Press Release

The Inflation Reduction Act and Medicare

ALLIE WATSON | FEBRUARY 19, 2025

The Inflation Reduction Act's (IRA) health care provisions were marketed as a way to reduce seniors' drug costs. Are they working? After a round of negotiation between the Centers for Medicare and Medicaid Services and drug manufacturers over the "maximum fair price" of the agency's selected drugs, AAF President Douglas Holtz-Eakin provides a retrospective on the effectiveness of the IRA thus far.

He concludes:

> *The IRA is a dramatically failed Medicare policy. Its few positive reforms should be retained while the vast majority is transformed to restore the integrity of the original Part D program design. While the IRA is advertised as helping every senior, in fact, only a minority gets direct assistance, and all the budgetary savings are diverted to clean energy subsidies.*
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> *In addition, the IRA drug "negotiation" process cannot match market incentives for price reductions, is a dangerous precedent for economy-wide price-fixing, and hampers innovation incentives for drugs and biologics. Finally, the implementation of the Part D redesign was bungled; threatened higher premiums, dramatic formulary changes, and fewer Part D plans; and the subsequent bailout by a demonstration program undercuts the original intent.*

Read the analysis