

# How Medicare Prescription Drug Reforms in the Inflation Reduction Act Help Low-Income Older Adults

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Congress passed the [Inflation Reduction Act of 2022](#) (IRA), which includes sweeping Medicare prescription drug reforms and changes to the Part D program to protect people with Medicare from high out-of-pocket costs. This fact sheet provides a summary of the IRA's health provisions that will bring cost savings to low-income older adults.

## Expands the Medicare Part D Extra Help Program

- **In 2024, eligibility for the full Part D low-income subsidy (“Extra Help”) will be expanded to people with income below 150% of the federal poverty level** (\$20,385 for a single person in 2022). The partial subsidy will be eliminated.
- People with incomes between 135% and 150% FPL who previously qualified for the partial subsidy will now have the full subsidy with lower co-pays and no deductible.
- Asset limits for the full subsidy will continue to apply.

This expansion efficiently targets help to those who have the hardest time paying for needed medications, particularly [older adults of color who make up a disproportionate share of Medicare beneficiaries with income below 150% FPL](#). It will provide substantial additional financial support to the more than 400,000 low-income people who currently have only partial subsidies. It will also simplify the Extra Help program and streamline eligibility, reducing barriers to enrollment for thousands more people who are eligible but not enrolled.

## Caps Medicare Part D Out-of-Pocket Costs

- **All people with Medicare Part D coverage will have their out-of-pocket prescription drug costs limited to \$2,000 per year.** This out-of-pocket cap begins in 2025 and applies to people enrolled in both stand-alone prescription drug plans (PDPs) and Medicare Advantage drug plans (MA-PDs).
  - In 2024, cost sharing will be eliminated in the Part D catastrophic phase, effectively capping out-of-pocket costs at the catastrophic threshold.
  - In 2025, a new monthly cost-sharing cap policy will allow people to choose to spread their out-of-pocket costs throughout the year. This option will also be available to people with Extra Help.

- In 2023, **insulin costs for people with Medicare will be capped at \$35 per month** with no deductible.
- For plan years 2024 - 2029, annual premium growth for Part D coverage will be limited to 6%.

These out-of-pocket limits will greatly help people with chronic conditions who face high drug costs and older adults living on fixed incomes by providing more predictability and protection from catastrophic costs.

## Expands No-Cost Coverage of Vaccines for People with Medicare

- **In 2023, people with Medicare will be able to receive all recommended vaccines without cost-sharing.** The IRA aligns vaccine coverage under Part B and Part D and eliminates cost-sharing and deductibles for vaccines covered under Part D, such as shingles.
- The IRA also improves access to vaccines for adults with Medicaid by requiring coverage of all recommended vaccines, including administration, with no cost sharing and enhancing federal reimbursement to states.

## Lowers Prescription Drug Prices

- For the first time since the Part D program was established, the **Medicare program will be required to negotiate the prices of certain high-cost prescription drugs** covered under either Part D or Part B. Though negotiated prices will be phased in, the requirement will yield savings for people with Medicare, the Medicare program itself, and consumers across the health system.
- The IRA also **requires prescription drug manufacturers to pay rebates** to the government if they raise the price of a drug covered by either Part D or Part B above the inflation rate. This inflationary rebate rule, which will be applied in 2023, is similar to existing rebates in the Medicaid program and its aim is to discourage pharmaceutical companies from making large price hikes.

## Extends Enhanced Premium Assistance to People with Marketplace Coverage

- The IRA extends the enhanced premium tax credits for Affordable Care Act Marketplace coverage for 3 years (through 2025), saving money for older adults not yet eligible for Medicare.
- These enhanced premium tax credits, passed as part of the American Rescue Plan in December 2020, have cut premiums by more than half for many enrollees. [With the subsidies, over 80% of Marketplace enrollees ages 55-64 are eligible for a plan with a monthly premium of \\$50 or less.](#)

## Resources

- [Legal Basics: Medicare Part D](#), Justice in Aging
- [2022 Part D Extra Help Eligibility and Coverage](#), National Council on Aging
- [Part D Basics](#), Medicare Rights Center
- [Understanding the Health Provisions in the Inflation Reduction Act](#), Kaiser Family Foundation