

This Is How President Biden ‘Beat Medicare’

His Inflation Reduction Act leaves patients with less access to medicines and higher premiums.

By
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President Biden at the University of Tampa in Florida, Feb. 9, 2023. PHOTO: MANDEL NGAN/AGENCE FRANCE-PRESSE-GETTY IMAGES

‘We finally beat Medicare.’ President Biden’s defenders dismissed those words in the first debate as a gaffe. But it was one of his most accurate statements that night. That’s because Mr. Biden’s administration has overseen major cuts to Medicare—and promises to cut the program even more in a second term.

The president’s Inflation Reduction Act is projected to reduce Medicare spending by [\\$237 billion](#) through 2031, according to the Congressional

Budget Office. Most of that reduction comes from the program spending less on prescription drugs.

The president and his advisers don't dispute those numbers, [portraying them](#) as savings that will help seniors rather than cuts that are already hurting them. In fact, the Inflation Reduction Act's poorly conceived government price-setting will disrupt access to medicines for millions of Medicare patients with diabetes, cancer, atrial fibrillation, rheumatoid arthritis and other diseases. The law's price controls are likely to raise annual out-of-pocket costs for 3.5 million Medicare beneficiaries who take price-controlled medicines, according to [an analysis](#) commissioned by the Pharmaceutical Research and Manufacturers of America. These cost increases stem from the interaction of price controls with mandated changes to how Medicare drug plans design their benefits.

The Inflation Reduction Act's harmful effects extend beyond higher out-of-pocket costs to higher premiums. Its mandated changes to benefit designs clash with how the plans would otherwise work to serve customers, something a colleague and I [warned about](#) in these pages.

As we predicted, this has already reduced the number of Medicare drug plans from which seniors can choose and increased the average premiums they pay. This year, the number of stand-alone Part D plans available to seniors [dropped by 11%](#). Medicare Part D is the government-funded insurance program that covers most prescription drugs obtained at pharmacies. That [drop is 25%](#) since [Donald Trump's](#) final year in office. In addition, premiums for Part D plans are [up 21%](#)—and 5 million beneficiaries are enrolled in plans that raised their premiums by 50% or more this year. Medicare's open enrollment period begins Oct. 15, reminding seniors of these harmful changes shortly before Election Day.

The law's price controls will also deter companies from developing new medicines. A [study](#) I co-authored estimated that 135 fewer drugs will come to market through 2039 because of the Inflation Reduction Act. Research firm Vital Transformation's [forecast](#) is even bleaker, predicting that the U.S. could lose 139 drugs within the next decade.

Dozens of life-sciences companies have announced cuts to their research and development pipelines because of the 2022 law. These announcements have come in earnings calls and filings with the Securities and Exchange

Commission—where deliberate misstatements would expose executives to civil and criminal penalties—so they can't be chalked up to political posturing.

The law's flawed design also may threaten seniors' access to doctors. Because of price controls, the clinics that administer intravenous or injectable medicines under Medicare Part B will lose out on crucial reimbursement revenue used to employ doctors, nurses and administrative staff. Clinics can expect a [47% decline](#) in these payments, according to an analysis by Avalere, a healthcare consultancy. As a result, many facilities might have to close or join with large hospital chains—scenarios that could hasten concentration and push up prices.

Mr. Biden's Medicare cuts aren't limited to the Inflation Reduction Act. In [April](#) the White House cut Medicare Advantage payments for the second year in a row. These cuts will reduce seniors' benefits by nearly \$400 per year.

The damaging effects of governmental intrusion into the healthcare system haven't gone unnoticed. More than 40 conservative organizations recently [sent a letter](#) to congressional leaders warning that the price controls threaten patients and the economy and set a dangerous precedent for "nationalizing entire industries."

Medicare is one of the nation's dearest but also costliest entitlements. In an era of soaring deficits, conversations about belt-tightening are reasonable and necessary. It's one thing for policymakers to pursue cuts while being honest about the trade-offs—in this case, less access to medicines, fewer plan options, higher premiums and fewer new drugs being developed. Basic economics dictates that slashing a program will lead to a decline in the quality and availability of its goods or services.

It's another thing entirely for Mr. Biden to make some of the largest cuts to Medicare in history, to deny his poorly designed law's negative effects on patients, and then to portray himself as a defender of the program.

Mr. Philipson, an economist at the University of Chicago, was a member of the White House Council of Economic Advisers, 2017-20, and its acting chairman, 2019-20.