



Press Release

The Medicare Budget Implications of the Inflation Reduction Act

PAULINA ENCK | OCTOBER 3, 2023

The Inflation Reduction Act (IRA) has two primary policy initiatives: reforms to Medicare prescription drug policies and large-scale subsidies to clean (non-fossil) energy. In a new insight, AAF President Douglas Holtz-Eakin and Vice President for Economic Policy Gordon Gray review the IRA's budgetary implications for Medicare.

Key points:

- The IRA contains two Medicare provisions – an “inflation tax” and drug price “negotiation” – that are estimated to save the program \$266 billion from 2023–2031.
- Because Medicare is part of the unified federal budget, the \$266 billion in savings from Medicare do not equate to a \$266 billion benefit to program participants.
- Instead, the Medicare savings are simply another means of financing the IRA's \$670 billion in clean energy tax credits and other spending on energy and the environment.

[Read the analysis](#)