

# Evaluating the Impact of the Inflation Reduction Act (IRA) \$2,000 Out-of-Pocket Spending Cap on Medicare Part D Beneficiaries

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## Background

The Inflation Reduction Act (IRA) includes several provisions that will impact the price of prescription drugs and Medicare Part D enrollee liability. Prior to the IRA, beneficiary out-of-pocket (OOP) spending during the year was unlimited. One of the most notable changes, set to take effect in 2025, is the implementation of a \$2,000 OOP maximum. This significant reform is accompanied by increased responsibilities for both Medicare Part D plan providers and drug manufacturers throughout the benefit coverage period.

## Objectives

**Assess Demographic Impact:** Determine whether the new Medicare Part D benefit design affects various demographics equally.

**Analyze Threshold Crossing Timing:** Determine the month when Medicare Part D enrollees typically exceed the \$2,000 threshold is crucial for anticipating and managing healthcare costs

**Investigate High-Cost Drug Influence:** Explore the impact of high-cost drugs on pushing individuals over the \$2,000 OOP threshold.

## Methods

- 100% Part D Event Files (2017 to 2021). Patient out-of-pocket (OOP) (which included: direct out-of-pocket expenses, low-income subsidy payments, and other payer payments) was totaled within each calendar year for each beneficiary. In 2021:
  - 51.6M Part D beneficiaries in total
  - 6.3M Part D beneficiaries with >\$2,000 OOP
- 100% Master Beneficiary Summary File (2017-2021) Provided patient demographic and low-income subsidy status.

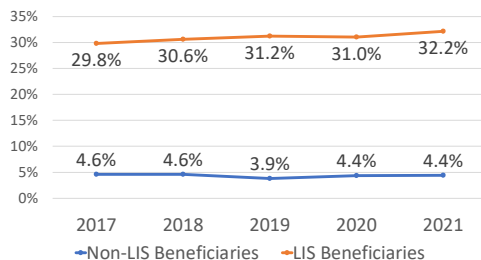
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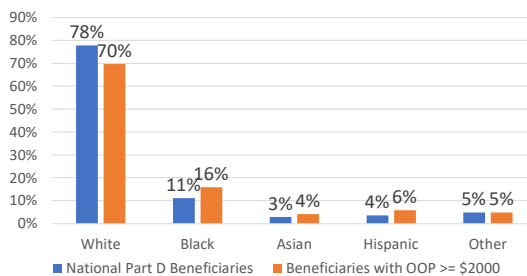


## Results

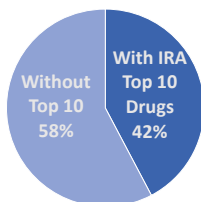
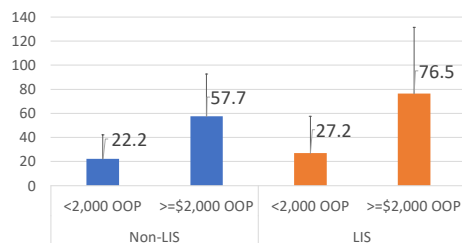
**Figure 1:** Proportion of beneficiaries exceeding \$2,000 in OOP spending has remained relatively constant over the five-year period



**Figure 2:** Beneficiaries with OOP spending >\$2,000 are disproportionately Black and Hispanic. (Data from 2021)

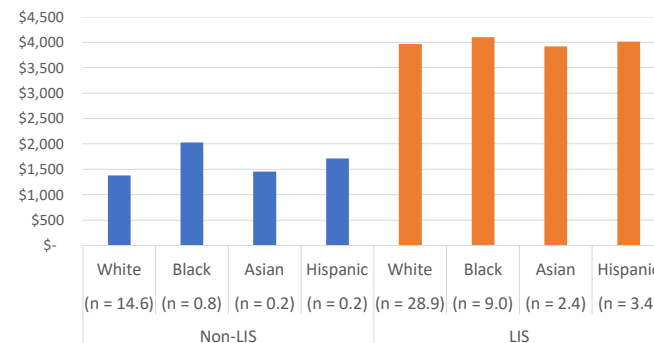


**Figure 3:** Average prescriptions per year among those >\$2,000 OOP threshold. LIS beneficiaries have more utilization than non-LIS. (Error bars are standard deviations; data from 2021)

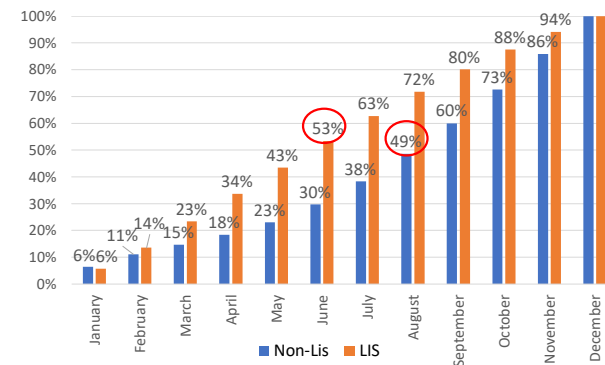


**Figure 4:** 42% of the 6.2M beneficiaries that meet the \$2,000 OOP threshold (2021) took at least one of the ten Part D drugs subject to price negotiation for 2026 under the IRA.

**Figure 5:** Assessment of average spending above the \$2,000 threshold, by race. Black beneficiaries have the highest spending in both LIS and non-LIS. (Data from 2021; counts are hundreds of thousands of beneficiaries)



**Figure 6:** Proportion of beneficiaries reaching \$2,000 OOP threshold, by month. ~50% of LIS beneficiaries reach the OOP threshold in June and ~50% of non-LIS beneficiaries reach the OOP threshold 2 months later in August. (Data from 2021)



## Key Takeaways

- Non-White Part D beneficiaries will be more affected by the OOP cap
- Black Part D beneficiaries spend more than any other racial group and will see the most savings
- LIS beneficiaries will be reaching the OOP threshold, on average, almost two months prior to non-LIS beneficiaries