

## The Inflation Reduction Act Will Cut Health Care Costs for Montanans

President Biden believes that health care should be a right, not a privilege. Every American deserves the peace of mind that quality, affordable health insurance brings, and Americans facing illness should never have to worry about how they are going to pay for their treatment or face a choice between buying life-saving medications and putting food on the table.

The *Inflation Reduction Act of 2022* will lower health care costs for millions of Americans and put money back in the pockets of American families and seniors. The Act will cap prescription drug costs for tens of thousands of Montana Medicare beneficiaries, reduce health insurance premiums for tens of thousands of Montanans by about \$990 per year on average while expanding coverage to about 10,000 Montanans, and cap insulin co-payments for the thousands of Montana Medicare beneficiaries that use insulin.

### Cutting Prescription Drug Costs

Americans pay [two to three times](#) what citizens of other countries pay for prescription drugs. For some drugs, U.S. prices are even higher than that. For example, a [GAO study](#) found that Spiriva, used to control asthma and used by about 700,000 Medicare beneficiaries in 2020, had an estimated U.S. net price of \$250 in 2020 and cost between \$30 and \$52 in France, Australia and Canada. Myrbetriq, used to control overactive bladder and used by over 600,000 Medicare beneficiaries in 2020, had an estimated U.S. net price of \$164 and cost \$43 in Canada.

The *Inflation Reduction Act* finally takes on this problem by allowing Medicare to negotiate prices for high-cost drugs. It also provides seniors and people with disabilities who have Medicare coverage with new protections against unaffordable prescription drug bills.

- **Protecting Tens of Thousands of Montanans from Catastrophic Drug Costs by Capping Medicare Beneficiary Out-of-Pocket Costs in Part D at \$2,000.** Currently, Medicare beneficiaries with [conditions](#) such as cancer, multiple sclerosis, and lung disease can face thousands of dollars in out-of-pocket prescription drug costs, and [millions of people](#) in Medicare struggle to afford their medications. The *Act* will require Part D plans to offer improved financial protections that would phase in starting in 2024, with the \$2,000 out-of-pocket cap taking effect in 2025. Each year, that will benefit about 5,600 Montana Medicare beneficiaries who would otherwise have out-of-pocket costs above the cap, according to [estimates](#) from the Kaiser Family Foundation (KFF). And, for the first time, all 165,000 Montanans with Medicare Part D will have the peace of mind of knowing their pharmacy costs are capped.
- **Saving Billions of Dollars for Seniors and People with Disabilities and the Federal Government by Allowing Medicare to Negotiate Prices for High-Cost Drugs.** By bringing down the cost of these drugs, the legislation will save billions of dollars for both Medicare beneficiaries, who will see reduced out-of-pocket costs, and the federal government. Nationwide, KFF [estimates](#) suggest that some 5 to 7 million beneficiaries each year use the types of high-cost drugs that would be subject to negotiation and could see reduced cost sharing as a result.

- **Addressing Rapid Prescription Drug Price Growth in Medicare.** The *Act* requires companies to pay Medicare a rebate if they increase drug prices faster than inflation. That will achieve billions more in savings for the federal government and will further reduce out-of-pocket costs for Medicare beneficiaries, starting in 2023.
- **Saving Montana Medicare Beneficiaries Money by Capping Insulin Copays at \$35 per Month.** Drug manufacturers have raised insulin prices [so rapidly](#) over the last few decades that some Medicare beneficiaries struggle to afford this life-saving drug that costs [less than \\$10](#) a vial to manufacture. Starting in 2023, the legislation will cap the out-of-pocket cost of insulin for Medicare beneficiaries at no more than \$35 for a month's supply. Some 9,000 Montana Medicare beneficiaries used insulin in 2020.
- **Providing Extra Help Paying for Drugs for Montana Medicare Beneficiaries with Low Incomes.** The Act expands eligibility for full Part D Low-Income Subsidies – known as Extra Help – in 2024 to low-income beneficiaries with incomes up to 150% of poverty and modest assets. Currently, individuals with incomes between 135% and 150% of poverty only receive partial help, meaning that they still pay premiums and face more significant co-pays. About 1,800 Montana Medicare beneficiaries received partial Extra Help in 2020 and could be helped by the expansion of income eligibility for full Extra Help, KFF [estimates](#).
- **Saving Thousands of Montana Medicare Beneficiaries Money by Ending Cost-Sharing for Vaccines in Part D.** While Medicare Part B covers vaccines such as the flu vaccine at no cost-sharing, patients receiving vaccines covered under Medicare Part D, such as the vaccine for shingles, must pay for a portion of the cost out of pocket. Starting in 2023, the legislation will require \$0 cost-sharing for vaccines for Medicare Part D beneficiaries. Some 17,000 Montana Medicare beneficiaries received a Part D vaccine in 2020, and that number is likely to rise as those vaccines become more affordable.

### **Lowering Health Insurance Premiums and Expanding Coverage**

Since their creation in 2014, the Affordable Care Act (ACA) marketplaces and premium tax credits have played a critical role in providing affordable, quality health insurance coverage for people who don't get health insurance through their jobs. As the ACA's major coverage expansions took effect, the share of Montanans without health insurance fell by 51 percent. But because premium tax credits weren't adequate for people with lower incomes, and weren't available to middle-income people with high premium burdens, some people still couldn't afford health insurance coverage or paid for health insurance at the expense of meeting their families' other basic needs.

President Biden [promised](#) to build on the Affordable Care Act by making premium tax credits more generous and lowering health care premiums for working families. The American Rescue Plan (ARP) kept that commitment by improving premium tax credits, and helped the U.S. reach its [lowest uninsured rate](#) in history. But those improvements were set to expire at the end of

2022. The *Act* continues those critical improvements through 2025, preventing premium spikes this January. Continuing these ACA improvements means:

- **Saving Tens of Thousands of Montanans about \$990 per Year.** About 51,000 Montanans with Marketplace coverage are saving an average of about \$990 annually from the ARP subsidies that the *Inflation Reduction Act* would continue. Those savings increase to thousands of dollars per year for some middle-income older people who would otherwise face very high premium burdens. Among those benefiting the most from these affordability improvements are:
  - **Montana small business owners and self-employed people.** ACA coverage plays a critical role in providing affordable health coverage to 10,000 small business owners and self-employed adults in Montana, [Treasury data](#) show. In fact, this population makes up 26 percent of ACA marketplace enrollment among working-age Montanans.
  - **Middle-income older people who have retired or don't have health coverage through their jobs.** For example, a 60-year old Montanan with income of \$60,000 would pay about 21 percent of income for benchmark health coverage without expanded premium tax credits, which cap premiums at 8.5 percent of income.
- **Allowing Thousands of Montanans to Gain Coverage.** About 10,000 more Montanans will have health insurance next year compared to without the *Inflation Reduction Act*, [according to HHS projections](#). The *Act's* coverage expansions will:
  - **Improve health outcomes and likely save lives.** Health insurance improves access to care and health, [a large body of research finds](#). That includes a [randomized trial](#) finding that expanding Marketplace coverage saves lives: mortality fell among people who gained Marketplace coverage due to randomized outreach.
  - **Improve financial security.** Health insurance [reduces medical debt](#) and [improves credit scores and access to credit](#), research finds – making it possible for people to buy a home or take out an auto loan that in turn allows them to get or keep a job. Health insurance also reduces the frequency of [bankruptcies](#) and [evictions](#), with one [study](#) finding that access to premium tax credits significantly reduces the share of people delinquent on rent or mortgage payments.
  - **Narrow disparities in health coverage and access to care.** Continuing the ACA improvements will reduce uninsured rates for all demographic groups, but the uninsured rate will fall disproportionately for Black people – narrowing existing gaps in coverage, Urban Institute researchers [estimate](#). Narrowing gaps in coverage also narrows gaps in access to care, research [finds](#).