

Kathleen Martin is an attorney with O'Donnell, Weiss & Mattei, P.C., and a newspaper columnist for The Mercury, which gave permission for this article to be reprinted.

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Medicare Part B premiums unchanged for most beneficiaries

The latest Medicare Trustees report, according to AARP, indicates that for most Medicare enrollees the monthly Part B premium will remain \$104.90 in 2016. This is because officials currently estimate no cost-of-living increase in the monthly Social Security benefit in 2016 due to low inflation. However, some beneficiaries will see a dramatic increase in Part B premiums in 2016. (<http://blog.aarp.org/2015/08/13/medicare-premiums-expected-to-rise-steeply-for-some-while-unchanged-for-most/>).

Medicare Part B covers physician services and other outpatient services. Approximately 70 percent of current Medicare beneficiaries pay \$104.90 for this portion of their Medicare insurance. These enrollees are protected from a large increase, or even any increase, due to a provision in federal law (known as a "hold harmless" provision) that states that the Part B premium cannot go up from one year to the next by more than the cost-of-living increase in Social Security benefits. However, the costs for Part B continue to rise; therefore the costs must be spread out over the 30 percent of Medicare beneficiaries who are not protected by the "hold harmless" provision.

According to the AARP article, three groups (of this only represent 14 percent of the aforementioned 30 percent will pay their own premiums) can expect a steep jump in premiums. One group is those with higher income who were already paying higher premiums due to a change in federal law a few years ago. About 6 percent of Medicare beneficiaries are individuals with income above \$85,000 or couples with income greater than \$170,000. These enrollees could see a 52 percent increase in premiums in 2016 with new premium amounts being between \$223 and \$509.80 depending on income. Those who are new enrollees in Medicare (about 5 percent) could also see a 52 percent increase with a likely premium of \$159.30 per month. The third group is those beneficiaries who delay receiving Social Security benefits (approximately 3 percent) perhaps because they are still working or have not achieved full retirement age. Those persons will also likely be affected by income related premium amounts.

The experts predict that the pattern will reverse in 2017. In that year the Social Security cost-of-living adjustment is expected to be about 3 percent so that the vast majority of Medicare beneficiaries will see an increase in premiums to a projected amount of \$120.70. On the other hand, the other groups previously mentioned will see a decrease.

The actual premium amounts will not be disclosed until October. The author of the article suggests having the government spread the increases over two or more years. There is still time to accomplish this. Watch for announcements in October of the actual plan.