Press Release

Examining the Inflation Reduction Act’s Medicare Part D Inflationary Rebate Guidance

PAULINA ENCK | JANUARY 9, 2024

Much attention has been paid to the Inflation Reduction Act’s (IRA) Medicare drug pricing “negotiation” provisions, but the IRA contains another set of provisions that will have significant consequences for both drugmakers and seniors: mandates for inflationary rebates in Medicare Parts B and D. In a new insight, Director of Health Care Policy Laura Hobbs explains how these inflationary rebates function and considers their potential harmful effects on Medicare Part D.

Key points:

- In the latest rulemaking to implement the IRA’s drug pricing provisions, the Centers for Medicare and Medicaid Services (CMS) published revised rebate guidance clarifying that any drug that costs more than $100 per Medicare Part D beneficiary per year and increases in cost greater than inflation may result in drugmakers being required to pay an inflationary rebate; this guidance will capture almost all medications.
- CMS’ framework is likely to undermine the ability of Part D plans through pharmacy benefit managers (PBMs) to negotiate rebates to lower prescription drug costs for seniors by weakening competition between manufacturers and PBMs for sizable rebates.
- In turn, this guidance will likely increase costs for Part D plans, and these increased outlays will likely be passed on to seniors through larger premiums and out-of-pocket prescription drug expenses.

Read the analysis