Payer Insights Survey: Evolving Perceptions of Health Plan Response to the Inflation Reduction Act

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Magnolia Market Access

HPR 148

Background

- Signed into law on August 16, 2022, the Inflation Reduction Act of 2022 (IRA) represents a landmark shift in federal policy governing the approach of the Centers for Medicare and Medicaid Services (CMS) to prescription drug pricing and reimbursement[1]
- Key healthcare provisions of the IRA include the Drug Price Negotiation Program (DPNP), Medicare Part D Redesign, Medicare Prescription Payment Plan
- These provisions aim to improve accessibility and affordability of healthcare by lowering prescription drug costs for patients, addressing rising drug prices, and reducing federal drug spending through policy reforms and changes to the Medicare program
- CMS commenced negotiations with manufacturers for the first 10 Part D drugs selected for DPNP in early 2024
- This survey is the fourth in a series that was adapted and fielded by Magnolia Market Access (MMA) each year since the passing of the IRA

Objectives

- Assess how payers are considering new strategies related to formulary decisions, benefit design, cost control measures, and contracting negotiations in response to the release of the initial 10 drugs for DPNP
- Examine industry insights, trends, and changes in payer response as IRA provisions are implemented over time

Methods

- A 45-minute, web-based survey was distributed to 23 medical and pharmacy directors from national and regional payers, and pharmacy benefit managers that account for over 300 million covered lives
- Survey and interview questions focused on expected reactions to DPNP, Part D Redesign, and the Medicare Prescription Payment Plan
- Survey results were supplemented with 60-minute synchronous remote interviews conducted with industry experts, including actuaries and medical and pharmacy directors from national/regional payers, pharmacy benefit managers (PBMs), and integrated delivery networks (IDNs)
- Descriptive statistics were generated

Results

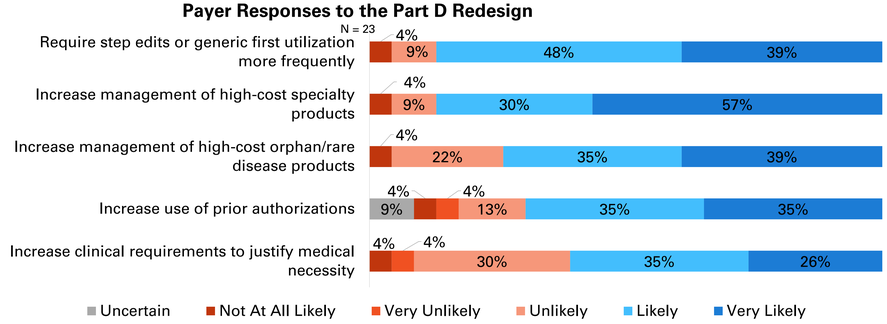
Drug Price Negotiation Program (DPNP)

- Approximately **60% of payers** planned to add utilization management (UM) requirements to restrict formularies and seek additional rebates in response to price negotiations
- **78% of payers** planned to increase the use of generics and biosimilars and limit therapeutic options in response to price negotiations
- About **50% of payers** planned to prefer the lowest net price product in drug classes with more than one maximum fair price (MFP) drug
- Most payers (**96%**) planned to conditionally use MFPs to baseline prices in their commercial lines of business

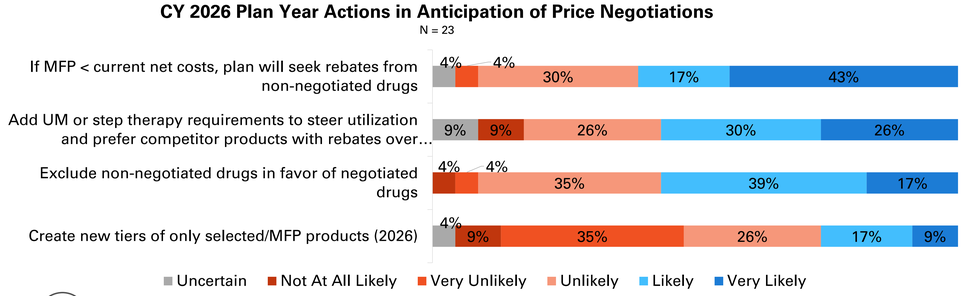
Medicare Part D Redesign

- **Most payers (95%)** planned to increase UM and pare down formularies to manage costs for high-cost products in response to the Part D redesign
- Payers indicated intentions to tighten formularies (**83%**) and increase clinical criteria for coverage (**74%**)
- Some payers (38%) planned to develop and/or increase use of novel UM tools (e.g., prior authorization and prescription delays) within their formularies
- Payers planned to manage protected (**52%**) and non-protected (**70%**) classes more aggressively in response to the Part D redesign

Payer Responses to the Part D Redesign



CY 2026 Plan Year Actions in Anticipation of Price Negotiations

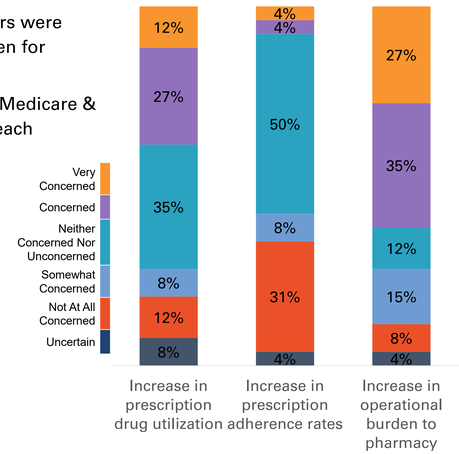


> "There's going to be **more willingness to jump quickly to a generic or biosimilar** I think on our end and disrupt membership to do that, and **just to go with the lower net cost product**. Then from my understanding, once a product goes generic or as a biosimilar, then it's no longer eligible for MFP negotiation. But I think we're **still going to evaluate those as competitors and likely move to those quickly if the MFP goes away from the originator and go to the biosimilar generic in hopes of saving**."
> *-Pharmacy Director, National Health Plan*

Medicare Prescription Payment Plan (MPPP)

- While MPPP may improve adherence and utilization, payers were concerned the program would create an operational burden for pharmacies (**69%**)
- Many payers (**67%**) intended to only meet the Centers for Medicare & Medicaid's (CMS) basic requirements for beneficiary outreach

> "We've never done anything like this. It is so massive. This is the biggest provision I think we are all going to screw up. Someone wants it at $12.22 a month, and another wants it at $19 a month, and someone else wants it at $5 . I don't even know. We're working on it."
> *- Pharmacy Director, National Health Plan*



Conclusions

- Results provide comprehensive insight into how payers may change their plan offerings, adjust their formularies, and implement cost control measures in response to the IRA over time
- Payers anticipate increasing management of higher cost drugs, as well as employing greater control measures and narrowing formularies in response to the initial 10 drugs selected for DPNP
- While the full impact of the IRA is yet to be determined, survey findings continue to highlight the areas where payers are anticipating the most impact and how they plan to respond through health designs, formulary changes, adjusting premiums, and dynamic expectations of stakeholders
- The IRA brings opportunities for the industry and payers to partner together as provisions are implemented and drive toward the shared goal of increasing patient access to affordable prescription drugs

References

1. Inflation Reduction Act of 2022, HR 5376, 117th Cong. (2022). Accessed 05/01/25. https://www.congress.gov/bill/117th-congress/house-bill/5376.