Impact of inflation reduction action (IRA) on commercial plans’ approach to managing drugs

Background
The IRA of 2022 allows Medicare to negotiate prices of selected drugs under Medicare Parts B and D. Such drugs will be subjected to a maximum fair price (MFP), where the manufacturers will be required to discount their drug. As a result, commercial plans are also likely to reassess their formulary management strategy to adapt to the change in Medicare-levied prices. This research aims to describe the potential impact of IRA on pricing and management of drugs under commercial plans in response to IRA.

Methods
First, the IRA legislation and associated PubMed articles related to drug pricing were identified and reviewed. Based on the review, a quantitative survey with multiple choice questions was prepared. Finally, insights were collected from survey responses of pharmacy and medical directors of key national/regional commercial plans.

Results
A total of six respondents completed the survey. Majority of respondents were national commercial payers (Figure 1).

Impact of higher “launch prices” on commercial plans
For commercial plans, some payers (50%) noted to use IRA’s MFP-based methodology to evaluate “higher launch” prices. In addition, the most common alternative approach included “in-house economic modelling” (Figure 3).

Impact on commercial coverage of drugs subjected to the IRA
Payers are likely to re-negotiate prices based on MFP and re-assess contracting/rebates (Figure 4). Further, rebates will be dependent on product’s market share and IRA’s established MFP. However, most payers noted that there will be no difference in the level of rebate between their commercial and Medicare/Medicaid plans (Figure 5).

Impact on commercial coverage of drugs NOT subjected to the IRA
Payers noted that within the same indication they expected a higher level of discount for products not eligible for IRA compared to drugs subjected to IRA (Figure 6) to reduce plan’s liability and remain on plan’s formulary. Rebates for drugs not eligible for IRA will be based on established MFP and market share and expect a mixed result of higher or lower level of rebates (Figure 7).

Conclusions
IRA is likely to accentuate the increasing downward pressure on drug pricing- impacting commercial coverage in addition to Medicare plans. However, in the near term, the IRA may result in higher prices from manufacturers in anticipation of discount and price negotiations, resulting in new and more restrictive formulary policy. Considering CMS-mandated discounts, majority of commercial payers expected an increase in engagements with manufacturers on evidence discussions and price negotiations. Importantly, manufacturers will need to develop new approaches for payer strategies and post-launch negotiations – potentially prior to implementation of IRA in 2026.