



Inflation Reduction Act of 2022 Summary *Prepared by the Office of Government Relations*

On July 27th, Senate Majority Leader Chuck Schumer (D-NY) and Sen. Joe Manchin (D-WV) announced they had reached a deal on a budget reconciliation package that largely focuses on energy and health policy. The Inflation Reduction Act of 2022 ([H.R. 5376](#)) is a condensed form of the Build Back Better package from 2021, containing several priorities for congressional Democrats. On August 7th and only needing a simple majority under the rules, the Senate voted 51-50 on a party line vote to advance the Inflation Reduction Act, with Vice President Harris casting the tie-breaking vote. Colorado Senators Michael Bennet and John Hickenlooper voted in favor of passage. On August 12th, the House voted (220-207, 4 NV) to pass the bill, sending the package to President Biden to sign into law. Colorado Reps. Diana DeGette, Joe Neguse, Jason Crow, and Ed Perlmutter voted in favor of passage. President Biden announced he intends to sign the legislation into law.

The 755-page bill is comprised of nine different titles, where each title corresponds to a different Senate committee – Finance; Agriculture, Nutrition, and Forestry; Banking, Housing, and Urban Affairs; Commerce, Science, and Transportation; Energy and Natural Resources; Environment and Public Works; Homeland Security and Governmental Affairs; Indian Affairs; and Health, Education, Labor, and Pensions. Rather than addressing each title as they appear in the bill, however, this summary will address key themes of importance to CU in the Inflation Reduction Act. The federal relations team is happy to provide more information on specific provisions if helpful.

Health

The health provisions in the package include several major congressional Democrat priorities of the past decade. Because of the provisions put forth in the Inflation Reduction Act, this is the first time the federal government may negotiate with prescription drug manufacturers to reduce drug prices for consumers and keep in place provisions that allow more Americans to gain access to health insurance. Below are a number of the key health-related provisions.

American Rescue Plan Act Health Insurance Marketplace Subsidies

The Inflation Reduction Act extends the enhanced health care marketplace premium tax credits through 2025. These tax credits, originally passed in the American Rescue Plan Act of 2021 were set to expire at the end of 2022. These subsidies expand the availability of the health insurance marketplace subsidies to individuals above 400 percent of the federal poverty level, which was the limit set in the Affordable Care Act. Instead, the American Rescue Plan Act made eligible any individual for whom the cost of the benchmark coverage would exceed 8.5 percent of income. The current provision that any individual with income up to 150 percent of the federal poverty level may have insurance plans with zero-dollar premiums remains in place.

Prescription Drug Price Negotiation

The legislation will for the first time empower Medicare to negotiate drug prices for prescription drugs. Specifically, the bill directs the Secretary of Health and Human Services

(HHS) to establish the Drug Price Negotiation Program. Under this program, the HHS Secretary shall publish a list of selected drugs under each price applicability period; form and enter into agreements with the manufacturers of the said drugs to negotiate and renegotiate maximum fair prices for such selected drugs; and carry out the publication and administrative duties and compliance monitoring. The selected drugs will be higher cost, sole source drugs currently covered under Parts B and D of Medicare. Negotiation will begin in 2026, with Medicare negotiating with manufacturers on 10 Part D drugs in 2026, 15 Part D drugs only in 2027, 15 Part D and/or Part B drugs in 2028, and 20 Part D and/or Part B drugs in 2029 and beyond. Preference for drugs for negotiation will be given to the drugs with higher total expenditures. There will be certain drugs that are excluded from negotiation, including various orphan drugs, low-spend Medicare drugs, small biotech drugs, and all plasma-derived biological products.

Regarding the maximum fair price to be negotiated between Medicare and drug manufacturers, this price must be lower than a ceiling price set based on a formula encoded in law. Manufacturers must offer Medicare 340B entities the lower of either the maximum fair price or the 340B discount, although drug manufacturers will not be required to offer “duplicate discounts”. If manufacturers that sell drugs subject to the maximum fair price at a higher amount for patients covered under Part B or Part D of Medicare will be subject to monetary penalties. Manufacturers that refuse to negotiate with the government will be subject to an excise tax or otherwise cease participation in Medicare and Medicaid.

Prescription Drug Price Reform

The Inflation Reduction Act also contains several provisions to reduce costs for prescription medications and health care for all patients. For Medicare patients, the legislation caps annual out-of-pocket drug costs at \$2,000 beginning in 2025, with the ability to break up payments into monthly installments. Medicare beneficiaries will further have co-pays for insulin capped at \$35 per month. Moreover, Part D premiums under Medicare will be stabilized for seniors, and all vaccines will be free for seniors on Medicare. The bill additionally eliminates the partial subsidy status for seniors on the low-income subsidy program under Medicare Part D earning less than 150 percent of the federal poverty level but more than 135 percent of the federal poverty level, allowing them to receive the full low-income subsidy.

To prevent rapid price increases for drugs, drug manufacturers will also be subject to an “inflation rebate” under Medicare Part B and Part D, through which manufacturers that raise prices faster than inflation will be subject to mandatory rebates under Medicare.

Climate and Energy

The Inflation Reduction Act contains some of the most substantial investments in climate and energy policies enacted by the U.S. to date. Moreover, the bill provides a \$300 billion investment in energy and climate reform. The bill sets the U.S. on a path to reduce emissions by approximately 40 percent by 2030. Below are a number of key energy and climate-related provisions.

Energy Security

The energy security provisions seek to advance the production of clean energy technologies and, subsequently, the use of clean energy. As such, the bill includes

production tax credits to accelerate domestic production of solar panels, wind turbines, batteries, and critical minerals processing. Concurrently, the bill includes a \$10 billion investment in tax credits to build clean technology manufacturing facilities. To ensure the U.S. is well equipped to continue producing and advancing clean energy technology, the Inflation Reduction Act provides \$2 billion for National Laboratories to accelerate research.

Decarbonizing the Economy

A key theme of the energy and environmental sections of the bill is the reduction of carbon emissions throughout all sectors of the economy. To achieve this, the Inflation Reduction Act will provide tax credits for clean sources of electricity and energy storage as well as approximately \$30 billion in targeted grant and loan programs for states and electric utilities to accelerate the transition to clean electricity. The bill further provides \$27 billion to support a clean energy technology accelerator to support the deployment of technologies to reduce emissions, particularly in disadvantaged communities.

Environmental Justice

The Inflation Reduction Act seeks to ensure that all communities benefit from the environmental programs established in the bill, providing over \$60 billion in investments in environmental justice priorities. This funding includes \$4 billion for drought prevention – a provision which Sen. Bennet championed - \$3 billion in environmental and climate justice block grants to support community-led projects in disadvantaged communities to address disproportionate environmental and public health harms related to pollution and climate change in disadvantaged communities. Moreover, the bill provides \$3 billion in neighborhood access and equity grants to support neighborhood equity, safety, and affordable transportation access by reconnecting communities divided by existing infrastructure barriers, mitigating the negative impacts of transportation facilities, and supporting equitable transportation planning. Further, the Inflation Reduction Act provides \$1 billion for clean heavy-duty vehicles, including school and transit buses.

Forestland and Resilient Rural Communities

The most notable provision on forestland and resilient rural communities is the provision of \$5 billion in grants to support fire-resilient forests, forest conservation, and urban tree planting. These grants include \$700 million in funding to provide grants to states through the Forest Legacy Program for the acquisition of land and land interests; \$1.5 billion to provide multiyear competitive grants to state agencies, local government entities, or nonprofits for tree planting and related activities. No funds under these programs may be used beyond the end of Fiscal Year 2031.

Other

A key feature of the Inflation Reduction Act is the reform of the tax code to raise funds to pay for deficit reduction as well as the clean energy and climate investments presented in the bill. The reforms will impose a 15 percent Corporate Tax Minimum as well as invest \$80 billion through FY 2031 for tax enforcement and compliance at the Internal Revenue Service (IRS). The bill further will impose a 15 percent domestic tax on corporations that currently pay less than this rate.