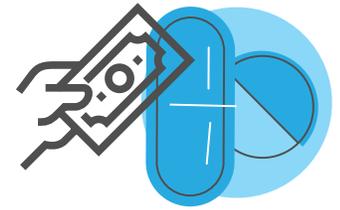


Fact Sheet: Medicare Prescription Drug Inflation Rebate Program

Part B Rebatable Drug Coinsurance Reduction



In August 2022, President Biden signed the Inflation Reduction Act (IRA) of 2022 (P.L. 117-169) into law. Among many other provisions, this landmark law will lower the cost of health insurance for American families and give peace of mind to millions of seniors and people with disabilities by placing an annual out-of-pocket cap on Medicare prescription drug costs.

The new law makes improvements to Medicare that will expand benefits, lower drug costs, keep prescription drug plan premiums stable, and improve the sustainability of the Medicare program. The law provides meaningful financial relief for millions of people with Medicare by improving access to affordable treatments and strengthening Medicare both now and in the long-run.

Q: What is the Medicare Prescription Drug Inflation Rebate Program?

The new drug law requires drug companies to pay a rebate if they raise prices for certain drugs faster than the rate of inflation. This rebate is paid to Medicare and will be calculated and invoiced by the Centers for Medicare & Medicaid Services (CMS). The law establishes Medicare Part B prescription drug inflation rebates for single source drugs and biologicals with prices increasing faster than the rate of inflation, and provides for lower Part B beneficiary cost sharing on these drugs and biologicals. In addition, the law establishes Medicare Part D prescription drug inflation rebates for certain drugs and biologicals with prices increasing faster than the rate of inflation. Collectively, this program to implement these rebates is referred to as the Medicare Prescription Drug Inflation Rebate Program, or the Inflation Rebate Program.

Q: How will people with Medicare benefit under the Medicare Prescription Drug Inflation Rebate Program?

The Medicare Prescription Drug Inflation Rebate Program may discourage drug companies from increasing their prices faster than the rate of inflation. Beginning April 1,

2023, people with Medicare may see lower out-of-pocket costs for certain Part B drugs and biologicals with prices that have increased faster than the rate of inflation. For these drugs and biologicals, the beneficiary coinsurance will be 20% of the inflation-adjusted payment amount, which will be less than what the beneficiary would pay in coinsurance otherwise.

Q: What is the timeline for when drug companies will first be required to pay rebates on Part B rebatable drugs and when will people see a benefit?

January 1, 2023: Began the first quarterly period for which drug companies will be required to pay rebates for raising prices that outpace inflation on certain Part B drugs.

April 1, 2023: People with Original Medicare and Medicare Advantage may, depending on their coverage, pay a lower coinsurance amount for certain Part B drugs with price increases higher than inflation.

2025: CMS intends to send the first invoices to drug companies for the 2023 and 2024 rebates. For more information, see the timeline for the **Medicare Prescription Drug Inflation Rebates Program**.

Q: What is a Part B rebatable drug?

The law defines a “Part B rebatable drug” to mean a single source drug or biological product, including certain biosimilar biological product, which are generally injectable and infused drugs or biologicals administered by a physician in a doctor’s office or hospital outpatient setting. The law excludes certain drugs from the definition of Part B rebatable drug such as Part B preventive vaccines.

Q: Will the Part B rebatable drugs that have a coinsurance adjustment change each quarter?

The information in the ASP quarterly drug pricing files are updated quarterly based on sales data submitted each quarter by drug companies to CMS. Therefore, it is possible that the Part B rebatable drugs with a coinsurance adjustment could vary from quarter to quarter.

Q. Will Part B rebatable drugs have a reduced coinsurance for each quarter?

People with Traditional Medicare and Medicare Advantage who use these Part B drugs may, depending on other health coverage they may have, pay a reduced amount for their coinsurance. For each quarter starting April 1, 2023, CMS will specify whether a coinsurance adjustment applies to a Part B rebatable drug for a calendar quarter in the quarterly ASP file on the CMS website.

This will be determined on a quarterly basis. The quarterly drug pricing files can be found at: **Medicare Part B Drug Average Sales Price.**

Q: Are the Part B rebatable drugs that have coinsurance adjustments identified in the Average Sales Price (ASP) quarterly files?

Yes, for each quarter starting April 1, 2023, CMS will specify whether a coinsurance adjustment applies to a Part B rebatable drug for a calendar quarter in the quarterly ASP public files on the CMS website. For these Part B rebatable drugs, the beneficiary coinsurance will be 20% of the inflation-adjusted payment amount, which will be less than what the beneficiary would pay in coinsurance otherwise. The quarterly ASP public files can be found at: **Medicare Part B Drug Average Sales Price.**

Q: How does this change in coinsurance affect payment to health care providers for these Part B rebatable drugs?

As the beneficiary will pay less in coinsurance for certain Part B rebatable drugs, Medicare will make health care providers whole by paying the difference between the Medicare allowed amount and the adjusted beneficiary coinsurance, after applying the Part B deductible and prior to sequestration, if applicable.

CMS will specify whether a coinsurance adjustment applies to a Part B rebatable drug for a calendar quarter in the quarterly ASP public files on the CMS website. Beginning with the April 2023 quarterly ASP public files, the applicable beneficiary coinsurance percentage will be shown for each HCPCS code included in the pricing files. The quarterly ASP public files can be found at: **Medicare Part B Drug Average Sales Price.**

Learn more about the **Medicare Prescription Drug Inflation Rebates Program.**