



The 2022 Inflation Reduction Act is being rolled out gradually according to a planned timeline, with a key focus on cutting healthcare costs for Medicare beneficiaries by reducing prescription drug prices. These changes are expected to lower annual out-of-pocket costs for Medicare beneficiaries by an average of 30%, leading to billions of dollars in savings.[§]

Overview of Major Updates to Medicare Part D Effective January 2025:

1. **New benefit structure** with three phases: *annual deductible, initial coverage, and catastrophic coverage* (Figure 1)
 - a. **Elimination of the coverage gap (donut hole)**
 - b. Adjusted cost-sharing responsibilities for enrollees, Part D sponsors, manufacturers, and CMS
2. **Lower annual out-of-pocket (OOP) limit of \$2,000**
 - a. Option[¶] to enroll in the **Prescription Payment Plan** to spread out-of-pocket costs over the year with capped monthly payments (Figure 2)
3. The end of the Coverage Gap Discount Program (CGDP) and introduction of the Manufacturer Discount Program

[¶]Beneficiaries can choose to not enroll in the Payment Plan, but if they opt out, they must pay higher out-of-pocket costs upfront at the beginning of the year instead of spreading them out (if applicable).

Figure 1. Part D Benefit Design in 2025

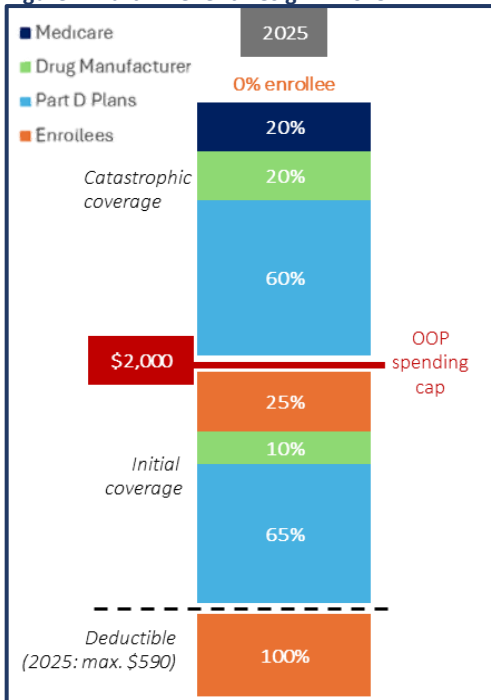


Figure 2. Medicare Prescription Payment Plan Example (January Enrollment)

Month	Drug Cost	Calculation	Monthly Payment with payment plan billed by mail (balance remaining)	Total OOP spend	
January	\$500	$\frac{\$2,000}{12 \text{ months}}$	\$166.67 (\$333.33 balance remaining)	\$166.67	First month's bill ¹ (by mail) is based on the "maximum possible payment" calculation ²
February	\$500	$\frac{(\$500 - \$166.67) + \$500}{11 \text{ months}}$	\$75.76 (\$756.57 balance remaining)	\$242.43	Subsequent month's bill is based on a different calculation ²
March	\$500	$\frac{(\$1,000 - \$242.43) + \$500}{10 \text{ months}}$	\$125.76 (\$1,131.81 balance remaining)	\$368.19	
April	\$500	$\frac{(\$1,500 - \$368.19) + \$500}{9 \text{ months}}$	\$181.31 (\$1,450.50 balance remaining)	\$549.50	
May	\$0	$\frac{(\$2,000 - \$549.50) + \$0}{8 \text{ months}}$	\$181.31 (\$1,269.19 balance remaining)	\$730.81	Patient has reached the annual out-of-pocket maximum (\$2,000 in 2025)
June	\$0	$\frac{(\$2,000 - \$730.81) + \$0}{7 \text{ months}}$	\$181.31 (\$1,087.88 balance remaining)	\$912.12	
July	\$0	$\frac{(\$2,000 - \$912.12) + \$0}{6 \text{ months}}$	\$181.31 (\$906.57 balance remaining)	\$1,093.43	
August	\$0	$\frac{(\$2,000 - \$1,093.43) + \$0}{5 \text{ months}}$	\$181.31 (\$725.26 balance remaining)	\$1,274.74	Patient continues to receive \$500 drug each month but won't add any new costs since they have reached the out-of-pocket maximum
September	\$0	$\frac{(\$2,000 - \$1,274.74) + \$0}{4 \text{ months}}$	\$181.31 (\$543.95 balance remaining)	\$1,456.05	
October	\$0	$\frac{(\$2,000 - \$1,456.05) + \$0}{3 \text{ months}}$	\$181.31 (\$362.62 balance remaining)	\$1,637.36	
November	\$0	$\frac{(\$2,000 - \$1,637.36) + \$0}{2 \text{ months}}$	\$181.31 (\$181.31 balance remaining)	\$1,818.67	
December	\$0	$\frac{(\$2,000 - \$1,818.37) + \$0}{1 \text{ month}}$	\$181.31 (\$0 balance remaining)	\$1,999.98	
TOTAL	\$2,000		\$2,000	\$1,999.98	

[¶]The Manufacturer Discount Program (green) will be gradually implemented for specific drugs from qualifying manufacturers between 2025 and 2028.

¹The first month's bill will be the lower of total drug costs or the calculated amount¹. For example, if the calculated cost is \$166.67 and total drug costs are \$500, the patient will be billed \$166.67. If the total drug costs are \$80, the patient will be billed \$80, since it's less than the calculated amount. In each case, the lower amount is billed.

Medicare Prescription Payment Plan – FAQs:

Does this plan reduce out-of-pocket costs?	No, it spreads high costs over the year and doesn't reduce total out-of-pocket costs. The plan mandates coverage for all medications billed through Part D , regardless of whether they are generic or brand-name drugs.
Who benefits from this plan?	Medicare Part D beneficiaries with high prescription costs early in the year, especially those on brand-name medications , will benefit. However, those in the Low-Income Subsidy (LIS/Extra Help) may not find additional advantages.
When and how can Part D enrollees opt in?	Enrollees can opt in before the 2025 plan year or anytime during the year by calling their Part D plan . They will also receive a notification by mail. Requests are processed within 24 hours.
Can individuals opt out?	Yes, beneficiaries can opt out at any time . Monthly bills will continue, but they can pay the balance in a lump sum. Future out-of-pocket costs must be paid directly at the pharmacy, as before.
What is the role of pharmacies?	Pharmacies are required to provide the "Medicare Prescription Payment Plan Likely to Benefit Notice." They are not able to enroll patients at point-of-sale . Pharmacists are a resource to explain these changes to Part D members.

Quick Review of Medicare Parts A-D	
Type	Coverage
Part A (Hospital)	Inpatient care (hospitals, skilled nursing facilities, hospice, and home health care)
Part B (Medical)	Services from doctors, outpatient care, durable medical equipment, and preventive services (screenings, vaccines, wellness visits)
Part C (Advantage)	Offers all benefits from Part A and B through private insurers, plus extras like dental, vision, and OTC items
Part D (Prescription)	Prescription drugs and immunizations

[§]Centers for Medicare & Medicaid Services. (July, 2023). [¶]Cubanski J, Neuman T. Published MF. KFF. 2023.