

August 25, 2022

HEALTH CARE PROVISIONS IN THE INFLATION REDUCTION ACT

On August 16, 2022, President Biden signed the sweeping [Inflation Reduction Act of 2022](#) (the IRA) into law. In addition to the act's deficit reduction measures and the changes it makes to tax law and energy policies, the measure also includes several provisions that have the potential to indirectly impact employer group health plans. Notable health coverage provisions include:

Affordable Care Act (ACA) Premium Tax Credits

In 2021, the American Rescue Plan Act expanded access to subsidized marketplace health coverage by (1) eliminating the restriction in place that limited eligibility for subsidized coverage to participants who earned 400 percent or less of the federal poverty level, and (2) lowering the cost of marketplace coverage such that the premiums could not exceed 8.5% of the participant's household income. Both provisions were due to expire in 2022, but the Inflation Reduction Act has extended them for three additional years, through December 31, 2025.

While this extension does not require any actions from employers, group plan sponsors may find more of their employees seeking out coverage through a state or federal exchange in order to take advantage of these subsidies. With more employees participating in exchange coverage, the potential for employer mandate penalties increases. This is because such penalties are triggered when an employee receives a subsidy because their employer failed to offer them affordable, minimum value coverage. Given this, large employers will need to ensure that their group medical plan does meet the ACA's requirements, *and* that they are accurately communicating this compliance in their ACA filings (Forms 1094-C and 1095-C) to the IRS.

Medicare Part D Prescription Drug Costs

The IRA also includes several provisions seeking to reduce prescription drug costs for Medicare Part D enrollees, including:

- A requirement that, beginning in 2026, The Department of Health and Human Services negotiate directly with drug manufacturers for lower costs on certain high-cost drugs in the Medicare program;
- Beginning in 2025, a \$2,000 cap on Part D out-of-pocket prescription costs;
- A requirement that, starting in 2023, drug manufacturers pay a rebate to Medicare if average drug prices increase faster than inflation; and,
- Effective in 2023, a \$35 per month cost-sharing cap on insulin for Medicare Part D beneficiaries.

Because these price reduction measures do not also apply to employer group health plans, prescription costs for employers and plan participants may consequently increase in response to these restrictions in the coming years.

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