

# Despite boost in Social Security, rising Medicare Part B costs leave seniors in bind

October 6 2017, by Judith Graham, Kaiser Health News

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Millions of seniors will soon be notified that Medicare premiums for physicians' services are rising and likely to consume most of the cost-of-living adjustment they'll receive next year from Social Security.

Higher 2018 premiums for Medicare Part B will hit [older adults](#) who've been shielded from significant cost increases for several years, including large numbers of low-income individuals who struggle to make ends meet.

"In effect, this means that increases in Social Security benefits will be minimal, for a third year, for many people, putting them in a bind," said Mary Johnson, Social Security and Medicare policy consultant at the Senior Citizens League. In a new study, her organization estimates that seniors have lost one-third of their buying power since 2000 as Social Security cost-of-living adjustments have flattened and health care and housing costs have soared.

Another, much smaller group of high-income older adults will also face higher Medicare Part B premiums next year because of changes enacted in 2015 federal legislation.

Here's a look at what's going on and who's affected:

## THE BASICS

Medicare Part B is insurance that covers physicians' services, outpatient

care in hospitals and other settings, durable medical equipment such as wheelchairs or oxygen machines, laboratory tests, and some home health care services, among other items. Coverage is optional, but 91 percent of Medicare enrollees - including millions of people with serious disabilities - sign up for the program. (Those who don't sign up are responsible for charges for these services on their own.)

Premiums, which change annually, represent about 25 percent of Medicare Part B's expected per-beneficiary program spending. The government pays the remainder.

In fiscal 2017, federal spending for Medicare Part B came to \$193 billion. From 2017 to 2024, Part B premiums are projected to rise an average 5.4 percent each year, faster than other parts of Medicare.

## 'HOLD HARMLESS' PROVISIONS

To protect seniors living on fixed incomes, a "hold harmless" provision in federal law prohibits Medicare from raising Part B premiums if doing so would end up reducing an individual's Social Security benefits.

This provision applies to about 70 percent of people enrolled in Part B. Included are seniors who've been enrolled in Medicare for most of the past year and whose Part B premiums are automatically deducted from their Social Security checks.

Excluded are seniors who are newly enrolled in Medicare or those dually enrolled in Medicaid or enrolled in Medicare Savings Programs. (Under this circumstance, Medicaid, a joint federal-state program, pays Part B premiums.) Also excluded are older adults with high incomes who pay more for Part B because of Income-Related Monthly Adjustments (see more on this below).

## RECENT EXPERIENCE

Since there was no cost-of-living adjustment for Social Security in 2016, Part B monthly premiums didn't go up that year for seniors covered by hold harmless provisions. Instead, premiums for this group remained flat at \$104.90 - where they've been for the previous three years.

Last year, Social Security gave recipients a tiny 0.3 percent cost-of-living increase. As a result, average 2017 Part B month premiums rose slightly, to \$109, for seniors in the hold harmless group. The 2017 monthly premium average, paid by those who weren't in this group and who therefore pay full freight, was \$134.

## CURRENT SITUATION

Social Security is due to announce cost-of-living adjustments for 2018 in mid-October. Based on the best information available, it appears to be considering an adjustment of about 2.2 percent, according to Juliette Cubanski, associate director of the program on Medicare policy at the Kaiser Family Foundation. (Kaiser Health News is another, independent program of the Kaiser Family Foundation.)

Apply a 2.2 percent adjustment to the average \$1,360 monthly check received by Social Security recipients and they'd get an extra \$29.92 in monthly payments.

For their part, the board of trustees of Medicare have indicated that Part B monthly premiums are likely to remain stable at about \$134 a month next year. (Actual premium amounts should be disclosed by the Centers for Medicare & Medicaid Services within the next four to six weeks.)

Medicare has the right to impose that charge, so long as the amount that seniors receive from Social Security isn't reduced in the process. So, the

program is expected to ask older adults who paid \$109 this year to pay \$134 for Part B coverage next year - an increase of \$25 a month.

Subtract that extra \$25 charge for Part B premiums from seniors' average \$29.92 monthly Social Security increase and all that be left would be an extra \$4.92 each month for expenses such as food, housing, medication and transportation.

"Many seniors are going to be disappointed," said Lisa Swirsky, a policy adviser at the National Committee to Preserve Social Security and Medicare.

## HIGHER INCOME BRACKETS

Under the principle that those who have more can afford to pay more, Part B premium surcharges for higher-income Medicare beneficiaries have been in place since 2007. These Income-Related Monthly Adjustment Amounts (IMRAA) surcharges vary, depending on the income bracket that individuals and married couples are in. Nearly 3 million Medicare members paid the surcharges in 2015.

For the past decade this is how surcharges have worked:

**Bracket One:** Individuals with incomes of \$85,001 to \$107,000 were charged 35 percent of Part B per-beneficiary costs, resulting in premiums of \$187.50.

**Bracket Two:** Incomes of \$107,001 to \$160,000 were charged 50 percent, resulting in premiums of \$267.90.

**Bracket Three:** Incomes of \$160,001 to \$214,000 were charged 65 percent, resulting in premiums of \$348.30

Bracket Four: Incomes of more than \$214,000 were charged 80 percent, resulting in premiums of \$428.60.

Now, under legislation passed in 2015, brackets two, three and four are adopting lower income thresholds, a move that could raise premiums for hundreds of thousands of seniors. Bracket two will now consist of individuals with incomes of \$107,001 to \$133,500; bracket three will consist of individuals making \$133,501 to 160,000; and bracket four will include individuals making more than \$160,000. (Thresholds for couples have been altered as well.)

As John Grobe, president of Federal Career Experts, a consulting firm, noted in a blog post, this change "will add another layer of complexity" to higher-income individuals' decisions regarding "electing Part B."

If you've retired recently, moved to part-time status, divorced or otherwise undergone life changes that affect your income, you can ask Social Security for a new IRMAA determination, said Casey Schwarz, senior counsel at the Medicare Rights Center. Tips on what to do can be found at that organization's site for consumers, Medicare Interactive.

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Citation: Despite boost in Social Security, rising Medicare Part B costs leave seniors in bind (2017, October 6) retrieved 25 April 2024 from <https://medicalxpress.com/news/2017-10-boost-social-medicare-seniors.html>

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