

## What The Inflation Reduction Act Does For California

President Biden and Congressional Democrats have fought tirelessly to pass the historic health care investments included in the Inflation Reduction Act. These provisions will strengthen the American health care system, working toward a future where health care is a right, not a privilege for all Californians. This historic legislation will drastically reduce the cost of prescription drugs by reining in Big Pharma and cut costs for millions Americans purchasing coverage on their own through the ACA marketplaces. Not only does this bill address our most pressing health care challenges, it also puts downward pressure on rising costs and is [backed](#) by more than 120 world renowned economists.

Health care lies at the heart of the Inflation Reduction Act, and the proposals to reduce costs and expand care are overwhelmingly popular with Californians across the political spectrum. The Inflation Reduction Act will reduce racial inequities in health care, improve the health and well-being of seniors and people with disabilities, strengthen families, and save lives across California.

### Under The Inflation Reduction Act:

- **114,775** Medicare Part D enrollees in California who experienced out-of-pocket costs over \$2,000 in 2021 will now have their prescription drugs capped at \$2,000 per year.
- **Californians on Medicare** will be protected from Big Pharma's arbitrary price hikes that raise drug prices faster than inflation.
- **80 prescription drugs** will have Medicare price negotiation by 2030.
- **332,770 Californians** on Medicare will have insulin copays capped \$35 per month.
- **1,599,264 Californians** will save on monthly health insurance premiums.

### *The Inflation Reduction Act Lowers Prescription Drug Prices*

**Gives Medicare The Power To Negotiate Lower Drug Prices.** For too long Big Pharma has been able to dictate prices while Californians pay three times more for their medications than people in other countries. Under the Inflation Reduction Act, Medicare will be empowered to negotiate select drug prices for California's 5,330,676 Medicare Part D beneficiaries. Beginning in 2026, [10 drugs](#) will be negotiated with that number increasing to 15 drugs in 2027, and 20 drugs in 2029 and into the future. By 2030, more than 80 drugs will be eligible for Medicare price negotiation, in addition to insulin products.

**Caps Out-Of-Pocket Spending For Seniors.** Medicare Part D out-of-pocket costs for prescription drugs will be capped at [\\$2,000](#) per year beginning in 2025, which will benefit 114,775 Californians who experienced out-of-pocket costs over \$2,000 in 2020. The bill will also allow out-of-pocket spending to be smoothed over the course of the year, so patients are not forced to pay the entirety of their out-of-pocket cost all at one time.

**Makes Insulin Accessible And Affordable.** Insulin copays for 332,770 Californians on Medicare will also be capped at [\\$35](#) each month. Without this cap, Californians on Medicare Part D without low-income subsidies paid a yearly out-of-pocket average of \$349.

**Stops Outrageous Medicare Drug Price Increases.** The Inflation Reduction Act stops Big Pharma from raising Medicare drug prices faster than the rate of [inflation](#). This cap would apply to Californians on Medicare and is critical to stopping arbitrary price increases on essential medications.

### *Inflation Reduction Act Lowers Health Insurance Premiums*

**Lowers Health Insurance Premiums.** A record breaking 1,777,442 Californians enrolled in an ACA marketplace plan in 2021. Right now, 1,599,264, or 90 percent with an ACA plan, are [receiving](#) enhanced premium tax credits, making their coverage affordable and accessible. The Inflation Reduction Act will [save](#) an average middle class family of four in California \$5,799 on their yearly premiums.

**Caps the Amount of Money Families Pay for Health Insurance.** The Inflation Reduction Act ensures families above the 150 percent threshold pay no more than [8.5 percent](#) of their income towards coverage. This will [help middle and working class families](#) facing excessive premiums or living in high-premium areas. Before the American Rescue Plan, middle class Californians spent an average of [15 percent](#) of their incomes on health insurance. The subsidies are designed to benefit those who need it most, and they are already means tested, which means the higher your income, the smaller your tax credits become. A family whose health insurance premiums alone — not including deductibles — are less than 8.5 percent of their income receive no tax credits at all.

**Addresses Health Care Equity By Expanding Coverage for Communities of Color.** The Center on Budget Policy and Priorities estimates the increased savings continued under the Inflation Reduction Act will cause a sharp decline in the uninsured rate across every racial group. The premium savings provided in the American Rescue Plan have made more than [65 percent](#) of uninsured Black adults eligible for zero dollar premium plans and [75 percent](#) eligible for plans less than \$50 a month. For uninsured Hispanic and Latino adults, now more than [68 percent](#) are eligible for zero dollar premium plans and nearly [80 percent](#) can access plans for less than \$50 a month. Health coverage access is imperative to reducing racial disparities in health coverage across the nation.

**Eliminates Premiums For Low-Wage Workers.** The Inflation Reduction Act ensures no Californians with incomes at or below [150 percent](#) of the federal poverty level buying their coverage on the Marketplace pay a premium.

**Cuts Costs For Rural America.** Thanks to the provisions in the Inflation Reduction Act, roughly [65 percent](#) of rural Americans will have access to zero dollar premium health coverage and more than [76 percent](#) will be able to find a plan for less than \$50 a month, narrowing the coverage differences between rural and urban America.