

Inflation Reduction Act: Legislation cuts prescription drug costs, addresses climate change

August 8, 2022



A sweeping climate change and health care package has been approved by the U.S. Senate and heads to the U.S. House of Representatives.

The \$740 billion Inflation Reduction Act is designed to lower prescription drug prices, tackle climate change, reduce the federal deficit and hike taxes on corporations.

Oregon U.S. Sen. Ron Wyden said the historic legislation would cut carbon emissions and also adds federal funds to the fight against wildfires and drought.

Wyden said that the linchpin of the Inflation Reduction Act's clean energy package is his Clean Energy for America Act, first introduced in 2015, which reforms the energy tax code to incentivize emissions reductions rather than specific technologies.

The Clean Energy for America Act would reduce carbon emissions in the power sector by about 70 percent over the next decade, and is the main driver of the overall 40 percent reduction in emissions achieved by the Inflation Reduction Act.

“This historic clean energy package has been a decade in the making. When clean energy legislation failed in 2010, we regrouped to ensure success the next time Democrats had an opportunity,” Wyden said. “We turned to emissions-based, technology-neutral tax incentives, and spent nearly a decade preparing this bill.”

On health care, Wyden noted that the bill would finally allow Medicare to negotiate lower drug prices, particularly for the most expensive drugs that have no competition after being on the market for years. The bill also includes an inflation rebate that limit Big Pharma’s ability to price gouge year after year, and it creates strong protections for seniors including a \$2,000 per year out-of-pocket cap.

“For too long, Medicare has been forced to contend with Big Pharma with one hand tied behind its back – that ends when this bill is signed into law,” Wyden said. “Ever since I became the top Democrat on the Finance Committee, I have been spotlighting how the drug pricing system is broken top to bottom. At last, the Senate has begun to redefine the relationship between Medicare and Big Pharma.

Wyden said Medicare negotiation is the centerpiece of the Inflation Reduction Act’s drug pricing reforms.

"No longer will drug companies be able to string Medicare along for years or even decades while taxpayers foot the bill," he said. "This policy targets the most expensive, most used drugs that have had zero competition for years on end. It lowers prices in a way that is fair and designed to promote innovation, not stifle it."

Wyden said those negotiations will begin next year.

"The legislation creates a limit on Big Pharma’s ability to price gouge with the Medicare inflation rebate, requiring drug companies to pay a fee to Medicare if they raise their prices faster than inflation," Wyden said. "Critically, the bill will protect seniors from high out-of-pocket costs in less than a year and a half with a \$2,000 out-of-pocket cap on drug costs, which will spare more than a million seniors from financial peril."

Taken together, Wyden said, these policies represent a seismic shift in how Medicare pays for medicine, and it does so in a way that will greatly lower costs for seniors and taxpayers.

The Inflation Reduction Act also provides the following for Oregon and the country:

More than \$20 billion for farmers and ranchers to support climate-smart agriculture practices

\$14 billion for rural electric cooperatives in the state and country to make the transition to cleaner energy

\$5 billion to protect communities from wildfires by investing in projects on public and private lands, increase carbon sequestration, and reforestation

More than \$4 billion for drought mitigation

\$3 billion to EPA for grants to reduce air pollution at ports, which could benefit Oregon's 23 ports.

The Act imposes a 15% corporate minimum tax on companies with over \$1 billion in profits.

Republican congressional leaders argue that the tax will adversely impact economic growth across the nation.