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Impact of the Inflation Reduction Act on Healthcare

President Biden signed the Inflation Reduction Act into law on August 16. While an expansive legislation affecting many industries, it specifically seeks to reduce healthcare costs nationally, especially for the American taxpayer. A prime target: reducing prescription drug prices for the Federal programs.

The Inflation Reduction Act

As part of the Act, Medicare now will be authorized to negotiate certain prescription drug prices with pharmaceutical manufacturers beginning in 2026 – something it previously had been prohibited from doing. The Act also requires drug manufacturers to issue rebates to the Federal government should their drugs' prices increase faster than inflation. Consequently, pharmaceutical companies will be incentivized to set their drug prices closer to the inflation rate and steer away from any steep hikes, easing the out-of-pocket burden on Medicare beneficiaries. Collectively, the ultimate effect should be a reduction of taxpayer liability for Medicare's prescription drug costs and wider access to prescription drugs to program beneficiaries.

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