

The Inflation Reduction Act Lowers Healthcare Costs, Fights Inflation While Cutting the Deficit

The Inflation Reduction Act of 2022 will improve Americans' health while making both health insurance and prescription drugs more affordable for millions of Americans. The health provisions of the bill alone will cut costs for working families and seniors alike, shore up Medicare's finances and save the government a net of [\\$173 billion](#) in total over ten years.

The Inflation Reduction Act will reduce the federal budget deficit and curb inflation over the long-run, while investing in the long-term health and economic security of [millions](#) of Americans.

The Inflation Reduction Act's prescription drug provisions will save seniors thousands per year in medication costs and reduce prices throughout the health system

The Inflation Reduction Act will lower prescription drug costs for families by placing limits on how much families and Medicare can be charged for vital medicines. Among other [provisions](#), the Inflation Reduction Act gives Medicare the ability to negotiate the price of certain prescription drugs and forces drug companies to pay a penalty when the prices they charge Medicare rise faster than inflation. The bill also caps annual out-of-pocket prescription drug costs at \$2,000 for Medicare enrollees starting in 2025 and limits [insulin](#) co-pays for Medicare beneficiaries to \$35 a month. Reports by the Congressional Budget Office [estimate](#) that the combined effect of all the bill's prescription drug provisions will save the government roughly \$237 billion over the next ten years.

Allowing Medicare to negotiate for prescription drug prices will save billions per year, without deterring significant medical innovation

The U.S. [consistently](#) pays significantly more for the same medications than our peer countries. While other countries' health authorities are allowed to negotiate with drug makers to get the best prices for vital medications, the United States largest national health insurance program, Medicare, was previously [prohibited](#) from engaging in such standard bargaining practices. The Inflation Reduction Act corrects this imbalance by [allowing](#) the government to negotiate prices with drug makers for between 10 to 20 of the most expensive medications that come from a single producer.

While critics argue that this policy will reduce innovation by pharmaceutical companies, CBO [concluded](#) that the bill would affect just 1% of the 1,300 drugs expected to come on the market over the next 30 years. Letting Medicare negotiate for the costliest drugs is a common-sense way to lower costs for Medicare beneficiaries and increase access for low-income seniors who might otherwise be unable to afford their medications.

Extending enhanced premium tax credits created under the American Rescue Plan will bring down costs for the millions of Americans who rely on ACA health care plans

The Inflation Reduction Act will extend provisions from the American Rescue Plan (ARP) that made health care more accessible and affordable for millions. Specifically, it continues the expanded premium tax credits that [led](#) to a record 14.5 million people [enrolling](#) in ACA plans under Biden, and the [lowest](#) uninsured rate in the country's history. By extending the credits for an additional three years, the Inflation Reduction Act will protect affordable insurance coverage for approximately [13 million](#) Americans and enable even more families to gain affordable coverage in the coming years. Ensuring stable coverage and reducing the uninsured rate will improve households' [financial stability](#) while [reducing](#) the costs of uncompensated care to the broader health system.

Recent JEC [analysis](#) showed how the ARP helped 5.8 million Americans across every state and [district](#) around the country newly enroll in affordable ACA plans. The expanded premium tax credits under both the Inflation Reduction Act and the ARP are structured to help the lowest-income enrollees [the most](#), delivering on President Biden's commitment to bring down costs for American families. Past research shows that this increase in coverage improves families' health outcomes and economic stability, which also generates economy-wide benefits.

According to the CBO, the bill's health provisions will reduce the federal deficit by \$173 billion over ten years, helping to curb overall inflation

As the Biden administration and Congressional Democrats continue to combat inflation, the health provisions in the Inflation Reduction Act will reduce the federal deficit by an estimated [\\$173 billion](#) over the next ten years according to the CBO. The direct cost savings to Medicare will help reduce long-term [concerns](#) about the funding required to maintain the program's Supplementary Medical Insurance trust fund. More generally, these cuts to the federal deficit will [slow](#) the pace of overall inflation while [reducing](#) household expenses for millions of seniors and millions more families who rely on ACA premium subsidies.

Bringing down out-of-pocket health care costs creates long-term economic benefits for seniors and families

The share of household spending going toward healthcare has [increased](#) in recent decades, and is especially [high](#) among families receiving Medicare. More broadly, many low- and middle-income families point to health care costs as playing a significant [role](#) in their financial well-being. Insulin is particularly unaffordable for the [millions](#) of seniors with diabetes, with out of pocket spending on insulin by Medicare patients more than [tripling](#) between 2000 and 2017.

The Inflation Reduction Act will directly lower prescription drug costs for seniors on Medicare and ensure working families spend less on insurance premiums for plans purchased on the ACA exchanges. Access to affordable health coverage can improve long-term [health outcomes](#) and [economic security](#). Together, these policies will shore up the finances of millions of families in a way that cuts inflation and reduces the deficit.