

2025 MARKET TRENDS

Medicare

A new Medicare Prescription Payment Plan took effect on January 1, 2025. This plan, designed to benefit the 48 million Americans enrolled in Part D coverage, provides beneficiaries with the option to pay out-of-pocket prescription drug costs via monthly installment payments. This approach to cost management will allow beneficiaries to spread their expenses throughout the year, offering a more manageable alternative to paying upfront at the pharmacy.



Additional Part D plan changes taking effect in 2025 include:

- Decreasing the out-of-pocket maximum to \$2,000 from \$8,000 in 2024
- Increasing the annual deductible to \$590 from \$545 in 2024
- Eliminating beneficiary coinsurance in the catastrophic coverage phase
- Establishing a manufacturer's discount program

With these updates, the savings to Part D beneficiaries will be significant. In previous years, beneficiaries paid 25% of total drug costs up to an established maximum. In 2024, this maximum was \$5,030, which includes the deductible. Beneficiaries then entered the coverage gap, or “donut hole,” incurring additional expenses up to the designated out-of-pocket cost. In 2024, this maximum was \$8,000. With the changes in 2025, beneficiaries only need to worry about meeting their deductible, after which they will be responsible for a 25% coinsurance on all prescription drugs until they reach the much lower out-of-pocket maximum of \$2,000.

What Employers Should Know

Impacts On Employer-Sponsored Prescription Drug Plans

Employers with group health plans featuring prescription drug coverage should seek an actuarial review well ahead of the upcoming annual enrollment period (AEP) or, if self-funded, utilize the simplified determination methodology. If employer-sponsored plans do not meet creditable standards, plan participants and other required individuals should be notified immediately to avoid late enrollment penalties to Part D plans.

To meet the creditable standards, the actuarial value of an employer-sponsored prescription drug plan should be the same as, or greater than, the actuarial value of Medicare Part D prescription drug coverage. If a plan is deemed non-creditable, the employer must disclose this change to affected plan beneficiaries before October 15 each year.

HHS Announces Negotiated Prices for Medicare Drugs

In August 2024, the Department of Health & Human Services (HHS) announced that it reached agreements with all participating manufacturers on newly negotiated, lower drug prices for the first ten drugs selected for the Medicare drug price negotiation program. The program, created by the signing of the Inflation Reduction Act (IRA), allows Medicare to negotiate directly with drug companies on the cost of brand-name prescription drugs. Medicare will negotiate prices for up to 60 drugs by 2026 and will continue to negotiate costs for up to twenty additional drugs per year after that.

The Biden administration announced the first ten drugs up for negotiation in August 2023, covering a myriad of conditions, including blood cancers, diabetes and heart failure. The new prices, which will go into effect for people with Medicare Part D prescription drug coverage on January 1, 2026, are projected to elicit \$1.5 billion in savings for those using the Standard Part D benefit. With an average discount rate of 63% across the ten drugs, prescription drugs, such as Jardiance®, used by more than 1.8 million Part D beneficiaries in the 2023 calendar year, will decrease in price by 66% from \$573 for a 30-day supply down to \$197 for the same timeframe.

What Employers Can Do

Employers affected by the upcoming Part D changes should be aware of these key actions:

- 1 Determine your prescription drug coverage plan's creditable coverage status. Work with your insurer or third-party administrator to determine if your existing prescription drug plan meets creditable coverage standards under the Centers for Medicare and Medicaid Services (CMS) rules.
- 2 Disseminate disclosures to Medicare Part D-eligible employees before October 15th regarding the creditable or non-creditable status of your prescription drug coverage by the start of the annual enrollment period.
- 3 Notify CMS through the Online Disclosure Form of the plan's creditable coverage status within 60 days of the new plan year.

Additional Resources



Medicare enrollment transitions in light of Part D changes

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