MPGROUP
NAVIGATE MEDICARE TOGETHER

MP Compass

April 2025

Impact of Part D Changes from the Inflation Reduction Act

Last fall, we discussed the major changes to Medicare Part D prescription drug benefits brought by the Inflation Reduction Act of 2022. Now, a little over two months into the 2025 Medicare plan year, we can see how these changes are affecting enrollees.

Key Changes to Part D Benefits

The Inflation Reduction Act introduced several significant updates, including:

- **$2,000 out-of-pocket cap** on out-of-pocket prescription drug costs, including deductibles, copays and coinsurance.
- **Medicare Prescription Payment Plan (M3P)**, allowing enrollees to finance medications over $600 per refill.
- **Shifting financial responsibility** for catastrophic-phase costs of Parts C and D plans from Medicare to insurance companies and pharmaceutical manufacturers.

The changes are as follows:

Catastrophic Phase Payor	2024 Responsibility	2025 Responsibility
Medicare	80%	20%
Insurance Companies	20%	60%
Pharmaceuticals Companies	0%	20%

Note: The catastrophic phase begins once a member surpasses their initial coverage phase.

How These Changes Are Affecting Medicare Enrollees

Here's what beneficiaries are experiencing as a result of these shifts:

1. **Higher premiums** for most standalone Part D plans.
2. **Increased or newly introduced deductibles** for Medicare Advantage (Part C) prescription drug coverage.
3. **Fewer plan options** as insurers consolidate or exit the market—2025 will have the lowest number of plans available since Part D began in 2006.
4. **Tighter formularies and stricter prior authorization requirements**, making access to certain medications, especially brand-name drugs, more challenging.
5. **Increased use of biosimilars,** replacing brand-name medications on many plan formularies.
6. **Earlier achievement of the out-of-pocket spending cap for individuals on high-cost medications**, leading to lower total prescription expenses for the year. Out of 66 million Medicare enrollees, an estimated 3.2 million Americans will benefit from reduced drug costs due to these changes.

Looking Ahead

As we prepare for the next Medicare Annual Enrollment Period, we are closely monitoring any additional legislative changes that could impact Medicare or Part D benefits.

At MP Group, our commitment is to keep you, as our client, informed and ahead of these challenges so you can adapt as needed. We will continue to provide updates and guidance to help you make the best decisions for your healthcare coverage.

What's happening in Medicare in 2025

Healthcare spending continues to rise each year, and Medicare is no exception. Below, we explore the key drivers behind these increasing costs and their potential impact on the future of the program.

In 2023, total U.S. healthcare spending reached $4.9 trillion, accounting for 17.6% of the Gross Domestic Product (GDP). Medicare alone represented 3.8% of GDP, and by 2033, it is projected to grow to 5.1%.

The Rising Cost of GLP-1 Medications

Spending on GLP-1 drugs—such as Ozempic and Wegovy—is expected to increase significantly in 2025. According to the Kaiser Family Foundation, Kaiser's spending on these medications increased from $56.8 million in 2018 to $5.7 billion in 2022. Similarly, prescription volume for Rybelsus has increased dramatically—just 399 people filled prescriptions for Rybelsus in early 2019, compared to over 1 million in 2023.

The demand for these medications is closely linked to the growing prevalence of diabetes, which has doubled over the past 20 years, now affecting more than 38.4 million Americans.

If the Biden Administration proposal to extend Medicare coverage for weight-loss treatments is approved, this could add another $25 billion in spending over the next 10 years. However, as of now, no final decision has been made by the current administration on adopting this for 2025 and beyond.

While weight loss can improve health and reduce risk factors, there is limited data on the impact of GLP-1s and reduced medical costs relating to weight loss. So the question remains, are GLP-1s a path to reducing health care costs and improving health outcomes or an expensive medication with limited long term impact on costs and health?

Medicare Price Negotiation and Cost Reductions

Under the 2022 Inflation Reduction Act's Medicare Price Negotiation program, Ozempic, Wegovy and Rybelsus are on the list of medications to be negotiated. If successful, reductions in cost of these medications would begin in 2027.

Currently, in 2026, these medications will see lower costs: Xarelto, Farxiga, Jardiance, Januvia, Eliquis, Entresto, Enbrel, Imbruvica, Stelara, Fiasp/ Novolog.

Changes in Medicare Part D Subsidies

One of the reasons your Part D plans faced significant premium increases or higher deductibles is the passing of 60% of the government's costs in the catastrophic phase onto the insurers and pharmaceutical companies. The result of this change had a profound impact on the amount the government has to subsidize the insurance companies.

The National Part D direct subsidy—the amount Medicare pays Part D providers per enrollee—will rise to $142.67 per member per month, the highest since the program's inception. For context, in 2024, this direct subsidy was $29.58. This dramatic increase reflects both the rising cost of prescription drugs and the government's decision to pass on 60% of costs onto insurance companies and pharmaceutical manufacturers.

More From MP Group

#MP TIP

Beware of Medicare Scams!

In this day and age, it's always important to beware of potential scams and attempts to access your personal and financial information. Here are some tips to help you protect yourself:

- You will NEVER receive phone calls from the Internal Revenue Service, the Social Security Administration, the United States Treasury Department, or any other government agency. Never give your personal information or fees to anyone you don't know.
- Never share your Medicare number over the phone, via email, or with someone whose identity can't be verified.
- Visit www.Medicare.gov/fraud for more information on how to protect yourself.

#MP Recipe Box

MPGROUP
NAVIGATE MEDICARE TOGETHER

Stuffed Bell Peppers

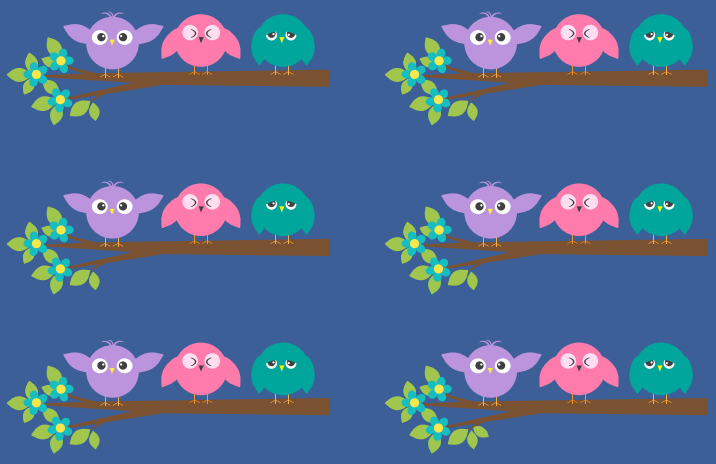
Ingredients

- 12 Mini Orange Sweet Peppers
- 1 Bunch Fresh Dill Fonds
- 5.2 oz Boursin Cheese
- 1/4 cup Parmesan Cheese - Grated
- 1/8 cup Green Onions

Steps

- Slice the orange peppers lengthwise. Scrape out the veins and seeds from the middle of the peppers.
- Combine the Boursin cheese, Parmesan cheese, and green onions in a small bowl until well mixed.
- Scoop the mixture into each pepper half.
- Lay one dill fond at the top of each pepper half (to make a carrot top).

Find the odd one out



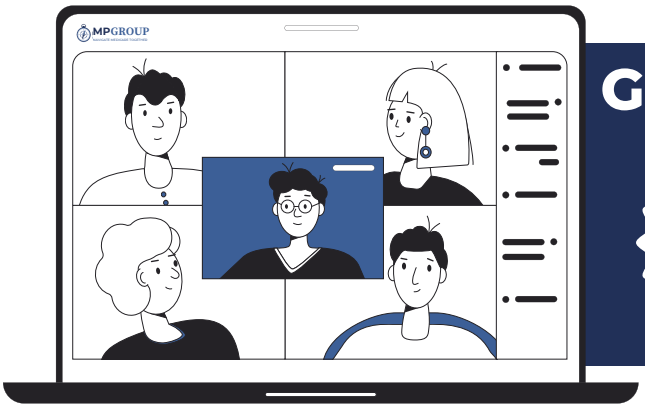
Important Phone #'s You Need To Know

MP Group - 703-214-4600

CMS - 1-800-MEDICARE (1-800-633-4227)

Social Security Administration - 1-800-772-1213

MP Group's Educational Events



Get Smarter about Medicare!

FREE

LIVE

Interactive

Available Upon Request

We know Medicare and we love to share our knowledge. Each webinar is designed to deliver Medicare information in a simplified and understandable manner.

New to Medicare

Medicare Basics

Topics:

- Medicare Parts A, B, C, D and Medigap
- Enrollment Periods
- Eligibility
- Medicare Costs

45 Minutes

Medicare Working Past 65

Topics:

- Dates, timelines, and actions you need to take when working past 65
- Coordination of benefits; who pays first?

20 Minutes

New and Existing Medicare Beneficiaries

Original Medicare vs Medicare Advantage

Topics:

- Differences between Medicare Advantage and Original Medicare
- How to choose which option is right for you

20 Minutes

Medicare Part D - What You Need To Know

Topics:

- How Medicare Part D plans work
- Cost of Medicare Part D
- Enrollment dates

20 Minutes