

# The Inflation Reduction Act (IRA)

## Revisiting Price Negotiation & its Anticipated Impact on the Biopharma Landscape

The IRA is composed of 3 major health care provisions:

### 1 The Medicare Drug Negotiation Program (DNP)



Allows the Secretary of Health and Human Services (HHS) to **select and negotiate a price in Medicare for a number of branded drugs** each year

### 2 Implementation of Inflationary Rebate Penalties



Manufacturers owe **rebates** to CMS when **price increases exceed inflation**

### 3 Redesign of the Part D Standard Benefit



**Redistributes financial responsibility** across stakeholders in Part D and across the phases of the benefit

## Anticipated Impact of IRA Provisions:

### Overview of Stakeholder Impact



#### Payers will...

- Face higher liability as a result of Part D redesign
- See a loss of DNP-drug rebate dollars

#### Manufacturers will...

- Face higher liability as a result of Part D redesign
- See lower revenue from price setting



## Stakeholder Reaction & Market Impact

### Payer Response

- Payers will seek to offset increased liability, mitigate risk, and offset lost rebate dollars
- Payers may raise premiums and adjust Part D bids
- Payers may tightly control access to medicines (e.g., exclusions, UM and PA)

If a **payer is rebate focused**, they will likely pick one preferred non-DNP drug and consider listing the DNP-drug as non-preferred

If a **payer is net price focused**, they will likely prefer the DNP drug and restrict Non-DNP drugs

### Manufacturer Response

Manufacturers will seek to balance investments in affordability across payment channels (i.e., rebates, support programs) to determine if further investment in Medicare discretionary rebates is possible resulting in two potential outcomes:

Offer **increased discretionary rebates** to payers to **avoid restricted access**

Provide **no additional discretionary rebates** to payers and face **decreased access**

## Implications of Price Negotiation



Payers expected to implement **more restrictive formularies** and higher utilization management in markets with a DNP drug

**Heightened financial pressure on manufacturers** will force them to choose between valuing market access and pipeline reinvestment

