



How the Inflation Reduction Act impacts Group Medicare Advantage

Here's a summary of the changes resulting from the IRA and the impact on Group Medicare and Medicare Advantage.

1 Changes to Part D drug coverage

In 2025, a \$2,000 out-of-pocket (OOP) cap for prescription drugs was introduced for Medicare Part D, which impacts Medicare Advantage plans with drug coverage (MAPD plans). This is a significant decrease from the OOP in 2024 of \$8,000. The OOP cap rose to \$2,100 in 2026.

Members in the catastrophic phase now pay \$0 for covered Part D drugs, eliminating the previous 5% cost-sharing. This represents a material benefit enhancement for Part D coverage.

What's the impact?

The IRA's new OOP cap means that plans and plan sponsors now pay a larger share of the costs for drugs once a member reaches the catastrophic phase. Previously, the catastrophic phase was triggered after a beneficiary's OOP spending on covered medications reached a specific threshold.

The IRA's \$2,100 OOP cap translates into a lower drug spending risk for members—this is especially impactful for members with high-cost specialty medications. Data from Humana

shows that for one group, members spent an average of \$920.57 out-of-pocket during the catastrophic phase in fiscal year 2024. In fiscal year 2025, the out-of-pocket spend for members in this group dropped to \$499.32.

According to proprietary data from Humana, the OOP cap has led to members entering the catastrophic phase at an accelerated pace. As more members enter this phase, there is an increased financial burden on plans.



What can Groups do to address the financial impacts of the IRA?

Humana is working with Group customers to address the financial impacts of the IRA. Humana is recommending Part D benefit changes, including adding a Part D deductible and other potential benefit changes in Tier 4 coverage. The goal of these benefit changes is to return the actuarial value of the Part D benefit to 2024 levels, prior to implementation of the IRA.

Additionally, Humana has a formulary alternative for customers to consider that may also reduce plan costs.

2 Shift in risk to payers and plan sponsors

The IRA changes how drug costs are shared between the federal government, payers and drug manufacturers, with reduced federal reinsurance payments to plan sponsors for high-cost claims. This leaves plans to cover a greater share of the costs for drugs in the catastrophic phase.

What's the impact?

Some estimates have suggested an increase in net plan costs of at least \$1,000 per member in group plans.¹ Plan sponsors need to consider whether to absorb the extra costs or pass them on to retirees, in the form of higher premiums or reduced benefits.

According to proprietary data from Humana, the IRA has led to the accelerated use of higher-cost drugs among groups. In the first quarter of 2024, among all MAPD and PDP groups with Humana, the total drug spend per member per month was just over \$500. By the third quarter of 2025, this had increased to over \$650.

3 Drug price negotiation program

The IRA allows Medicare to negotiate lower prices for certain high-cost drugs. Negotiated prices for the first 10 drugs take effect in 2026. The drug price negotiation program aims to reduce the expense of high-cost drugs for beneficiaries and the federal government.

What's the impact?

The drug price negotiation program could improve coverage of drugs selected for negotiation for Medicare beneficiaries because CMS requires all Medicare Part D plans to cover each of the selected drugs once the negotiated prices take effect.

Although the program will lead to lower allowed drug prices, net cost and savings impacts will be mixed depending on how the negotiated price compares to your PBM's net price after rebates and prior to negotiations. In addition, plan sponsors may face higher net costs because of the reduction in federal reinsurance payments.

Trevis Parson, "[The Inflation Reduction Act's impact on Group Medicare Part D plans](#)," WTW, June 14, 2024, accessed March 7, 2026.

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