



EMPLOYEE
BENEFIT
SYSTEMS, INC.



INFLATION REDUCTION ACT

How Will the IRA Impact Prescription Drug
Coverage For Medicare Recipients in 2025?



OVERVIEW

The Inflation Reduction Act of 2022

On August 16, 2022, the Biden administration signed into law H.R.5376, the Inflation Reduction Act.

This legislation includes sweeping changes to all Part D plans/benefits, including individual and group (self-funded and fully insured) standalone Medicare prescription drug plans (PDPs) and Medicare Advantage plans with Medicare prescription drug benefits (MAPDs).

The IRA changes began in 2023 and will continue until 2032.



WHAT THE IRA HAS CHANGED

2022-2024:

- Consolidation of Low-Income Subsidy (LIS) level 4 into LIS level 1 (reducing cost-sharing and premium paid by the beneficiary)
- \$35 cap on covered insulin
- No cost sharing for adult vaccines

Effective January 1, 2025:

- New 10% manufacturer discount on brand name drugs (in the initial drug coverage phase)
- **Elimination of the Coverage Gap** (a.k.a. Donut Hole)
- **Caps annual out-of-pocket drug costs at \$2,000** for individuals with Medicare Part D.
- **Medicare Prescription Payment Plan** (MPPP)
- Drug plans and manufacturers will pay most of the costs in the Catastrophic coverage



2025 STANDARD PART D BENEFIT DESIGN

Elimination of the Coverage Gap stage, or “Donut Hole”.

Deductible Stage

If a member’s plan has a prescription drug deductible, they will pay the full cost for their drugs until they reach the deductible amount; then they move to the Initial Coverage stage.

Initial Coverage Stage

Members will pay their plan copays or coinsurance, and the Part D plan (or Drug Manufacturers) will pay the rest.

Once the member, and others on their behalf, have paid a combined total of \$2,000 (including any amounts paid toward a deductible), they move to the Catastrophic Coverage stage.

Catastrophic Coverage Stage

Members won’t pay anything for Part D covered drugs for the rest of the plan year. The Part D plan will be responsible for most costs in this stage.

\$590

Rx Deductible

25%

Cost-Share

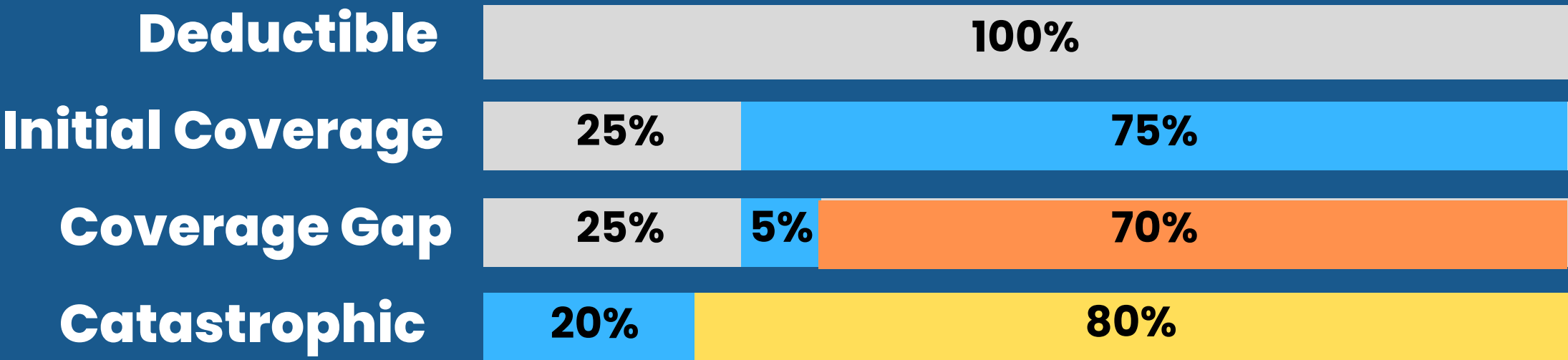
WHAT IS CHANGING?

Plan Year	Annual Deductible	Initial Coverage	Coverage Gap (Donut Hole)	Catastrophic Coverage
2024	\$545	A copay or coinsurance is paid for prescription drugs during the initial coverage phase up to \$5,030 in total drug costs.	Beneficiaries pay 25% of the cost of generic drugs and 25% of the undiscounted costs of brand name drugs during the "Coverage Gap" phase up to \$8,000 in true out-of-pocket costs.	Beneficiaries pay 0%.
2025	\$590	A copay or coinsurance is paid for prescription drugs during the initial coverage phase up to \$2,000 in total drug costs. This cap does not apply to out-of-pocket spending on Part B drugs.	Eliminated: Part D enrolled beneficiaries will no longer face a change in their cost sharing for a given drug when the move from the Initial coverage phase.	Beneficiaries pay 0%.

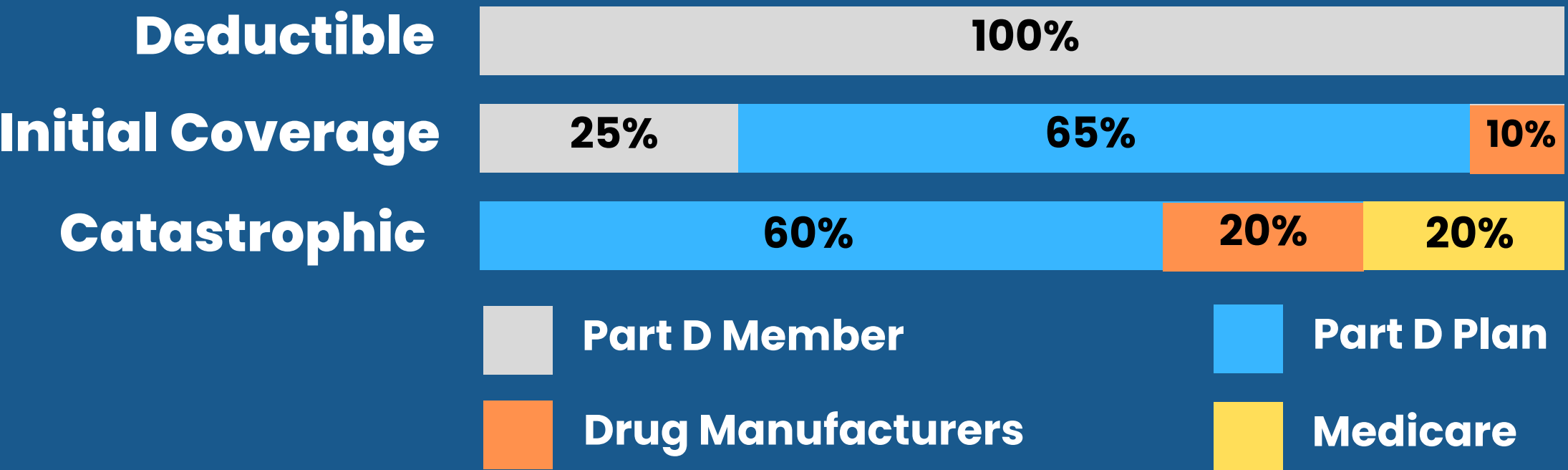
REALLOCATION OF COSTS IN THE CATASTROPHIC STAGE

- For 2025, the cost responsibilities in the Catastrophic stage have shifted. Medicare will now pay a smaller portion of the costs (20% for brand, 40% for generics) and the Part D plan will be responsible for paying a higher share of the costs (60% in 2025 vs. 20% in 2024).
- Beneficiaries who typically reach the coverage gap may benefit from lower out-of-pocket costs in 2025.

2024 Part D Benefit Design



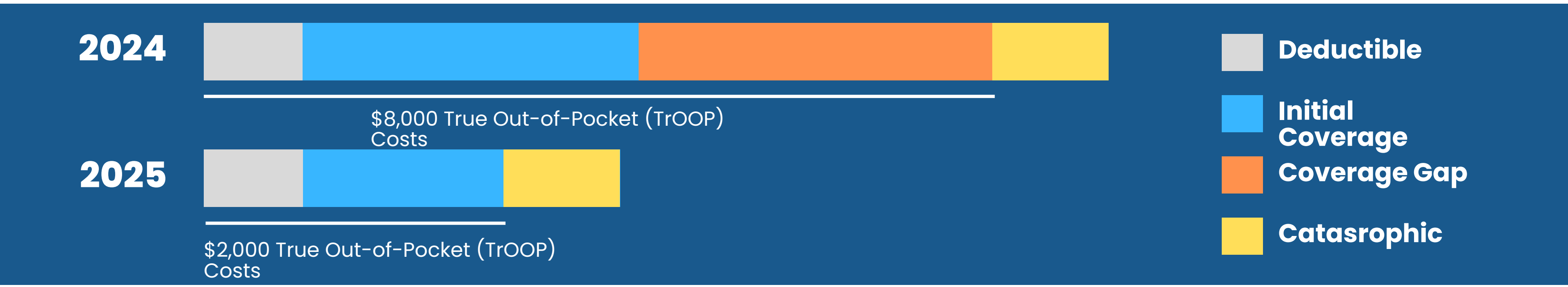
2025 Part D Benefit Design



- Beneficiaries who typically reach the coverage gap may benefit from lower out-of-pocket costs in 2025.

2025 ANNUAL TRUE OUT-OF-POCKET MAXIMUM (TROOP)

In 2025, there is a new \$2,000 annual true out-of-pocket maximum (TrOOP), reduced from \$8,000 in 2024. TrOOP is the out-of-pocket drug cost that accumulates during the Deductible and Initial Coverage stages. As a result, beneficiaries may reach the Catastrophic stage more quickly (where they will have no drug cost responsibility) due to the elimination of the Coverage Gap and the lower TrOOP.



WHAT IS THE MEDICARE PRESCRIPTION PAYMENT PLAN (MPPP)?

- Beginning January 2025, CMS has introduced the MPPP offering beneficiaries the option to pay \$0 at the point-of-sale, and instead, pay for their prescriptions through a monthly payment program during the calendar year. This program applies to PDP and MAPD plans.
- People with high early out-of-pocket costs or those not receiving Extra Help are more likely to benefit from the MPPP.
- The MPPP is administered by each carrier and beneficiaries will opt in by contacting the carrier.

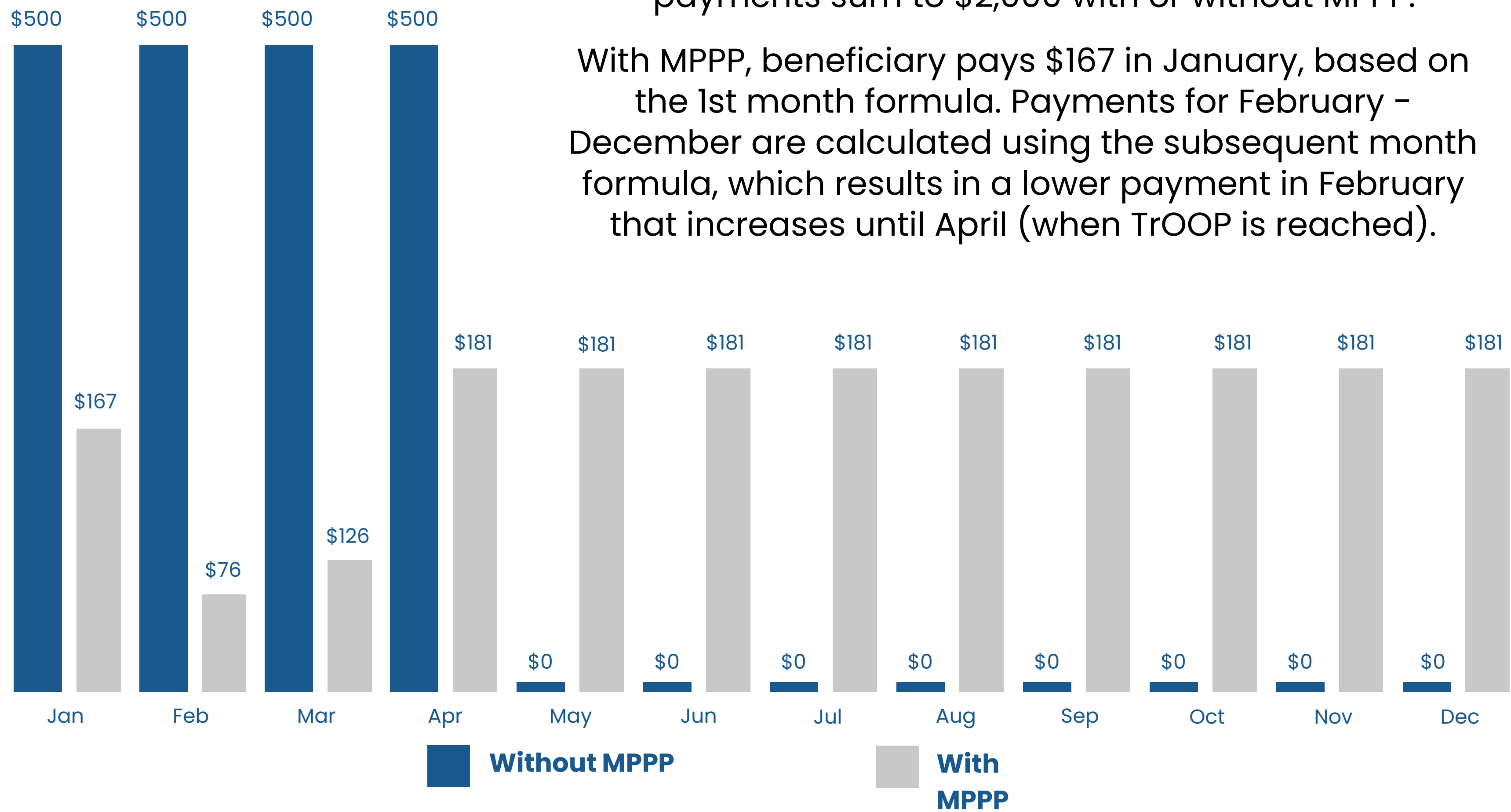
WHO WILL BENEFIT AND HOW TO ENROLL

- **Enrollment is not mandatory.** Not all beneficiaries will benefit and may not want to enroll in the MPPP.
- Those that are likely to benefit the most, will incur a cost of **\$600 or more for a single prescription at the point-of-sale.** If a beneficiary reaches this threshold without opting in, the Part D sponsor must notify the pharmacy, which will then provide the beneficiary with the “Likely to Benefit Notice”.
- Eligible beneficiaries can opt into the MPPP at enrollment or any time during the year. The plan excludes Part B drugs and non-formulary medications. Once enrolled, costs are spread out over the remaining months, with no payment required at the pos.
- Beneficiaries who wish to **enroll in the MPPP** will need to contact **carrier Member Services** for more information.

MPPP Example:

\$500 per month drug with no deductible. Beneficiary payments sum to \$2,000 with or without MPPP.

With MPPP, beneficiary pays \$167 in January, based on the 1st month formula. Payments for February - December are calculated using the subsequent month formula, which results in a lower payment in February that increases until April (when TrOOP is reached).



POTENTIAL IMPACTS ON THE INDIVIDUAL MEDICARE PLANS

Premiums

What the
Beneficiary
pays for their
Medicare plan

Copays and Cost-sharing

What the
Beneficiary
pays for their
prescriptions
or services

Drug Tiers

Prescriptions
may change
tiers, which
will impact
the cost

Formularies

The
prescriptions
the plan
covers

Networks

Where you
can fill
prescriptions
or obtain
services

AS YOUR TRUSTED MEDICARE RESOURCE,

We are dedicated to providing you with personalized Medicare plan reviews, including prescription cost analysis and ensure your preferred physicians and facilities are in-network. We keep updated on any plan changes and provide exceptional customer service for all your Medicare-related questions. We're here to support you every step of the way, ensuring you have the information needed to make informed decisions. Best of all, there's no cost or obligation for our services.



Ensuring You Know What to Expect January 1, 2025



NEW TO MEDICARE
AND ANNUAL PLAN
REVIEWS



ESTIMATED
PRESCRIPTION
DRUG COST
ANALYSIS



PROVIDER AND
FACILITY
NETWORK
CHECK

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