FICTION VS. FACT

PATIENTS FOR AFFORDABLE DRUGS™

PHRMA'S FALSE CLAIMS ABOUT "UNINTENDED CONSEQUENCES" OF THE INFLATION REDUCTION ACT

FEBRUARY 2025

OVERVIEW

From September 2024 through mid-January 2025,

THE PHARMACEUTICAL RESEARCH AND MANUFACTURERS OF AMERICA (PHRMA) SPENT MORE THAN $235,800 ON 128 DIGITAL ADS ACROSS META PLATFORMS, AIMED AT UNDERMINING THE DRUG PRICE REFORMS IN THE INFLATION REDUCTION ACT (IRA).

In addition to reviewing social media ads, we analyzed six industry-backed op-eds published in outlets like *Forbes*, the *Atlanta Journal-Constitution*, and the *Fort Worth Star-Telegram*. While no ads have been identified on linear television, anecdotal reports from our community suggest ads are streaming on YouTube and via Apple Music – although we currently have limited ability to monitor and track them on these channels. A review of PhRMA materials linked to the ads revealed four central claims, each rooted in misleading or false information designed to spread misinformation and promote unfounded fears about the "unintended consequences" of the IRA, an incredibly popular and transformative law.

PHRMA'S FOUR PRIMARY FALSE CLAIMS:

01 The Inflation Reduction Act will increase costs for patients.

02 Patients will experience reduced access to medications.

03 Fewer insurance plans will be available to patients.

04 Innovation will decrease, with reduced investment in research and development (R&D).

OVERARCHING FALSE CLAIM 01

THE IRA WILL INCREASE COSTS FOR PATIENTS.

SPECIFIC PHRMA CLAIMS	FACT CHECK

"3.5 million Medicare patients could see higher out-of-pocket costs in 2026 due to price-setting provisions in the IRA."
Source: Meta

"Seniors will likely see higher medicine costs because of the price-setting provisions in the IRA, with more challenges expected to come."
Source: Meta

"With higher costs and less access, seniors are feeling the true cost of drug price 'negotiations.'"
Source: Meta

Also, found in:
The American Enterprise Institute

LOWER OUT-OF-POCKET COSTS

According to the independent Congressional Budget Office (CBO), IRA will result in lower enrollee premiums and out-of-pocket costs.

$25B DECREASE BY 2031

These reductions are expected to decrease Part D enrollees' costs by $25 billion in 2031 alone.

IMPROVED DRUG ACCESS

CBO also expects Part D enrollees to use more drugs because their out-of-pocket costs will be lower, improving their access to needed drugs.

$400 SAVED ANNUALLY BY 19M SENIORS

Overall, approximately 19 million seniors are expected to save an average of $400 per year on prescription drug costs thanks to the IRA.

PHRMA'S FAULTY ASSUMPTIONS

PhRMA's arguments are based on an industry-funded analysis that makes faulty assumptions including not taking into account all the provisions of the IRA. Additionally, the numbers are based on Medicare beneficiaries taking only one prescription drug, when the average Medicare beneficiary takes between four and five drugs per month.

$600 IN SAVINGS PER ENROLLEE

Lower negotiated prices could slow the progression toward the out-of-pocket cap threshold, but this does not result in higher out-of-pocket costs for people on Medicare overall. In fact, under the IRA, about 11 million Part D enrollees are expected to reach the $2,000 out-of-pocket cap in 2025 and these enrollees are projected to have average out-of-pocket savings of about $600 per enrollee in 2025.

"Premiums for standalone Part D plans went up in 2024, and in 2025, Medicare patients will likely face additional premium increases."
Source: PhRMA Blog Post

Found in: The American Enterprise Institute, Atlanta Journal-Constitution, Forbes May op-ed, Forbes November op-ed, Fort Worth Star-Telegram, The Topeka Capital-Journal

UPWARD TRENDS ARE NOT NEW

Medicare Part D plan premium increases are not new or unusual. Part D premium costs have been trending upward since 2006.

SLOWER PREMIUM GROWTH

According to the independent Congressional Budget Office (CBO), IRA will result in slower Part D premium growth.

IRA EFFECTS STRENGTHENED

The effects of IRA were recently strengthened by a CMS premium stabilization demonstration program that will continue through 2027.

PREMIUMS PROJECTED TO DECLINE

According to the CMS, on average, Medicare Part D prescription drug plan premiums are projected to decline from 2024 to 2025.

PHRMA MIS-APPLIES TERMS

PhRMA misapplies the term "price-setting" to describe a genuine process of negotiation with offers and counter-offers, and back and forth which has produced initial prices that the drug companies affected say they can work with.

OVERARCHING FALSE CLAIM 02

PATIENTS WILL EXPERIENCE REDUCED ACCESS TO MEDICATIONS DUE TO THE IRA.

SPECIFIC PHRMA CLAIMS

"89% of insurers and PBMs say they plan to reduce access to medicines in Medicare Part D because of the Inflation Reduction Act".
Source: Meta

"78% of insurers expect to create more stringent utilization management for new medicines."
Found in: PhRMA blog post linked to the landing page

"83% of insurers plan to increase the number of medicines excluded from their formularies."
Source: PhRMA blog post linked to the landing page

"78% of insurers plan to decrease the number of therapeutic options in classes with medicines selected for price setting."
Source: PhRMA blog post linked to the landing page

Found in: The American Enterprise Institute, Forbes May op-ed, The Topeka Capital-Journal

FACT CHECK

NO SIGNIFICANT DECREASES IN FORMULARY INCLUSION

All Part D plan formularies must pass a rigorous review by CMS. When comparing 2025 Part D formularies to 2024, CMS found no significant decreases in formulary inclusion or changes to tier placement of drugs. Prior authorization and step therapy rates are also stable.

UM IS NOT NEW OR UNUSUAL

Medicare Part D plans' use of utilization management (UM), including step therapy formulary restrictions and prior authorizations, is not new or unusual. The use of UM has increased among all health insurers over the last decade.

BENEFITS TO REMAIN STABLE

CMS said that benefits provided by the Medicare Part D prescription drug program are expected to remain stable in 2025.

BOUGHT BY INDUSTRY

PhRMA's figures come from a survey conducted by a firm that works almost exclusively with and appears to receive its principal funding from the pharmaceutical industry.

CONTINUED MONITORING TO ENSURE DRUG ACCESS

CMS has made clear it will continue to monitor formularies and the application of utilization management in Part D to ensure beneficiaries have access to the drugs they need.

OVERARCHING FALSE CLAIM 03

IN RESPONSE TO THE IRA, INSURERS WILL OFFER FEWER PART D PLANS.

SPECIFIC PHRMA CLAIMS

"In 2024, the fewest standalone Part D plans are available since the program was created, and there are fewer $0 premium plans for low-income beneficiaries."

Source: PhRMA blog post

Found in: The American Enterprise Institute, Forbes May op-ed, Forbes November op-ed, Fort Worth Star-Telegram, The Topeka Capital-Journal

FACT CHECK

FLUCTUATIONS AREN'T NEW

Fluctuations in the number of Medicare Part D plans is not new or unusual.

PART D OFFERS PLENTY OF CHOICES

This is a red herring. There is plenty of choice in Part D, and unlimited choice is not necessary for the program to work effectively.

48 PLANS TO CHOOSE FROM IN 2025

The average Medicare beneficiary will have a choice of 48 plans in 2025, including 14 stand-alone Part D plans and 34 Medicare Advantage plans.

PLAN DECREASES PRE-DATE THE IRA

The number of stand-alone Part D plans has decreased by more than 50% over the past 10 years - the bulk of which clearly pre-dates enactment of the IRA.

BENCHMARK PLAN OPTIONS HAVE BEEN DROPPING SINCE 2007

The number of "benchmark" plans available with no premium for people enrolled in the Part D Low-Income Subsidy (LIS) program dropped from over 600 in 2007 to 90 in 2024 – the bulk of the decline pre-dates enactment of the IRA.

MORE BENEFICIARIES QUALIFY

Importantly more beneficiaries now qualify for the full LIS under the IRA.

NO EVIDENCE LINKED TO THE IRA

There is no evidence that these long-term trends are linked to IRA implementation.

CONFUSION CAN BE CAUSED BY HIGH NUMBER OF PLANS

Research indicates that the availability of a high number of plans can lead to confusion and patients picking plans that do not suit their interests.

OVERARCHING FALSE CLAIM 04

THE IRA WILL DAMPEN FUTURE DRUG RESEARCH & DEVELOPMENT.

SPECIFIC PHRMA CLAIMS

"The IRA's price-setting provisions actively discourage critical R&D, threatening future access to new treatments and cures."

Source: PhRMA ads landing page

Found in: Forbes November op-ed

"There will be less research and development on existing medicines after they are approved."

Found in: PhRMA blog post linked to the landing page

"Future treatments and cures have the potential to drastically reduce disparities in these diseases and others, yet research already shows a reduction in R&D for disease areas that disproportionately impact historically underserved populations."

Source: PhRMA brief linked to the landing page for ads

FACT CHECK

The IRA does not institute "price setting." The Medicare drug price negotiation program created by the IRA specifically legalizes a voluntary and legitimate negotiation process with pharmaceutical companies, with offers and counter offers.

The price reductions that resulted from the first round of Medicare drug price negotiation averaged 22 percent. These negotiated prices are higher than the still-profitable prices being paid in other countries.

There's very limited evidence to suggest a reduction in investment or merger activity that would result in fewer pharmaceutical products coming to market following the law's implementation.

PhRMA relies on a study from the University of Chicago to back up its claims, but that study is from researchers who are funded by industry and is wildly out of line with reputable independent research.

The CBO estimates that the IRA will reduce the number of drugs coming to market by only one percent over the next 30 years.

Drug companies themselves say negotiated prices will have little impact on their business or their bottom lines. PhRMA companies reported robust profits on their recent investor calls, despite earlier public statements about how the IRA would result in profit loss.

PhRMA companies have also told investors that the outlook for R&D and new drug development is strong and that the U.S. continues to be the prime market for prescription drugs.

A recent independent survey shows industry leaders are optimistic and upbeat about the future health of the industry and investment for the future.

Taxpayers underwrite early high-risk innovation. The National Institute of Health (NIH) is the single largest public funder of biomedical research in the world.

Claims that the so-called "pill penalty"—the nine-year exemption period for small molecules–will kill investment in that type of drug are specious. Given that drug companies still set launch prices under the IRA, nine years provides ample time to generate and ensure substantial returns on investment and to cover R&D costs for new innovations as well as research on new indications for already approved products. If drug companies want to equalize time to negotiation for small molecules and biologics, they should both be nine years–not 13.

Research shows that small biotech companies that are exempt from Medicare drug price negotiation are engaging in a majority of clinical trials and early-stage drug R&D development.

Bottom Line: Respected financial services firm Oppenheimer summarizes that "Despite the IRA, small molecules continued to attract VC dollars." (*Oppenheimer Pitchbook, March 2024*)