



The Inflation Reduction Act’s Medicare Budget Implications: Results for States and Regions

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Executive Summary

- The Inflation Reduction Act contains two Medicare provisions – an “inflation tax” and drug price “negotiation” – that are estimated to save \$266 billion from 2023 to 2031.
- Previous American Action Forum [research](#) established that some Medicare beneficiaries may see lower drug prices based on certain provisions included in the law, but the Medicare program does not benefit from an additional \$266 billion in potential savings spent to subsidize clean energy.
- This research breaks out these impacts by states and regions in the United States.

Introduction

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 discussing the IRA, advocates typically keep the two separate, giving the impression that Medicare drug policy will yield savings for the Medicare program while clean energy subsidies will speed the transition to a new energy portfolio. But in fact, the two are linked by the unified federal budget. Previous American Action Forum [research](#) makes clear that some Medicare budget savings will be spent to subsidize clean energy.

Thus, some beneficiaries may benefit from lower drug prices and lower corresponding out-of-pocket costs. But the possibility of additional Medicare benefits such as lower premiums or broader options from the \$266 billion in budget savings used to subsidize clean energy will not be realized. The map and table below summarizes the geographic distribution of that lost opportunity across U.S. regions and states.

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Region/State of Residence	Share of Total (\$ millions)		Region/State of Residence	Share of Total (\$ millions)
United States	266,000		Southeast	73,977
			Alabama	4,594
New England	13,294		Arkansas	2,795

Connecticut	2,989		Florida	20,224
Maine	1,501		Georgia	7,661
Massachusetts	5,844		Kentucky	4,079
New Hampshire	1,328		Louisiana	3,824
Rhode Island	973		Mississippi	2,639
Vermont	653		North Carolina	8,799
			South Carolina	4,780
Mideast	40,850		Tennessee	5,987
Delaware	934		Virginia	6,679
District of Columbia	407		West Virginia	1,912
Maryland	4,572			
New Jersey	7,073		Southwest	29,568
New York	15,867		Arizona	5,918
Pennsylvania	12,000		New Mexico	1,869
			Oklahoma	3,257
Great Lakes	39,902		Texas	18,524
Illinois	9,794			
Indiana	5,550		Rocky Mountains	8,881
Michigan	9,080		Colorado	4,058
Ohio	10,291		Idaho	1,510
Wisconsin	5,191		Montana	1,030
			Utah	1,791
Plains	17,922		Wyoming	493
Iowa	2,756			
Kansas	2,362		Far West	41,607
Minnesota	4,521		Alaska	450
Missouri	5,399		California	27,694
Nebraska	1,527		Hawaii	1,216
North Dakota	580		Nevada	2,375
South Dakota	779		Oregon	3,828
			Washington	6,043