



—Inflation Reduction Act Research Series—

Projecting the Impact of the \$2,000 Part D Out-Of-Pocket Cap for Medicare Part D Enrollees with High Prescription Drug Spending

The Inflation Reduction Act (IRA) caps Part D annual out-of-pocket drug costs at \$2,000 annually in 2025. Under the IRA, about 11 million Part D enrollees are expected to reach the \$2,000 out-of-pocket cap and these enrollees are projected to have average out-of-pocket savings of about \$600 per enrollee in 2025. Among these enrollees, average out-of-pocket savings are even higher for enrollees who do not receive financial assistance for their prescription drug costs -- about \$1,100 per enrollee in 2025.

KEY POINTS

- The Inflation Reduction Act of 2022 (IRA) includes many provisions that aim to reduce out-of-pocket spending for prescription drugs covered under Medicare Part D. In 2024, cost-sharing in the final phase of the Part D benefit, the catastrophic coverage phase, was eliminated.* Beginning in 2025, the out-of-pocket catastrophic threshold, which determines entry into the catastrophic coverage phase, will be capped at \$2,000, adjusted for inflation annually thereafter. This means that enrollees will not pay more than \$2,000 out-of-pocket for their covered Part D drugs in 2025.
- We use a simulation model to identify how the IRA provisions in effect in 2025 may impact enrollees with high prescription drug costs, specifically focusing on enrollees who meet the \$2,000 out-of-pocket cap and enter the catastrophic coverage phase under the IRA in 2025.
- About 11.3 million Part D enrollees are projected to meet the \$2,000 out-of-pocket cap and enter the catastrophic coverage phase under the IRA's Part D benefit design in 2025; these enrollees will have no cost-sharing in this phase of the Part D benefit.
- For these 11.3 million enrollees, total out-of-pocket savings are projected to be about \$7.2 billion annually, for an average of about \$600 annually per enrollee. Among these enrollees, the savings are even higher for enrollees who do not receive financial assistance for their prescription drug costs (i.e., enrollees who do not receive the low income subsidy (LIS), also known as Extra Help),[†] with average annual out-of-pocket savings projected to be about \$1,100 per enrollee for this population.
- Among non-LIS enrollees projected to reach the Part D out-of-pocket cap and enter the catastrophic coverage phase under the IRA, average annual out-of-pocket savings are highest for

* Pre-IRA, enrollees had 5 percent cost-sharing during this phase and there was no cap to limit enrollees' Part D out-of-pocket drug spending.

[†] For eligible enrollees whose income and resources are limited, the Medicare Prescription Drug, Improvement and Modernization Act of 2003 established Extra Help (a subsidy) for prescription drugs, which provides financial assistance for prescription drugs (premiums, deductibles, and co-payments). Under the IRA, beginning in 2024, the LIS program is expanded to individuals with limited financial resources and incomes up to 150 percent of the Federal Poverty Limit (FPL). For more information, please see [here](#).

enrollees with the following conditions: cystic fibrosis (about \$6,700 annually per non-LIS enrollee with cystic fibrosis), multiple myeloma (about \$4,700 annually per non-LIS enrollee with multiple myeloma); metabolic and immune disorders (about \$3,600 annually per non-LIS enrollee with metabolic and immune disorders); and major organ transplant (about \$3,300 annually per enrollee with major organ transplant).

- Among all states, California and Florida are projected to have the highest additional absolute number of enrollees in the catastrophic coverage phase under the IRA in 2025 (587,000 and 489,000, respectively).
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BACKGROUND

About 54 million people are enrolled in Medicare Part D and most of them do not receive financial assistance to help with their prescription drug costs.¹ High prescription drug costs are a challenge for many enrollees, with one report estimating that more than five million Medicare enrollees experience challenges affording prescription drugs.² For Medicare enrollees who require high-priced medications or those who need many different types of medications, the out-of-pocket costs of their drugs can be substantial.

Prior to the Inflation Reduction Act of 2022 (IRA), the Medicare Part D program consisted of four phases that enrollees transitioned through, depending on their drug costs and plan policies: deductible, initial coverage, coverage gap, and catastrophic coverage. Under this design, in 2023, enrollees had to incur a maximum amount of \$7,400 in true out-of-pocket costs (TrOOP)^{*} to reach the catastrophic coverage phase of the Part D benefit; once they entered this phase, they had to pay about 5 percent out-of-pocket for their Part D covered drugs for the remainder of the year, with no cap to limit spending.[†] This left some enrollees, particularly enrollees who do not receive the low-income (LIS) subsidy, with exceedingly high out-of-pocket drug expenses. On average, enrollees who do not receive the low-income subsidy (LIS), referred to as non-LIS enrollees, have substantially higher out-of-pocket drug costs compared to their LIS counterparts due to the financial assistance provided by the program.^{3,4} Non-LIS enrollees represent the majority of Part D enrollees (73 percent).

In 2022, about 8 percent of all Part D enrollees reached the catastrophic coverage phase of the Part D benefit.⁵ Up until 2024, when the IRA removed cost-sharing in the catastrophic coverage phase of the Part D benefit, there was no limit to the amount enrollees paid out-of-pocket for their prescription drugs. Among non-LIS enrollees, about 4 percent (1.5 million people) reached the catastrophic coverage phase in 2022 and their total annual out-of-pocket spending on prescription drugs averaged about \$3,093. Among these enrollees, a subset of enrollees had very high costs due to their health conditions and the specific drugs they required – for example, those with cystic fibrosis paid an average of \$9,500 annually out-of-pocket for their prescription drug costs alone.⁶

On August 16, 2022, the IRA was signed into law. The IRA includes provisions that redesign the Medicare Part D prescription drug payment structure and benefits, with the goals of making prescription drugs more affordable for Medicare enrollees and reducing costs for the Medicare program.⁷ It includes many provisions that substantially change the way the Medicare program and Medicare enrollees pay for prescription drugs.[‡] Among these provisions, there are several that are particularly targeted towards helping enrollees with high out-of-pocket drug spending – including, as mentioned above, the elimination of cost-sharing in the

^{*} TrOOP captures the maximum out-of-pocket an enrollee will pay before they transition to the catastrophic coverage phase of the Part D benefit. TrOOP includes out-of-pocket payments made by the enrollee plus other payments made on behalf of the enrollee (e.g., manufacturer payments and certain Extra Help payments).

[†] For 2023, cost-sharing in the catastrophic coverage phase was the greater of 5 percent or \$4.15 (Generic/Preferred MultiSource drug) / \$10.35 (Other drug).

[‡] For the full list of provisions and the dates they go into effect, please see [here](#).

catastrophic coverage phase, which went into effect in 2024.* Additionally, in 2025, the IRA caps all out-of-pocket costs for prescription drugs covered under Part D to \$2,000, adjusted for inflation annually thereafter, and enrollees enter the catastrophic coverage phase once they exceed this threshold.† For more details about the Part D benefit changes resulting from the IRA, please see [here](#).

Collectively, these and other IRA Medicare-drug related provisions are designed to help ease the burden of high prescription drug costs for enrollees. Our previous research found that approximately 18.7 million enrollees, representing about 36 percent of Medicare Part D enrollees, are projected to save about \$7.4 billion annually under the IRA in 2025.⁸ This translates to an estimated \$400 in average annual out-of-pocket savings among these enrollees. In the same study, we found that among non-LIS enrollees, the savings are even higher – about 8.4 million Part D enrollees are expected to save an average of \$759 per enrollee annually under the IRA provisions in effect in 2025.⁹

In this Issue Brief, we update our prior estimates of enrollee savings by projecting the potential out-of-pocket impact of the IRA among enrollees expected to reach the out-of-pocket cap and enter the catastrophic coverage phase under the IRA's Part D redesign.‡

METHODS

We used the Medicare Prescription Drug Event (PDE) data for all Part D enrollees in 2023 to develop a simulation model to project impacts on enrollees' Part D out-of-pocket spending under a baseline scenario, which represents what would happen in the absence of the IRA in 2025, and under the IRA's Medicare drug-related provisions that are in effect in 2025.

We focus specifically on understanding the impact of the IRA for enrollees who have high out-of-pocket spending by identifying enrollees who are projected to meet the Part D catastrophic threshold (\$2,000) and reach the catastrophic coverage phase under the IRA's 2025 Part D redesign provisions. This allows us to identify all enrollees who may benefit from the IRA's elimination of cost-sharing in the catastrophic coverage phase and the \$2,000 out-of-pocket cap that goes into effect in 2025. Then, for this set of enrollees, we examine their out-of-pocket spending in the baseline scenario (in the absence of the IRA) and under the IRA's Medicare drug-related provisions in effect in 2025, as well as their demographic and health-related characteristics. All estimates are presented separately based on LIS status. Although we present separate estimates for LIS and non-LIS enrollees, our main focus is on non-LIS enrollees because they have substantially higher out-of-pocket prescription drug costs compared to their LIS counterparts.¹⁰

Separately, we also examine out-of-pocket costs for non-LIS enrollees taking the top ten most expensive drugs based on out-of-pocket spending under the baseline scenario and under the IRA to understand how non-LIS

* In 2024, the TrOOP, which represents the maximum amount that enrollees can spend for their prescription drug costs prior to entering the catastrophic coverage phase of the Part D benefit, was set at \$8,000.

† The cap is based on TrOOP, which refers to incurred costs that count towards the Medicare Part D plan out-of-pocket threshold, which was \$7,400 for 2023 and \$8,000 in 2024. TrOOP determines entry into the catastrophic coverage phase of the Part D benefit. The IRA changes which costs count towards TrOOP and the TrOOP threshold, which will be \$2,000 in 2025. Pre-IRA, TrOOP consists of both payments paid by the enrollee (e.g., annual deductible, out-of-pocket costs, and others) as well as other payments not paid by the enrollee (e.g., manufacturer coverage gap discounts for brand drugs). The IRA changes the costs that count towards TrOOP. For example, effective 2025, under the IRA, manufacturer payments under the Manufacturer Discount Program are not counted towards TrOOP and plan supplemental benefits are counted towards TrOOP.

‡ The simulation model has been updated by using more recent prescription drug event data, updating estimates using the 2024 Medicare Trustees Report, incorporating enrollment increases, and making other technical refinements. Additionally, this Issue Brief focuses only on the impacts on enrollees who are projected to reach the catastrophic coverage phase. Therefore, the estimates presented in this Issue Brief are not directly comparable to the overall savings presented in the previous ASPE reports.

enrollees taking expensive drugs may fare under the IRA’s Medicare drug-related provisions that are in effect in 2025.

We also present estimates of the IRA’s impact on the number of enrollees reaching the catastrophic coverage phase by state and territory of residence.

Simulation Model

The simulation model was developed to include all the IRA Medicare drug-related provisions listed in Table 1 that are in effect in 2025. We focused on these provisions because they are expected to directly impact out-of-pocket drug spending and there is sufficient information available on how these provisions will be implemented to allow for the development of a simulation model to identify impacts. We used PDE data from 2023 to update the simulation model because this was the latest year for which complete Part D data was available.

Table 1. Inflation Reduction Act Part D Prescription Drug-Related Provisions Included in the Simulation Model

IRA Medicare Part D Drug-Related Provisions	Effective Date
Enrollee cost sharing is limited to \$35 for a month’s supply of each covered insulin product and deductibles for covered insulin products are eliminated	2023
Enrollee cost sharing for ACIP-recommended adult vaccines is eliminated	2023
Full LIS assistance is expanded to people with limited resources who earn less than 150 percent of the federal poverty level	2024
Reduction of enrollee coinsurance in the catastrophic coverage phase from five to zero percent*	2024
Elimination of the coverage gap phase and replacement of the coverage gap discount program with the Manufacturer Discount Program; the new Manufacturer Discount Program requires a 10 percent manufacturer discount on brand drugs in the initial coverage phase and 20 percent in the catastrophic coverage phase	2025
\$2,000 maximum annual out-of-pocket cap for enrollees for 2025 and indexed to inflation annually thereafter	2025
Government reinsurance decreases in the catastrophic coverage phase, from 80 percent to 20 percent for brand-name drugs, biologicals, and biosimilars; and from 80 percent to 40 percent for generics	2025

Notes: Estimates do not include non-IRA regulations that may impact drug spending (e.g., Part D regulations requiring that pharmacy price concessions be reflected at the point of sale beginning in January 2024).

*For 2023, cost-sharing in the Part D catastrophic coverage phase was the greater of 5 percent or \$4.15 (Generic/Preferred MultiSource drugs) / \$10.35 (Other drugs).

ACIP = Advisory Committee on Immunization Practices

LIS = Low-income subsidy

IRA = Inflation Reduction Act

Our simulation model uses the 2023 PDE data to project the out-of-pocket spending for enrollees under a baseline scenario, which represents what would have happened in 2025 in the absence of the IRA, and under the IRA, which represents what we expect to happen in 2025 when all the provisions listed in Table 1 are in effect. The model then compares the out-of-pocket costs under both scenarios (baseline and IRA) to estimate out-of-pocket savings under the IRA for enrollees who reach the IRA’s \$2,000 out-of-pocket cap and enter the catastrophic coverage phase under the IRA’s Part D benefit structure.

We began with actual drug costs from the PDE data, matched with Part D enrollment data, inflated to projected 2025 values, depending on appropriate statutory formulas, and calculated cost sharing (i.e., out-of-pocket spending) based on the pre-IRA benefit.* We then calculated cost sharing on the same inflated 2023 claims, assuming no change for the mix of drugs that are used, but with out-of-pocket costs based on the IRA provisions that go into effect by 2025. Because the IRA's insulin and vaccine provisions were in effect in 2023, we removed the application of these provisions from the baseline scenario so it would capture what would happen in the absence of the IRA. All estimates are presented in 2025 dollars.

Our modeling takes into account changes in total Part D enrollment over time and changes to TrOOP accumulation, beginning in 2025 under the IRA. TrOOP refers to incurred costs that count towards the Medicare Part D out-of-pocket threshold and is used to transition enrollees into the catastrophic coverage phase of the Part D benefit. In the absence of the IRA, TrOOP consists of both payments paid by the enrollee (e.g., annual deductible, out-of-pocket costs, and others) as well as other payments not paid by the enrollee (e.g., manufacturer gap discounts for brand drugs). In 2025, payments that count towards TrOOP change and these changes are reflected in our simulation model.†

There are a number of assumptions in our model. Although our simulation model adjusts for enrollment and utilization changes, it does not adjust for how the mix of prescription drug use may change over time, changes in utilization that may occur due to the IRA's out-of-pocket cap, changes in drug formulary preferences, or other policy changes. We projected copay adjustments from the enhanced plans based on existing information on how enhanced plans have deviated from the standard benefit in 2023.

Our savings estimates may be considered conservative because the simulation model does not fully capture all the IRA's Medicare drug-related policy changes that are designed to reduce the cost of prescription drugs to the Medicare program and taxpayers. For example, the simulation model does not include any potential impacts associated with negotiation of drugs covered under Part D, which may impact out-of-pocket spending once implemented in 2026. Nor does it account for the increase in access to drugs or new drugs that will come out in future years. It also does not account for the Part D inflation rebates nor for spillover effects that may occur if, for example, the Medicare inflation rebate provisions in the IRA lead to changes in the prices of drugs covered by private insurance. Our model also does not include changes in plan or enrollee behavior resulting from the redesign of the Part D benefit. Finally, our model does not consider other federal or state programs or policies that may reduce spending on drugs covered under Part D.‡

* This information, including key estimates, were obtained from the Medicare Trustee's Report. Please see here for more details: [2024 Medicare Trustees Report](#).

† For example, under the IRA, the manufacturer payments under the Manufacturer Discount Program will not count towards TrOOP beginning in 2025 and plan supplemental benefits (including EGWP benefits) will count towards TrOOP. Our modeling takes these into account to the extent feasible at the time the analysis was conducted. Please see [here](#) for more detail.

‡ For example, the impacts of the Part D Senior Savings Model (PDSS), which is a voluntary model that tested alternative Part D plan options that offer lower out-of-pocket costs for insulin as supplemental benefits, are not separately accounted in the modeling. Reductions in out-of-pocket spending are included only in so far as the information is present in the 2023 PDE data. PDSS began January 1, 2021 and ended on December 31, 2023. Please see here: [Part D Senior Savings Model | CMS Innovation Center](#).

FINDINGS

11.3 million Part D enrollees are projected to have total out-of-pocket savings of \$7.2 billion in 2025 under the IRA

Table 2A presents the total number of Part D enrollees projected to meet the \$2,000 out-of-pocket cap and enter the catastrophic coverage phase in 2025 under the IRA's Part D benefit design along with their total and average out-of-pocket drug spending in the *baseline scenario*, that is, in the absence of the IRA, for all enrollees and separately by LIS status.

About 11.3 million Part D enrollees are projected to reach the \$2,000 out-of-pocket cap and the catastrophic coverage phase under the IRA's Part D benefit design in 2025; the majority of these enrollees are non-LIS enrollees (about 54 percent or 6.1 million non-LIS enrollees compared to 46 percent or 5.2 million LIS enrollees).

In the absence of the IRA, these enrollees are projected to spend about \$14 billion in out-of-pocket drug costs in 2025, translating to an average of about \$1,264 per enrollee. Non-LIS enrollees accrue most of these costs (about 96 percent) compared to LIS enrollees (4 percent), which translates to about \$2,200 on average per non-LIS enrollee and about \$120 on average per LIS enrollee in 2025.

Table 2A. Part D Total and Average Out-of-Pocket Spending in the Absence of the IRA (Baseline Scenario) for Enrollees Projected to Reach the Catastrophic Coverage Phase in 2025, by LIS Status

LIS Status	Number of Part D Enrollees*	% by LIS status	Total Enrollee Out-of-Pocket Costs	Average Enrollee Out-of-Pocket Costs
Non-LIS	6.1 million	54%	\$13,704,659,663	\$2,239
LIS	5.2 million	46%	\$628,875,431	\$120
All	11.3 million	100%	\$14,333,535,094	\$1,264

Source: ASPE Simulation Model

Notes: * Estimates are presented for enrollees projected to meet the \$2,000 out-of-pocket cap and reach the catastrophic coverage phase under the IRA's Part D benefit structure in 2025.

The baseline scenario represents what would happen to Part D total and average out-of-pocket spending for this group of enrollees in the absence of the IRA. All spending estimates presented in 2025 dollars.

IRA = Inflation Reduction Act

LIS = Low-income subsidy

Table 2B presents what would happen *under the IRA* to the 11.3 million enrollees projected to meet the \$2,000 out-of-pocket cap and reach the catastrophic coverage phase under the IRA's Part D benefit design in 2025. Under the IRA in 2025, for these enrollees, there is a significant decline in out-of-pocket drug spending, with total out-of-pocket drug spending projected to be about \$7.1 billion in 2025, translating to an average of about \$629 per enrollee (non-LIS and LIS).

Overall, among the total enrollees (11.3 million LIS and non-LIS enrollees) projected to reach the catastrophic coverage phase under the IRA in 2025, total Part D out-of-pocket savings under the IRA are estimated to be approximately \$7.2 billion; this translates to average annual out-of-pocket savings of about \$635 per enrollee reaching the catastrophic coverage phase under the IRA in 2025. Among this population, savings for non-LIS enrollees who reach the catastrophic coverage phase under the IRA are even higher -- 6.1 million non-LIS enrollees are projected to save an average of about \$1,110 per enrollee under the IRA in 2025. Among LIS

enrollees (5.2 million), the average out-of-pocket savings are projected to be about \$92 per enrollee under the IRA in 2025. **

The IRA provisions have a greater relative impact on average out-of-pocket spending for LIS enrollees (76 percent decline in average out-of-pocket costs) than non-LIS enrollees (49 percent decline in average out-of-pocket costs), but a larger absolute impact on non-LIS enrollees (about \$1,100 in savings) compared to LIS enrollees (\$92 in savings). LIS enrollees have higher gross drug costs, on average, than non-LIS enrollees, but have lower out-of-pocket spending because much of their cost sharing is covered by federal assistance. The dollar impact of the IRA on out-of-pocket drug spending is thus larger for non-LIS enrollees than for LIS enrollees.

Table 2B. Part D Total and Average Out-of-Pocket Savings under the IRA for Enrollees Projected to Reach the Catastrophic Coverage Phase in 2025, by LIS Status

	Number of Part D Enrollees*	Total Enrollee Out-of-Pocket Costs	Average Enrollee Out-of-Pocket Costs	Total Enrollee Out-of-Pocket Savings	Average Enrollee Out-of-Pocket Savings	Percentage Change in Average Enrollee Out-of-Pocket Costs Under the IRA
Non-LIS	6.1 million	\$6,987,531,087	\$1,141	\$6,717,128,576	\$1,097	49%
LIS	5.2 million	\$149,412,505	\$29	\$479,462,926	\$92	76%
All	11.3 million	\$7,136,943,592	\$629	\$7,196,591,502	\$635	50%

Source: ASPE Simulation Model

Notes: *Estimates are presented for enrollees projected to meet the \$2,000 out-of-pocket cap and reach the catastrophic coverage phase under the IRA’s Part D benefit structure in 2025.

This scenario represents what would happen to Part D total and average out-of-pocket costs under the IRA in 2025 for this group of enrollees. All spending estimates presented in 2025 dollars.

IRA = Inflation Reduction Act

LIS = Low-income subsidy

Out-of-Pocket Savings by Demographic and Health Characteristics

Table 3 presents demographic characteristics and average Part D out-of-pocket savings for each demographic category, separately by LIS status, for enrollees projected to meet the \$2,000 out-of-pocket cap and reach the catastrophic coverage phase under the IRA in 2025. Table 3 also presents the projected distribution of the overall Part D population in 2025 as a point of reference to identify whether there are substantial differences between demographic groups’ representation in the overall Part D population and the share that are projected to reach the catastrophic coverage phase under the IRA in 2025.

With certain exceptions discussed below, the distribution of Medicare enrollees projected to reach the \$2,000 out-of-pocket cap and the catastrophic coverage phase of the Part D benefit in 2025 follows the general distribution of demographic characteristics for the Medicare Part D population in 2025.

Non-LIS Enrollees

Variation in projected out-of-pocket savings across race, ethnicity, and geographic groups from the overall non-LIS average of \$1,100 annual projected out-of-pocket savings is small. Among non-LIS enrollees, the

* LIS enrollees are defined as enrollees who were enrolled in the LIS program at any time during the year. For enrollees who received LIS for less than a full year, out-of-pocket savings accrued during the time they were not receiving LIS contributes to the projected LIS out-of-pocket savings under the IRA.

† These savings projections take into account changes in TrOOP under the IRA, which count certain additional costs towards the catastrophic coverage threshold in 2025. This contributes to significant out-of-pocket savings for enrollees under the IRA.

majority of enrollees in this group are over 65 years of age. The average out-of-pocket savings are projected to range from about \$800 per enrollee for those 85 and older years of age to \$1,462 for those under 65 years of age. Non-LIS enrollees under the age of 65 are a much smaller share of those projected to reach the catastrophic coverage phase under the IRA in 2025 (6 percent) compared to the entire Medicare Part D population (16 percent).

Similar proportions of men and women are projected to reach the catastrophic coverage phase under the IRA, with generally similar average out-of-pocket savings in 2025. Compared to the entire Medicare Part D population (56 percent), a slightly smaller share of women are projected to reach the catastrophic coverage phase (about 51 percent), while the opposite is true for men. Among the overall Part D population, about 44 percent are men while among the catastrophic coverage phase population, about 49 percent are men.

The majority of enrollees are projected to be White (about 83 percent) and the lowest proportion of enrollees are American Indian/Alaska Native (less than 1 percent). Average out-of-pocket savings for enrollees who reach the catastrophic coverage phase under the IRA in 2025 are projected to range from about \$1,400 for American Indians/Alaska Native enrollees to about \$900 for Hispanic enrollees. Compared to the Part D population (72 percent), more White enrollees are projected to reach the catastrophic coverage phase (83 percent). Conversely, a smaller share of Black enrollees (6 percent) and Hispanic enrollees (5 percent) are projected to reach the catastrophic coverage phase of the Part D benefit compared to their representation in the overall Part D population (about 11 percent and 9 percent, respectively).

The majority of non-LIS enrollees in this group reside in urban areas (81 percent), consistent with their share in the overall Part D population, and average out-of-pocket savings are projected to be similar between urban and rural enrollees in 2025 under the IRA.

LIS Enrollees

Variation in projected out-of-pocket savings among LIS enrollees by race, ethnicity, and geography is also small. The majority of LIS enrollees projected to reach the catastrophic coverage phase under the IRA are under 65 years of age. Average out-of-pocket savings are projected to be generally similar across age groups. Enrollees under the age of 65 make up a larger share of LIS enrollees projected to reach the catastrophic phase (40 percent) than of the overall Part D population (16 percent).

The majority of enrollees in this group are women (61 percent), which is greater than their representation in the Part D population (56 percent). Average out-of-pocket savings are projected to be generally similar between men and women.

About 55 percent of LIS enrollees in this group are White enrollees. Compared to the entire Part D population, a substantially greater share of enrollees are black (11 percent vs. 20 percent, respectively) and Hispanic (9 percent vs. 15 percent, respectively). Average out-of-pocket savings are projected to range from about \$48 for Asian enrollees to \$103 for White enrollees in 2025 under the IRA.

The majority of LIS enrollees reside in urban areas (about 78 percent), consistent with their representation in the overall Part D population (79 percent), and savings are projected to be similar between urban and rural enrollees.

Table 3. Part D Average Out-of-Pocket Savings for Enrollees Projected to Reach the Catastrophic Coverage Phase under the IRA, by LIS Status

Demographic Characteristics	Part D Population	Non-LIS		LIS			Average Out-of-Pocket Savings under the IRA
		Number of Part D Enrollees*	Percent	Number of Part D Enrollees*	Percent	Average Out-of-Pocket Savings under the IRA	
All	59.7 M	6.1 M	100.0%	\$1,097	5.2 M	100.0%	\$92
Age							
Less than 65	16.1%	380,532	6.2%	\$1,462	2,050,535	39.3%	\$96
65-69	25.5%	1,349,382	22.0%	\$1,219	1,070,351	20.5%	\$93
70-74	22.5%	1,521,938	24.9%	\$1,141	789,512	15.1%	\$96
75-79	16.5%	1,316,867	21.5%	\$1,054	564,847	10.8%	\$91
80-84	10.3%	870,885	14.2%	\$964	383,626	7.4%	\$84
85+	9.0%	682,650	11.2%	\$808	360,475	6.9%	\$67
Gender							
Women	56.4%	3,116,076	50.9%	\$1,026	3,190,758	61.1%	\$90
Men	43.6%	3,006,179	49.1%	\$1,171	2,028,589	38.9%	\$95
Race and Ethnicity*							
White	72.2%	5,104,390	83.4%	\$1,099	2,864,624	54.9%	\$103
Black	10.8%	388,450	6.3%	\$1,119	1,023,702	19.6%	\$89
Hispanic	9.2%	307,326	5.0%	\$923	803,602	15.4%	\$77
Asian	4.0%	118,020	1.9%	\$1,177	334,352	6.4%	\$48
American Indian / Alaska Native	0.3%	16,448	0.3%	\$1,433	32,768	0.6%	\$83
Other	3.6%	187,621	3.1%	\$1,210	160,300	3.1%	\$67
Geographic Area							
Urban	79.4%	4,961,238	81.0%	\$1,101	4,092,681	78.4%	\$89
Rural-Micropolitan	9.7%	592,126	9.7%	\$1,079	545,665	10.5%	\$105
Rural-Other	6.6%	390,842	6.4%	\$1,097	384,356	7.4%	\$107
Unclassified	4.2%	178,048	2.9%	\$1,058	196,645	3.8%	\$79

Source: ASPE Simulation Model

Notes: All spending estimates presented in 2025 dollars. Estimates are presented for enrollees projected to reach the catastrophic coverage phase under IRA Part D benefit structure. Percentages are calculated for each demographic category using the total number of enrollees in each column as the denominator. Percentages may not add up to 100 due to missing data.

*Estimates are presented for enrollees projected to exceed the \$2,000 out-of-pocket cap and reach the catastrophic coverage phase under the IRA's Part D benefit structure in 2025.

*Race and ethnicity are identified using the Research Triangle Institute's race variable, which is created by taking the beneficiary race code and applying an algorithm to correct for undercounting of some racial and ethnic groups. Please see [here](#) for more details.

IRA = Inflation Reduction Act

LIS = Low-income subsidy

We also examined the top 10 health conditions based on the highest out-of-pocket costs for each condition under the baseline scenario, in the absence of the IRA, for non-LIS enrollees projected to meet the \$2,000 out-of-pocket cap and reach the catastrophic coverage phase under the IRA’s Part D benefit design in 2025.

Findings show the highest baseline average annual out-of-pocket spending is for non-LIS enrollees with cystic fibrosis (\$7,800), followed by multiple myeloma and other cancers (\$5,700) (Table 4 and Figure 1). Out-of-pocket average annual savings under the IRA are also highest for enrollees with these conditions (about \$6,700 on average for non-LIS enrollee with cystic fibrosis and \$4,700 per non-LIS enrollee for multiple myeloma and other related cancers), followed by enrollees with metabolic and immune disorders (about \$3,600 per non-LIS enrollee with this condition) and enrollees who have had a major organ transplant (about \$3,300 per non-LIS enrollee with this condition).

Table 4. Top 10 Health Conditions with Highest Average Part D Out-of-Pocket Costs for Non-LIS Enrollees Projected to Reach the Catastrophic Coverage Phase under the IRA’s Part D Benefit Design

Health Condition	Number of Part D Enrollees*	Average Out-of-Pocket Costs per Enrollee under the Baseline**	Average Out-of-Pocket Savings Per Enrollee under the IRA
Cystic Fibrosis	1,715	\$7,802	\$6,686
Multiple Myeloma and Other Neoplastic Disorders	52,360	\$5,722	\$4,713
Specified Hereditary Metabolic and Immune Disorders	7,184	\$4,759	\$3,593
Major Organ Transplant*	35,394	\$4,358	\$3,251
HIV/AIDS	54,724	\$3,987	\$2,655
Secondary Cancers of Bone, Lung, Brain, and Other Specific Sites; Liver Cancer	75,806	\$3,896	\$2,828
Chronic Myeloid Leukemia	9,790	\$3,798	\$2,752
Blood Disorders Affecting the Bone Marrow (Myelodysplastic Syndromes and Myelofibrosis)	24,722	\$3,516	\$2,502
Motor Neuron Disease**	28,182	\$3,504	\$2,361
Primary Pulmonary Hypertension	26,304	\$3,451	\$2,335

Source: ASPE Simulation Model

Notes: *Estimates are presented for enrollees projected to meet the \$2,000 out-of-pocket cap and reach the catastrophic coverage phase under the IRA Part D benefit structure in 2025.

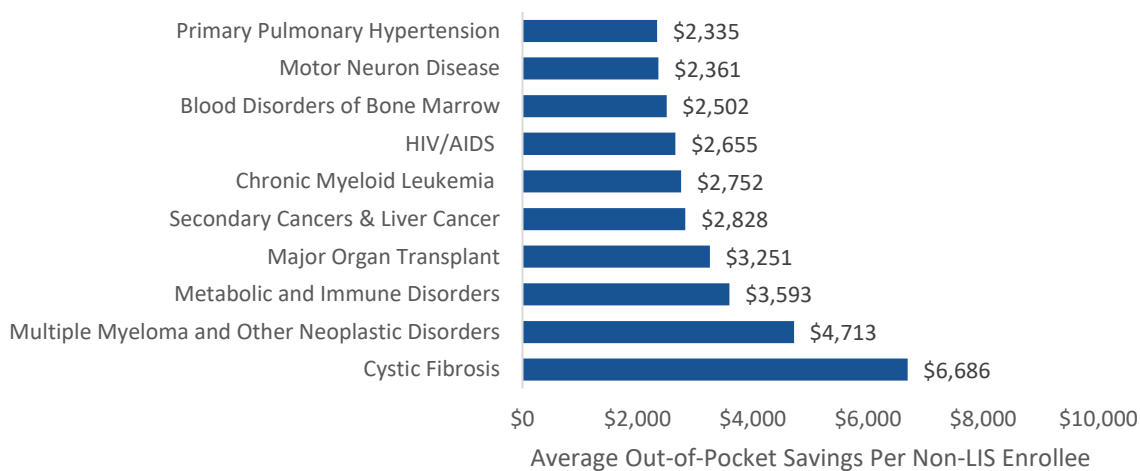
**The baseline scenario represents what would happen if the IRA’s provisions were not in effect in 2025.

*Excludes lung, kidney, and pancreas organ transplants.

**Motor neuron disease includes Myasthenia Gravis, Amyotrophic Lateral Sclerosis, and Other Motor Neuron Disease.

Table presents the top 10 health conditions with the highest out-of-pocket spending for non-LIS enrollees. All estimates are presented in 2025 dollars.

Figure 1. Top 10 Health Conditions with Highest Average Part D Out-of-Pocket Savings for Non-LIS Enrollees under the IRA



Notes: Estimates are presented in 2025 dollars for enrollees projected to meet the \$2,000 out-of-pocket cap and reach the catastrophic coverage phase under IRA Part D benefit structure. Figure presents the top 10 health conditions with the highest out-of-pocket spending for non-LIS enrollees. Major organ transplant excludes lung, kidney, and pancreas organ transplants. Blood disorders of the bone marrow represents Myelodysplastic Syndromes and Myelofibrosis. Motor neuron disease includes Myasthenia Gravis, Amyotrophic Lateral Sclerosis, and Other Motor Neuron Disease.

Top 10 Prescription Drugs with High Average Out-of-Pocket Spending Taken by Part D Enrollees in 2025

For all Part D enrollees, we examined the top 10 drugs taken by at least 2,000 Part D enrollees ranked by highest average out-of-pocket spending under the baseline scenario, that is, in the absence of the IRA in 2025.

Table 5 shows the top 10 drugs by highest out-of-pocket spending, the number of non-LIS enrollees taking each drug, their average out-of-pocket costs under the baseline scenario, and the average out-of-pocket savings under the IRA. For this analysis, we did not identify savings for only enrollees projected to reach the catastrophic coverage phase of the Part D benefit – but rather, included all projected Part D enrollees in 2025.

Findings show that under the IRA in 2025, the average out-of-pocket savings per non-LIS enrollee from these drugs are projected to range from \$11,511 per non-LIS enrollee for Trikafta, which treats cystic fibrosis, to nearly \$5,700 for Imbruvica, which treats blood cancers. Many of the drugs presented in Table 5 treat cancer, which is consistent with previous research showing that cancer drugs pose high out-of-pocket cost burdens for Medicare enrollees.^{11,12}

Table 5. Top 10 Prescription Drugs with High Out-of-Pocket Spending in the Baseline Scenario and Out-of-Pocket Savings Under the IRA for Non-LIS Enrollees

Drug Brand Name (Generic Name)	Commonly Treated Conditions	Number of Non-LIS Enrollees	Average Out-of-Pocket Spending Per Enrollee Taking the Drug (Baseline Scenario)*	Average Out-of-Pocket Spending per Enrollee Taking the Drug under the IRA	Average Out-of-Pocket Savings under the IRA
Trikafta (Elexacaftor- Tezacaftor-Ivacaftor)	Cystic Fibrosis	766	\$12,228	\$716	\$11,511
Uptravi (Selexipag)	Pulmonary Hypertension	2,337	\$9,313	\$428	\$8,885
Jakafi (Ruxolitinib Phosphate)	Certain types of Cancers (e.g., blood cancers)	11,993	\$6,995	\$770	\$6,226
Oxervate (Cenegermin-bkbj)	Disease of the Cornea of the Eye	2,797	\$6,918	\$536	\$6,382
Carbometyx / Cometriq (Cabozantinib S-Malate)	Certain types of Cancers (e.g., kidney and thyroid cancers)	6,588	\$6,708	\$623	\$6,085
GamaSTAN, IM Immune Globulins, ISG, and GamaSTAN S/D (Immune Globulin (Human) IM)	Prevents and/or reduces infections; others	13,991	\$6,569	\$813	\$5,756
Revlimid (Lenalidomide)	Certain types of Cancers (e.g., myeloma)	38,500	\$6,565	\$717	\$5,849
Imbruvica (Ibrutinib)	Certain types of Cancers (e.g., blood cancers)	14,571	\$6,476	\$800	\$5,676
Vyndamax / Vyndaqel (Tafamidis)	Cardiomyopathy	6,956	\$6,469	\$447	\$6,022
Remodulin / Orenitram / Tyvaso (Trepstinil)	Pulmonary Hypertension	2,607	\$6,381	\$368	\$6,013

Source: ASPE Simulation Model

Notes: Table presents top 10 medications ranked by out-of-pocket spending taken by at least 2,000 Part D enrollees.

All spending estimates presented in 2025 dollars.

IRA = Inflation Reduction Act

LIS = Low income subsidy

Enrollees Reaching the Catastrophic Coverage Phase under the IRA by State

We also examined the number of Part D enrollees projected to reach the catastrophic coverage phase in the absence of the IRA's provisions (based on the pre-IRA Part D benefit structure) and under the IRA in 2025, by state of residence (Table 6). Findings show that more enrollees will reach the out-of-pocket cap under the IRA in all states, with California and Florida having the highest additional absolute number of enrollees under the IRA in 2025 (588,000 and 489,000, respectively). Across all states, the IRA is projected to result in about 6.5 million additional enrollees reaching the catastrophic coverage phase of the Part D benefit. In 2025, these enrollees will have no cost-sharing in the catastrophic coverage phase and their out-of-pocket Part D costs will be capped at \$2,000, adjusted for inflation annually thereafter.

Table 6. Impact of the IRA on the number of Part D Enrollees in the Catastrophic Coverage Phase in 2025, by LIS Status and State or Territory

	Number of Enrollees in the Catastrophic Coverage Phase in the Baseline Scenario*			Number of Enrollees in the Catastrophic Coverage Phase under the IRA			Impact of the IRA on the Number of Enrollees in the Catastrophic Coverage Phase		
	Non-LIS	LIS	Total	Non-LIS	LIS	Total (%) ⁺	Non-LIS	LIS	Total
State/Territory									
Alabama	30,981	61,013	91,994	115,618	105,339	220,957 (23%)	84,638	44,326	128,964
Alaska	3,470	4,118	7,588	12,128	7,033	19,161 (22%)	8,658	2,914	11,573
Arizona	31,198	47,007	78,206	115,721	83,359	199,080 (15%)	84,523	36,351	120,874
Arkansas	13,556	33,805	47,361	50,194	60,215	110,408 (19%)	36,637	26,410	63,047
California	140,784	328,079	468,862	482,762	573,710	1,056,472 (17%)	341,978	245,631	587,610
Colorado	21,182	32,288	53,470	75,820	55,110	130,931 (15%)	54,639	22,822	77,460
Connecticut	23,163	48,690	71,853	80,885	84,808	165,693 (24%)	57,722	36,117	93,839
Delaware	8,205	8,898	17,103	29,359	15,239	44,598 (21%)	21,153	6,341	27,494
District of Columbia	1,138	7,739	8,877	3,717	12,422	16,139 (22%)	2,580	4,683	7,262
Florida	126,726	201,609	328,335	451,618	365,700	817,318 (18%)	324,892	164,091	488,983
Georgia	52,203	102,853	155,057	174,936	172,978	347,914 (21%)	122,733	70,125	192,858
Hawaii	6,855	9,312	16,167	25,808	16,566	42,374 (17%)	18,953	7,254	26,207
Idaho	8,760	12,574	21,334	30,610	21,654	52,264 (16%)	21,850	9,080	30,930
Illinois	65,287	94,100	159,387	231,281	171,272	402,553 (19%)	165,994	77,172	243,166
Indiana	41,907	75,526	117,433	142,949	126,033	268,982 (22%)	101,042	50,507	151,549
Iowa	19,220	25,968	45,189	66,987	43,277	110,263 (18%)	47,766	17,309	65,075
Kansas	15,673	21,402	37,075	52,682	35,745	88,427 (18%)	37,008	14,344	51,352
Kentucky	30,117	62,227	92,344	101,776	106,796	208,572 (23%)	71,659	44,569	116,228
Louisiana	23,150	63,744	86,894	81,097	106,564	187,661 (22%)	57,947	42,820	100,767
Maine	6,921	19,553	26,474	28,640	36,016	64,655 (19%)	21,719	16,463	38,181
Maryland	26,558	39,124	65,682	97,256	67,736	164,993 (20%)	70,698	28,612	99,310
Massachusetts	38,009	77,031	115,040	141,027	135,730	276,757 (21%)	103,018	58,699	161,717

	Number of Enrollees in the Catastrophic Coverage Phase in the Baseline Scenario*			Number of Enrollees in the Catastrophic Coverage Phase under the IRA			Impact of the IRA on the Number of Enrollees in the Catastrophic Coverage Phase		
	Non-LIS	LIS	Total	Non-LIS	LIS	Total (%) ⁺	Non-LIS	LIS	Total
Michigan	63,707	91,146	154,852	256,509	160,437	416,946 (20%)	192,803	69,291	262,094
Minnesota	25,116	33,300	58,416	98,891	58,293	157,184 (15%)	73,775	24,993	98,768
Mississippi	14,351	42,057	56,408	46,110	71,037	117,147 (21%)	31,758	28,981	60,739
Missouri	34,159	64,589	98,748	124,068	105,491	229,559 (19%)	89,909	40,903	130,811
Montana	4,985	6,940	11,925	17,579	12,433	30,012 (14%)	12,594	5,493	18,087
Nebraska	11,155	13,721	24,876	38,086	22,869	60,956 (19%)	26,931	9,149	36,080
Nevada	13,444	17,097	30,540	45,308	30,912	76,220 (15%)	31,864	13,816	45,680
New Hampshire	7,847	9,136	16,983	29,780	16,175	45,955 (17%)	21,934	7,038	28,972
New Jersey	67,230	72,439	139,668	220,508	123,247	343,755 (22%)	153,278	50,809	204,087
New Mexico	7,022	16,229	23,250	27,683	29,254	56,937 (15%)	20,662	13,025	33,687
New York	115,541	300,696	416,237	389,463	503,580	893,043 (25%)	273,922	202,884	476,806
North Carolina	60,109	109,457	169,566	221,746	181,497	403,243 (21%)	161,637	72,040	233,677
North Dakota	3,874	3,949	7,823	13,130	6,945	20,075 (16%)	9,256	2,996	12,252
Ohio	69,075	116,809	185,884	256,452	202,798	459,250 (20%)	187,377	85,989	273,366
Oklahoma	23,122	35,980	59,102	77,501	60,874	138,375 (21%)	54,379	24,894	79,273
Oregon	16,729	26,481	43,210	64,022	50,295	114,318 (14%)	47,293	23,815	71,108
Pennsylvania	86,373	130,541	216,913	313,850	232,523	546,374 (20%)	227,478	101,983	329,460
Rhode Island	4,617	10,194	14,812	18,864	19,500	38,364 (18%)	14,246	9,305	23,552
South Carolina	34,277	53,182	87,459	118,678	89,206	207,884 (20%)	84,400	36,025	120,425
South Dakota	5,114	5,113	10,228	16,809	8,858	25,667 (16%)	11,694	3,745	15,439
Tennessee	39,634	75,374	115,008	137,644	130,089	267,733 (21%)	98,010	54,715	152,725
Texas	125,147	210,794	335,941	427,232	361,122	788,354 (19%)	302,085	150,328	452,413
Utah	10,475	11,290	21,765	38,075	19,598	57,673 (15%)	27,600	8,308	35,909
Vermont	4,774	6,394	11,169	15,616	11,626	27,241 (19%)	10,842	5,231	16,073
Virginia	35,854	59,204	95,058	131,084	104,541	235,625	95,230	45,337	140,566

	Number of Enrollees in the Catastrophic Coverage Phase in the Baseline Scenario*			Number of Enrollees in the Catastrophic Coverage Phase under the IRA			Impact of the IRA on the Number of Enrollees in the Catastrophic Coverage Phase		
	Non-LIS	LIS	Total	Non-LIS	LIS	Total (%) ⁺	Non-LIS	LIS	Total
						(18%)			
Washington	28,747	44,228	72,974	102,718	80,154	182,872 (15%)	73,972	35,926	109,898
West Virginia	13,255	26,081	39,335	45,405	44,605	90,010 (24%)	32,150	18,525	50,675
Wisconsin	31,434	47,964	79,397	118,303	81,286	199,589 (18%)	86,869	33,322	120,192
Wyoming	2,755	2,961	5,716	9,798	5,290	15,088 (16%)	7,043	2,329	9,372
American Samoa	****	****	16	****	****	31 (18%)	****	***	15
Guam	97	13	110	300	24	325 (9%)	203	11	214
Northern Mariana Islands	****	****	18	****	****	61 (12%)	****	****	43
Puerto Rico	39,652	1,604	41,256	113,910	3,537	117,447 (16%)	74,258	1,934	76,191
Virgin Islands	473	41	514	1,685	88	1,774 (13%)	1,213	47	1,260
Total**	1.7 M	3.0 M	4.8 M	6.1 M	5.2 M	11.4 M	4.4 M	2.2 M	6.6 M

Source: ASPE Simulation Model

Notes: *Baseline represents what would happen in the absence of the IRA in 2025. **Totals include Medicare Part D enrollees residing in territories or areas outside the United States, who are not shown separately. Totals include about 20,000 additional enrollees that are projected to reach the catastrophic coverage phase; the difference between this estimate and overall estimates is due to differences in the source data that were used for the analyses. ****Cell size suppressed due to small values. + Percent calculated using the total number of projected Part D enrollees in each state as the denominator and the number of Part D enrollees projected to be in the catastrophic coverage phase as the numerator. LIS = Low Income Subsidy; M = Millions

DISCUSSION

Since the IRA passed in August 2022, a series of Medicare prescription drug-related provisions have gone into effect or will go into effect with the goal of improving access to and the affordability of drugs for Medicare Part D enrollees, particularly enrollees that have high prescription drug spending.

Under the IRA, in 2024, cost-sharing was eliminated for enrollees who reach the catastrophic coverage phase of the Part D benefit. In 2025, the IRA changes the criteria for entering the catastrophic coverage phase of the Part D benefit design by changing the Part D spending that counts towards TrOOP and reducing the out-of-pocket threshold to enter the catastrophic coverage phase to \$2,000, adjusted for inflation annually. Therefore, under the IRA, compared to previous research,^{*} a much larger group of enrollees (about 11 million) are projected to reach the new out-of-pocket cap and the catastrophic coverage phase. Enrollees reaching this phase will have no cost-sharing for the remainder of the year, which is a significant departure from the Part D benefit design prior to the IRA.

About 11.3 million enrollees in 2025 are projected to reach the catastrophic coverage phase and save about \$635 in average annual out-of-pocket spending per enrollee, with non-LIS enrollees having projected savings of

^{*} Previous research finds that about 4.3 million enrollees reached the catastrophic coverage phase in 2022, prior to the IRA's redesign of the Part D benefit.

about \$1,100 per enrollee annually, under the IRA. For some health conditions that require costly medications, the savings are even more significant – non-LIS enrollees with cystic fibrosis who are projected to reach the catastrophic coverage phase under the IRA are expected to have out-of-pocket savings of about \$6,700 annually per enrollee in 2025.*

Under the previous Part D benefit design, there were no caps to limit enrollee out-of-pocket prescription drug payments. Prior to the IRA, when enrollees reached the final phase of the Part D benefit, the catastrophic coverage phase, they continued to pay a percentage of their drug costs out-of-pocket. This lack of a set spending cap left some beneficiaries vulnerable to high and ongoing out-of-pocket expenses. For all Part D enrollees, and particularly for enrollees prescribed high priced medications or enrollees who take many medications, the absence of limits on out-of-pocket spending could create significant financial burdens. Previously, ASPE estimated that the IRA may result in a \$7.4 billion reduction in annual out-of-pocket spending for enrollees in 2025.† Findings in this Issue Brief suggest that a large amount of out-of-pocket savings will accrue to enrollees with the highest prescription drug spending – non-LIS enrollees projected to exceed the \$2,000 out-of-pocket cap and reach the catastrophic coverage phase in 2025. Overall, these IRA provisions may increase prescription drug affordability for Part D enrollees with high out-of-pocket drug spending and alleviate prescription drug affordability concerns among all Part D enrollees in the event they are faced with a health condition that requires expensive medications.

Moreover, other aspects of the IRA including the Medicare inflation rebates and drug price negotiation are expected to generate additional out-of-pocket savings for enrollees and taxpayers and help make prescription drugs more affordable for enrollees and taxpayers. Affordability may also increase utilization of drugs covered under Part D, though our estimates do not account for the potential increases in utilization of drugs covered under Part D that may be associated with the IRA. If the IRA's provisions allow enrollees to obtain drugs that were previously unaffordable to them, enrollees may be able to better manage their health conditions, avert costly and painful health complications, and improve their health outcomes.

* In separate analyses, we examined out-of-pocket savings from the IRA for enrollees who would enter the catastrophic coverage phase under the pre-IRA benefit design. The out-of-pocket savings are about \$1,000 annually across 4.7 million enrollees in 2025 (\$110 per LIS enrollee and \$2,500 per non-LIS enrollee). These enrollees are projected to have high out-of-pocket spending in the baseline scenario because the threshold for reaching the catastrophic coverage phase is higher in the pre-IRA Part D benefit design and therefore, they have greater savings under the IRA. However, they are not the full set of enrollees that are projected to benefit under the IRA.

† The estimates presented in this Issue Brief are not directly comparable to the overall savings presented in the previous ASPE reports due to updates to the Simulation Model, including update to 2023 PDE data and incorporation of enrollment increases in 2025.

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