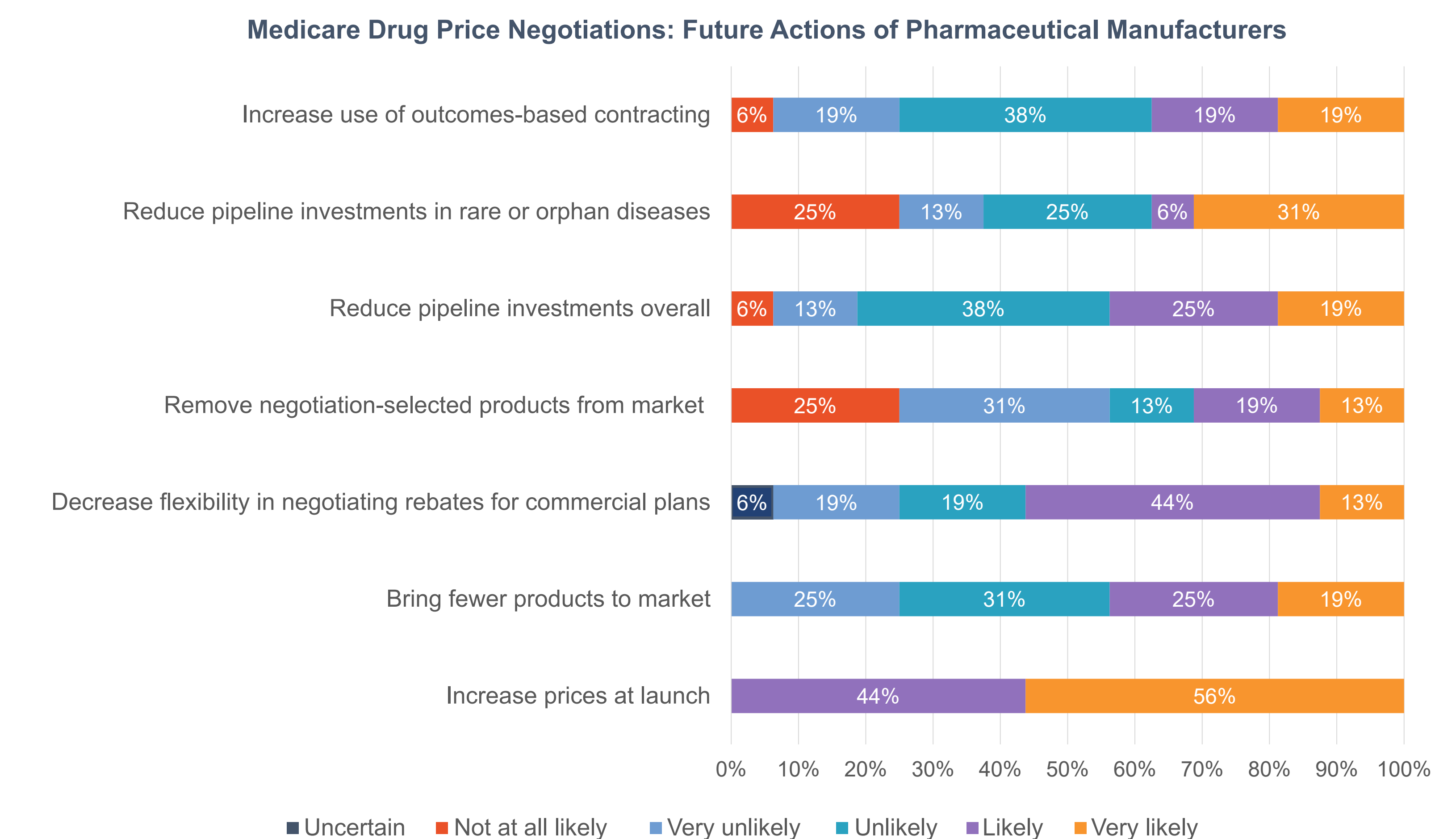
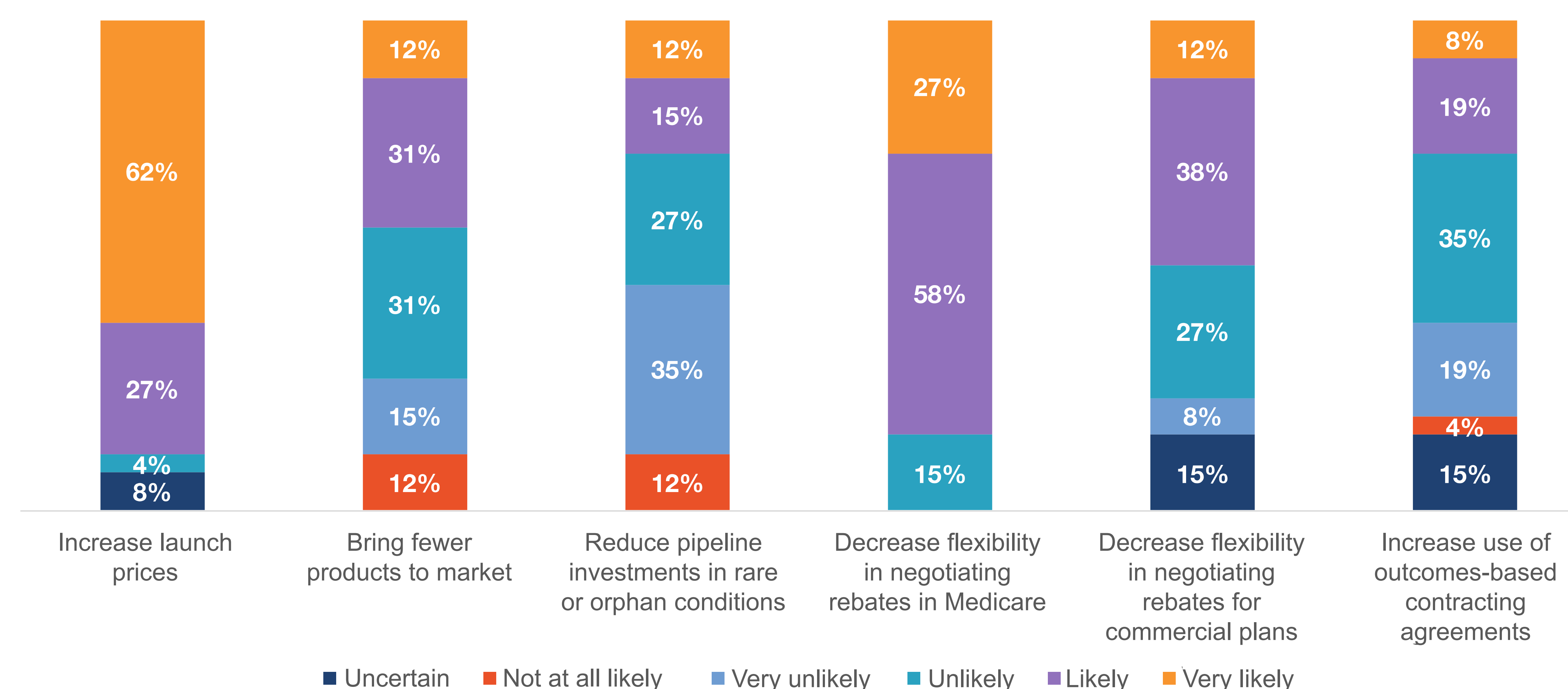
- Respondents plan to target a variety of drug classes for **increased formulary management** considering the Part D Redesign; 73% of respondents plan to target diabetes drugs
- Most respondents expect the Part D Redesign to drive UM changes (see figure below)

Medicare Part D Redesign: Top Future Actions for Payers

Action	% Responded "Likely" or "Very likely"
Increase number of products excluded from formulary	88%
Require step edits or generic first utilization more frequently	85%
Increase management of high-cost specialty products	81%
Increase scrutiny for formulary exceptions	81%
Increase management of high-cost orphan/rare disease products	77%

- 46% of respondents are expecting to increase Part D plan premiums by 5% to 10% in 2024
- 62% of respondents believe overall patient affordability will improve; patients will see lower out-of-pocket costs beginning in 2025
- Respondents expect **higher launch prices** and **increased rigidity** from manufacturers regarding contracting (see figure below)

Medicare Part D Benefit Redesign Effect on Future Actions of Pharmaceutical Manufacturers



"What is really showing is the [Part D] benefit [re]design itself is pushing a lot of liability to the payer [and] to the health plan. There is going to be a lot of pressure from the health plan for greater rebates across the board, at least for Medicare; if they just take the original plan liability at face value, they [have] to raise premiums a lot. If any of their competitors figure out how not to raise [their] premiums as much, then that more aggressive competitor is going to win big time in market share [of covered] lives."

—Actuary

Conclusions

- Results provide comprehensive insight into how payers may change their plan offerings, adjust their formularies, and implement cost control measures in response to the IRA over time
- While the full impact of the IRA is yet to be determined, survey findings continue to highlight the areas where payers are anticipating the most impact and how they plan to respond through health designs, formulary changes, adjusting premiums, and dynamic expectations of manufacturers
- The IRA brings opportunities for the industry and payers to partner together as provisions are implemented and drive toward the shared goal of increasing patient access to affordable prescription drugs

References

*Inflation Reduction Act of 2022, HR 5376, 117th Cong. (2022). Accessed 4/5/24. <https://www.congress.gov/bill/117th-congress/house-bill/5376>.