

Assessing Cost-Savings From the Inflation Reduction Act in Louisiana Medicare HTA22 Beneficiaries Due to Diabetes Medication



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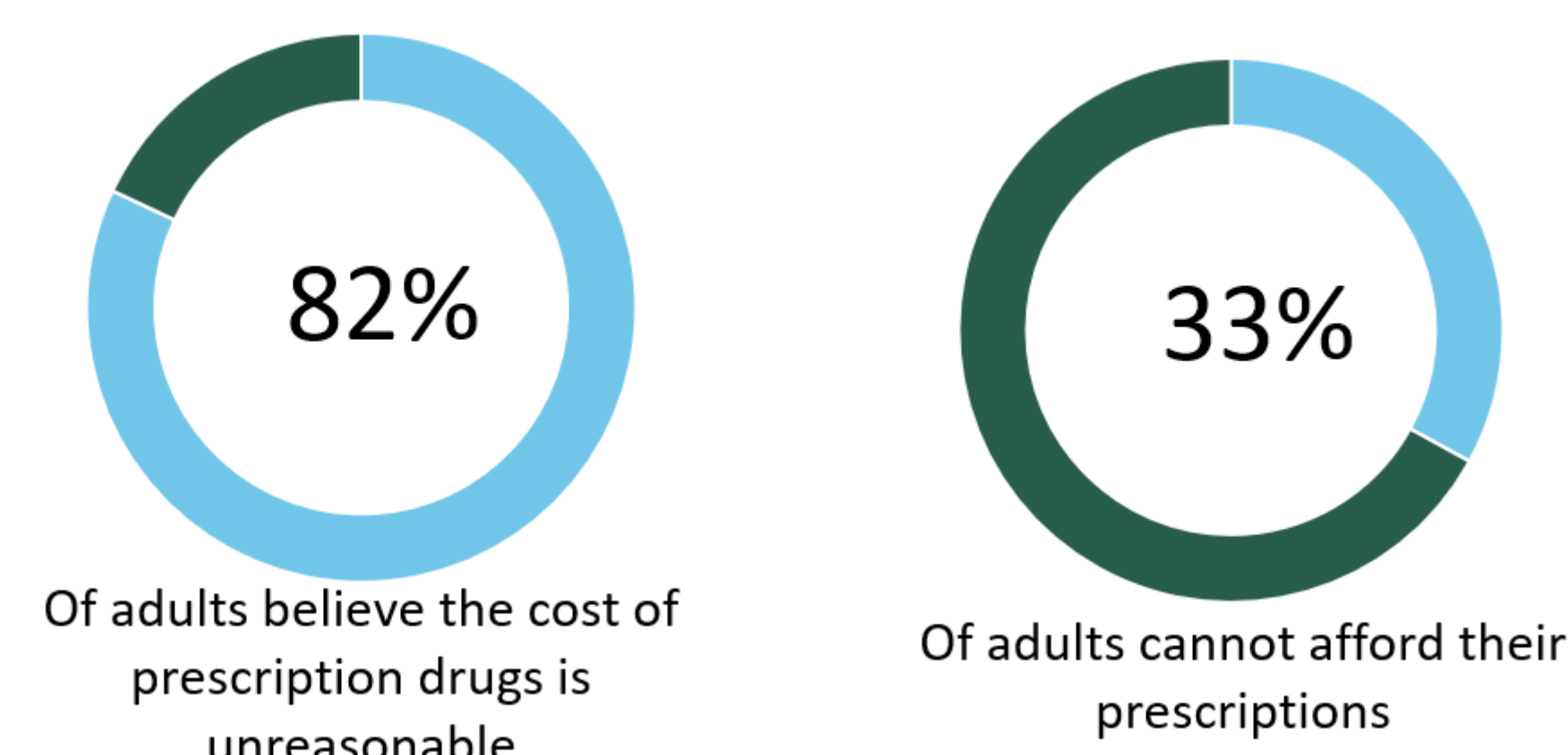
SCHOOL OF PUBLIC HEALTH AND TROPICAL MEDICINE

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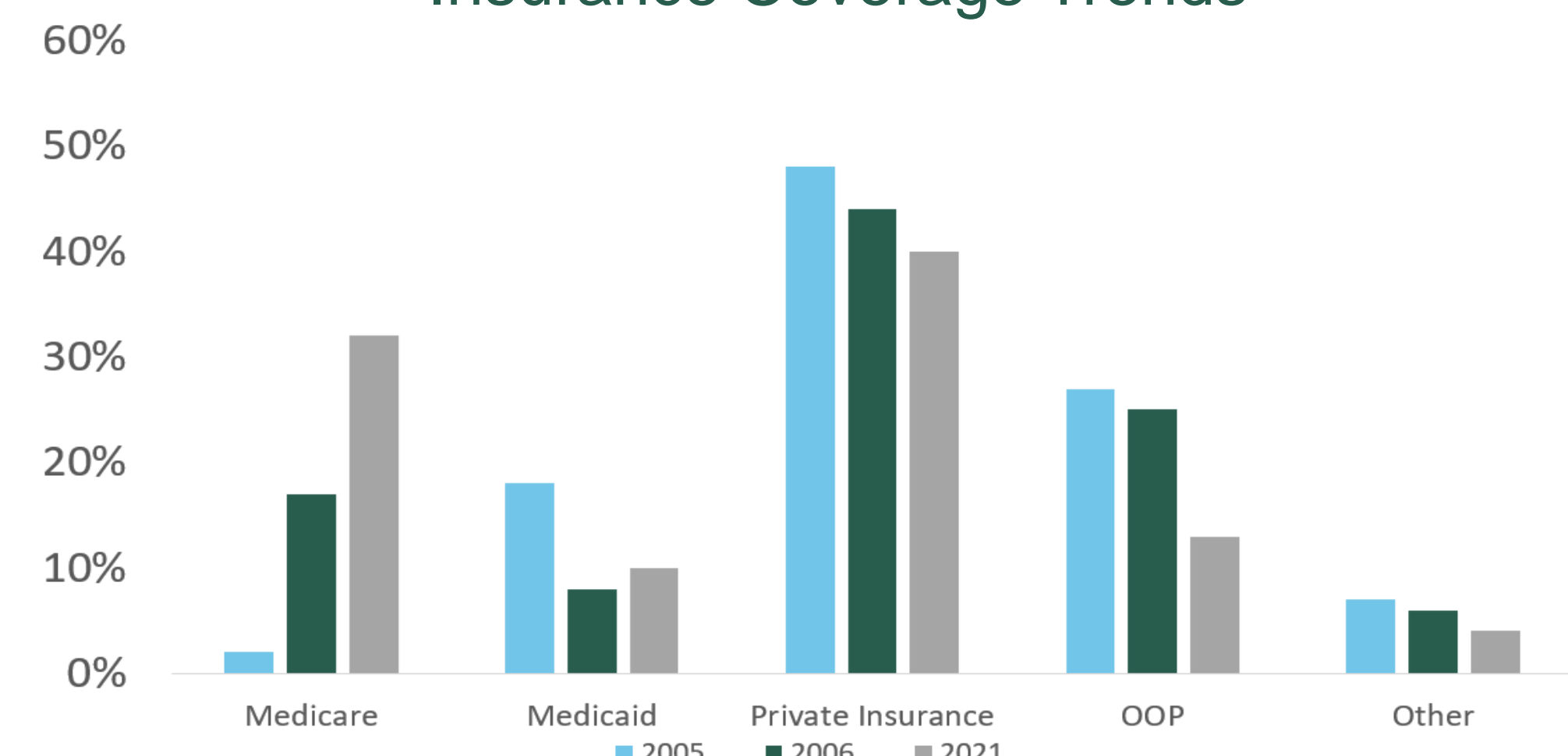
INTRODUCTION

- In 2021, the U.S. health system spent over **600 billion USD** on prescription drugs – a 16% increase from 2016 (1)
- Not being able to afford drugs leads to lower adherence and significant complications (2,3).
- To combat high drug prices, the United States government passed the Inflation Reduction Act (IRA) allowing Medicare to **directly negotiate with pharmaceutical companies to ensure a “maximum fair price.”**
- The IRA has a gradual rollout, with ten costly drugs being negotiated in 2025 and the list expanding in subsequent years. Many of the current drugs are used to treat **diabetes**
- Early projections demonstrate that the IRA can reduce premiums, lead to consistent pricing, and increase access to drugs by lowering out-of-pocket costs (OOP) (4-6).
- Lowering costs and increasing access to medications is essential in **Louisiana, which have higher than average rates of disadvantaged Medicare members but high rates of chronic diseases.**

Prescription Access



Insurance Coverage Trends



AIM

To better understand the impact of the IRA on drug spending, this paper aims to **model the potential effects of the IRA on diabetes drug spending in Louisiana.**

METHODS

Data

- 2016-2020 Medicare Part D Events and Chronic Condition Files

Population

- Diabetes diagnosis in chronic conditions file

Variables

- Number of patients taking a drug, total costs, patient paid amount number of members on each diabetes IRA drug: Empagliflozin (Jardiance) (EMP), Sitagliptin (Januvia) (SIT), and Dapagliflozin (Farxiga) (DAP), or non-IRA drug

Base Case

- These values were used to calculate future projections of number of beneficiaries on each drug, total cost, and patient costs assuming linear trends

Model

- Potential cost decreases of 25%, 40%, 50%, and 65%

Model Inputs

	2016	2017	2018	2019	2020
Medicare Beneficiaries	827,964	848,193	867,983	831,333	796,004
Percent with Diabetes	17%	16%	15%	16%	15%
Number of Patients on SIT	8,712	9,021	9,164	8,987	8,383
Average Cost of SIT	\$2,808	\$3,082	\$3,427	\$3,738	\$4,086
Average Patient Pay of SIT	\$178	\$188	\$196	\$198	\$233
Number of Patients on EMP	472	1,213	2,009	3,848	4,674
Average Cost of EMP	\$1,938	\$2,296	\$2,965	\$3,334	\$4,058
Average Patient Pay of EMP	\$180	\$209	\$251	\$223	\$275
Number of Patients on DAP	660	1,054	1,470	1,694	1,946
Average Cost of DAP	\$2,231	\$2,571	\$3,018	\$3,487	\$3,865
Average Patient Pay of DAP	\$205	\$188	\$186	\$183	\$241
Number of Patients on Non-IRA	70,422	73,657	75,016	74,114	70,732
Average Cost of Non-IRA	\$7,701	\$908	\$1,055	\$1,177	\$307
Average Patient Pay of Non-IRA	\$71	\$76	\$80	\$76	\$83

RESULTS

Between 2025 and 2030, the IRA is estimated to save Louisiana Medicare between **\$188,200,779 and \$414,041,714**, and patients between \$10,607,203 and \$23,335,846 from the three T2D drugs. The greatest Medicare savings would be due to Sitagliptin, with Medicare savings between \$81,594,162 and \$179,507,156.

	Base Case	25% Discount	40% Discount	50% Discount	65% Discount
Total Cost					
SIT	\$7,004	\$5,253	\$4,202	\$3,502	\$3,151
EMP	\$5,070	\$3,802	\$3,042	\$2,535	\$2,281
DAP	\$5,272	\$3,954	\$3,163	\$2,636	\$2,372
Non-IRA	\$2,449	\$2,449	\$2,449	\$2,449	\$2,449
Patient Payment					
SIT	\$333	\$250	\$200	167	\$150
EMP	\$335	\$251	\$201	\$168	\$151
DAP	\$283	\$212	\$170	\$141	\$127
Non-IRA	\$106	\$106	\$106	\$106	\$106

IRA drugs make up the majority of Medicare funding for diabetes drugs. The higher the cost-savings, the lower the cost distribution from IRA drugs

Distribution of Average Annual Cost per Patient



Distribution of Average Annual Patient OOP Costs



DISCUSSION

- Our results demonstrate that the IRA has **the potential to save CMS significant money.**
- There are **questions surrounding IRA implementation** such as how it will impact patient costs.
- Medicare negotiations are **not the only IRA program impacting pharmaceuticals.** Other initiatives include a \$2,000 out-of-pocket cap, an inflation rebate, and an insulin price cap.
- More work needs to be done to see how these programs may lead to compounding impact.

IMPLICATIONS AND LIMITATIONS

- Decreasing the costs of expensive drugs may lead to **higher-quality care for beneficiaries**
- Spillover effects** may impact the pricing of similar drugs and could impact provider reimbursement.
- OOP costs may decrease** by an unknown amount.
- We assume that patients will experience the same proportion of savings as there are cost reductions and assume that the drugs have high price elasticity.

CONCLUSION

Medicare negotiations have the **potential to lead to cost savings**, but more research is needed to understand its exact impact.

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