# The Inflation Reduction Act: Evaluating Impact on Medicare Drug Pricing, Innovation, and Access to Therapies



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## Background

- The Inflation Reduction Act (IRA), signed into law in 2022, marks a pivotal transformation in Medicare drug pricing policy.
- Key provisions include Medicare's authority to negotiate prices for select high-cost drugs and the implementation of out-ofpocket caps for beneficiaries.
- These reforms aim to enhance affordability while striving to maintain incentives for pharmaceutical innovation and broad access to therapies.<sup>1</sup>
- The policy reflects a growing federal effort to control drug costs without compromising access or market-driven innovation dynamics.<sup>2</sup>

## Objective

- This review investigates the short-term and projected long-term impacts of the IRA on three central domains:
  - Medicare drug pricing and patient affordability,
  - Biopharmaceutical innovation dynamics, and
  - Access to groundbreaking therapies

#### Methods

Step 1



#### Targeted literature search

- using PubMed and Google
- publications from 2022 to 2024



Step 2



#### **Inclusion criteria**

Studies examining IRA policy implications on Medicare drug pricing, innovation pathways, and patient access



Step 3



Five records met the criteria, 1-5 comprising

- Three policy reviews
- Two expert commentary

#### Results

Figure 1: Descriptive analysis of immediate and long-term impacts of IRA



# **Immediate Impacts**

Implementation of the \$35/month insulin cap and negotiated pricing for high-utilization Part D drugs - reduced out-of-pocket costs for millions.<sup>3</sup>

Improvements in medication adherence, particularly among patients with chronic conditions such as diabetes and cardiovascular disease.

Pharmacy-level cost containment mechanisms are beginning to show systemic savings, with Medicare expenditures declining in targeted categories.<sup>2</sup>

Patients in low-income subsidy categories benefit from predictable medication costs, but the use of cost-control strategies like prior authorization by payers could hinder access to medications unless there are standardized measures in place to protect patient access.



#### **Innovation Trade-Offs**

Studies suggest an impact on innovation.

Larger pharmaceutical companies are expected to reallocate resources toward lower-risk, faster-return products.<sup>1</sup>

Small-to-mid-sized firms, especially those focused on high-cost, high-risk therapies in oncology and rare diseases may curtail pipeline investments due to reduced financial incentives, potentially slowing breakthrough innovation.<sup>4</sup>

Alzheimer's drug developers, for example, must now balance price sensitivity with the high cost of clinical validation.<sup>6</sup>

The potential deterrent effect on early-stage biotech ventures could affect long-term discovery in niche but critical therapeutic areas.<sup>5</sup>

As such, policy supports like innovation grants or differentiated pricing windows

are crucial to safeguard discovery in therapeutic areas vulnerable to investment erosion.



# Access and Equity

While Medicare beneficiaries experience clear cost relief, the law's benefits do not extend uniformly to patients without Medicare, intensifying systemic access disparities.<sup>3</sup>

Geographic disparities also emerge due to regional inconsistencies in implementation and formulary decisions by Part D plans.<sup>2</sup>

These inequities warrant closer scrutiny to ensure that IRA provisions do not inadvertently widen existing gaps in therapeutic access.<sup>7</sup>

Stakeholders must therefore advocate for standardized national implementation criteria and targeted benefit diffusion strategies to minimize geographic and payer-induced disparities.



# Long-term Projections

Modeling studies suggest that larger pharmaceutical firms may increasingly

- prioritize incremental innovations
- shift toward biosimilars and generics to sustain revenues.8

May lead to a more costeffective portfolio over time

Adds a risk of narrowing innovation landscape toward therapies with

- lower development risk
- faster market returns.

To mitigate the aforementioned risks, policymakers must embrace hybrid models such as tiered negotiation thresholds or innovation-linked subsidies to preserve high-risk, high-reward R&D while still achieving IRA's affordability mandate.9

# Conclusions

- The IRA delivers immediate economic relief for Medicare patients and signals a shift in national health cost containment strategy. Nonetheless, its enduring success hinges on safeguarding innovation incentives and closing access gaps.
- Future policy recalibrations must be data-driven and stakeholderinclusive to ensure innovation vitality and patient-centered equity are maintained.

#### Acknowledgments

This study was conducted by Evidinno Outcomes Research Inc. DP, MSF, MdA and MP report employment with Evidinno Outcomes Research Inc. Authors report no other conflict of interest.

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