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# Ominous outlook for Medicare drug spending

By [Adriel Bettelheim](#) – Axios

There are troubling new signs that the [overhaul of Medicare drug coverage](#) in the Inflation Reduction Act is dramatically driving up program spending.

**Why it matters:** The upward trajectory could threaten some seniors' coverage for outpatient prescription drugs — and it could force painful tradeoffs over the next decade as Medicare consumes a growing share of the nation's debt.

**Follow the money:** The IRA limited what seniors have to pay for outpatient drugs and shifted the remaining cost to taxpayers, insurers who provide stand-alone Medicare drug plans and drug manufacturers.

- That was good news for enrollees who take expensive drugs for conditions like cancer, multiple sclerosis or rheumatoid arthritis and faced potentially crushing out-of-pocket costs.
- But federal data shows demand for drugs is surging as they become more affordable, exceeding congressional [scorekeepers' spending estimates](#) and setting off more alarms.

**Driving the news:** Last week, congressional Medicare advisers [reported](#) that more than 1 in 5 enrollees hit Medicare Part D's \$2,000 patient cost cap in 2025 — shifting new costs to the government.

- 66% of total program drug spending was in this so-called catastrophic phase, when enrollees pay nothing for covered drugs and taxpayers and private Medicare plans pick up the cost.
- Seniors' use of GLP-1 weight-loss drugs factored in the rise, with beneficiaries hitting the cost cap for these drugs earlier in the year than they did in 2024. Program spending surged from just \$300 million in 2024 to \$2 billion last year.
- But there was double-digit spending growth across multiple classes of drugs, with cancer and diabetes treatments accounting for the largest spending increases.

**Policy experts** say the findings are important because Medicare drug plans have limited ability to control spending once enrollees hit the patient cost cap and face no cost sharing.

- "The IRA gave plans an incentive to control spending, but few tools to do so," said American Enterprise Institute senior fellow Benedic Ippolito. "There are ways to modify the program that retain strong financial protections for enrollees while allowing for more cost containment."
- Some analysts contend that overall Medicare spending will grow faster than the economy expands. The [Cato Institute points to](#) Congressional Budget Office projections showing Medicare drugs, doctors' visits and outpatient services will account for 44% of the federal deficit over the next decade.
- But shifting more costs back onto seniors or cutting benefits could exacerbate [health affordability concerns](#) that already are leading some to skip medications and are driving up medical debt.

**Between the lines:** Predicting Medicare drug spending has always been tricky because it involves factoring an aging population, shifting costs and demand from seniors, and new laws like the IRA.

- The increased use of specialty drugs has made drug expenses rise faster than other categories of medical spending.
- Some of that has been offset by the use of lower-cost generics. And Medicare drug price negotiations starting this year are lowering the cost of some of the priciest brand-name medicines at the point of sale.
- But Medicare trustees [still project](#) Part D drug costs will total about \$222 billion this year, compared with \$181 billion in 2025. By 2035, they're estimated to reach \$346 billion.

**What's next:** The expiration of some provisions will likely shift more costs back on seniors.

- A Biden-era program to stabilize insurance premiums will [expire at the end of this year](#), meaning beneficiaries who buy stand-alone Medicare drug plans will pay more in January. The controversial program offers federal subsidies to insurers to keep patient monthly costs lower.
- Further down the road, a 6% cap on annual increases in the Part D base premium expires in 2030. Subsidies now effectively absorb any difference.
- Ippolito said Congress will have to reconsider the way the Medicare drug program is designed to control future spending, adding that extending current subsidy levels could easily cost over \$100 billion for 10 years.

**Options for another** drug coverage overhaul include charging enrollees copays for certain higher-priced drugs after they exceed the cap — or changing how the patient cap is calculated.

- Ippolito said Congress also could allow Medicare drug plans to slowly raise premiums to more historically normal levels so taxpayers and seniors share program costs more evenly.

**The bottom line:** Even those kinds of changes may not solve the cost problem, meaning policymakers will need to consider basic questions like how much to spend on Medicare drugs.