

Medicare Part B Premium and Deductible: What's in Store for 2017?

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National Coalition on Health Care

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Figure 1

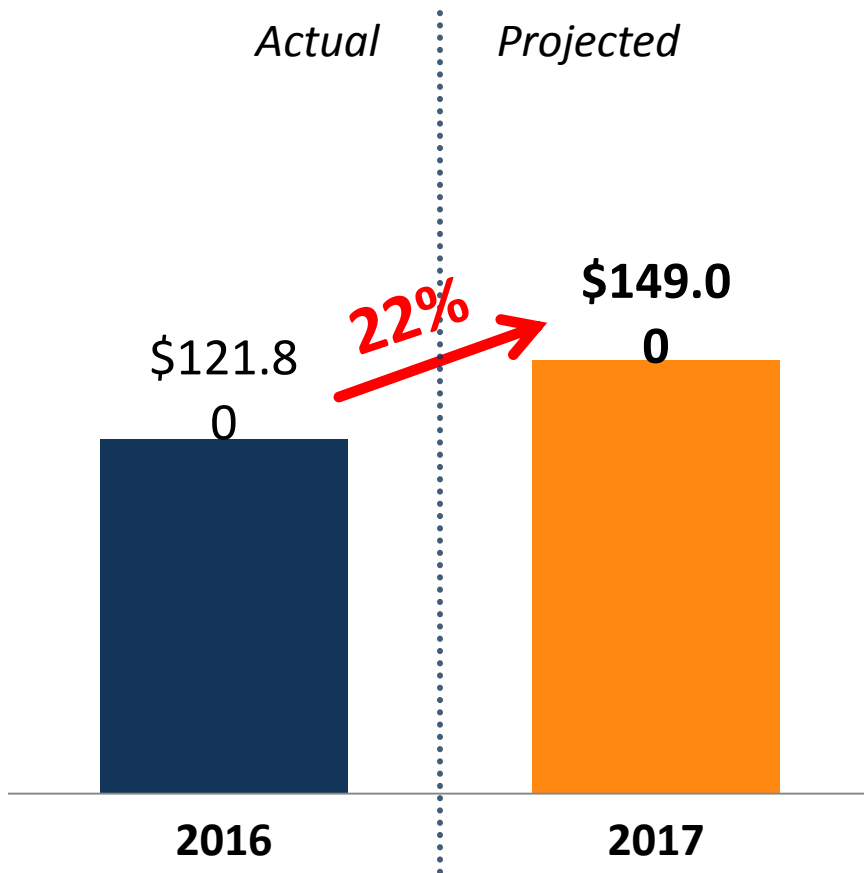
Overview of Medicare Premiums and Deductibles, 2016

Medicare	
Premiums	
Part B Monthly Premium	\$104.90/month (“Hold harmless”) \$121.80/month (Standard) \$170.50 – \$389.80/month (Income-Related)
Part D Average Premium	\$34.21/month
Deductibles	
Part A Deductible	\$1,288/benefit period
Part B Deductible	\$166/year
Part D Standard Deductible	\$360/year
Social Security	
Average Payment	\$1,192/month

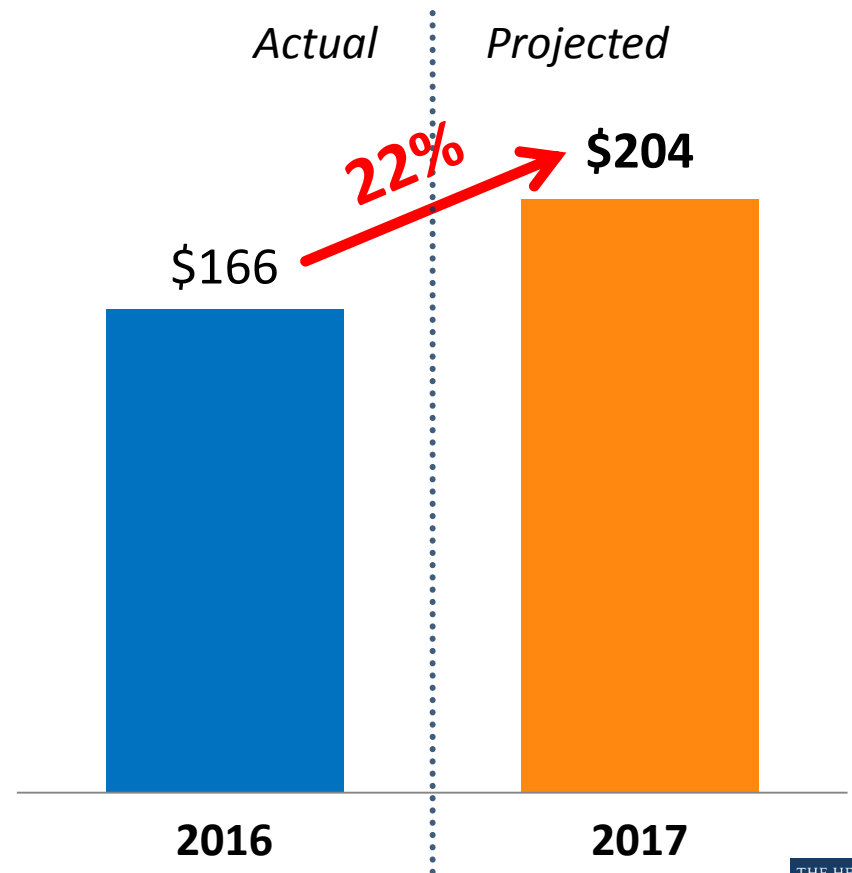
Figure 2

For 2017, the Medicare actuaries project a 22% increase in the Medicare Part B standard premium and deductible

Part B Standard Monthly Premium



Part B Annual Deductible

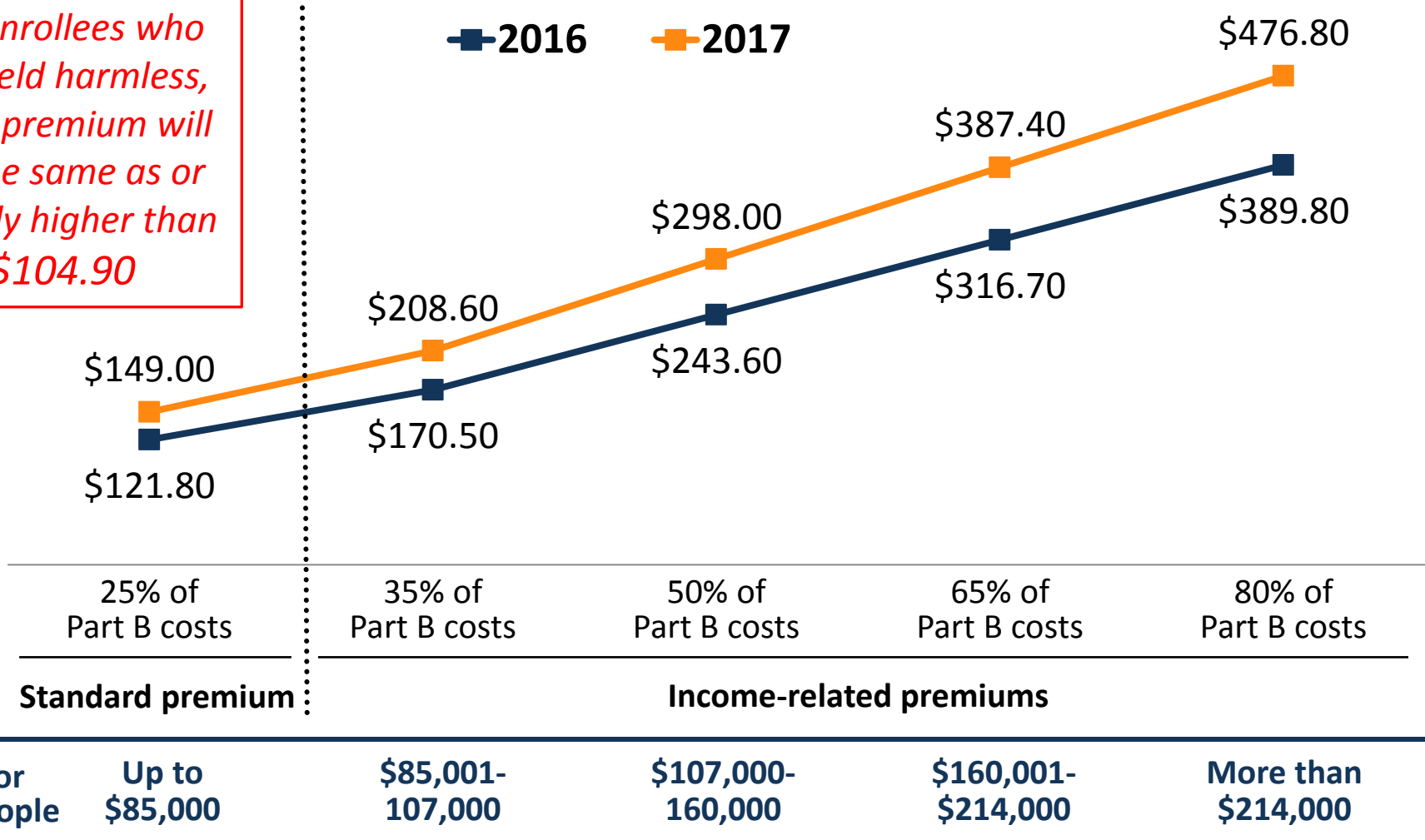


SOURCE: 2016 Medicare Trustees report, Table V.E2.

Figure 3

For 2017, income-related Medicare Part B premium amounts are also expected to rise 22%

For enrollees who are held harmless, 2017 premium will be the same as or slightly higher than \$104.90



SOURCE: 2016 Medicare Trustees report, Tables V.E2 (Standard premium) and V.E3 (Income-related premiums).

Why are the actuaries projecting another year of relatively large increases in Part B premiums and deductibles?

- Each year, the HHS Secretary determines the monthly standard Part B premium so that, in the aggregate, premiums cover 25% of total Part B spending, with adequate reserves in the Supplementary Medical Insurance Trust Fund
- However, in a year with no Social Security cost-of-living adjustment (COLA) or a low COLA (0.2% projected for 2017), the standard Part B premium could rise more rapidly because of the “hold harmless” provision
- The “hold harmless” provision protects many Social Security recipients from seeing their Social Security benefit payments decrease due to increases in the Medicare Part B premium
 - With a 0.2% Social Security COLA, most Part B enrollees would not pay a full premium increase because the premium dollar increase would be greater than the dollar increase in their Social Security checks
 - Part B enrollees who are not protected by “hold harmless” must pay a larger amount so that aggregate premiums cover 25% of program costs

Figure 5

How does the “hold harmless” provision work?

Example 1: A Typical Year

Social Security: 2% COLA

Part B premium: 5% increase

	<u>Year 1</u>	<u>Year 2</u>
<i>Monthly Social Security benefit</i>	\$1,500	\$1,530
<i>Monthly Part B premium</i>	– \$100	– \$105
<i>Net Social Security benefit</i>	\$1,400	\$1,425

“Hold harmless” would not apply; Social Security benefit did not decrease due to increase in Part B premium

Figure 6

How does the “hold harmless” provision work?

Example 2: Possible for 2017

Social Security: 0.2% COLA

Part B premium: 5% increase

	<u>Year 1</u>	<u>Year 2</u> if there were no “hold harmless” provision	<u>Year 2</u> under the “hold harmless” provision
Monthly Social Security benefit	\$1,500	\$1,503	\$1,503
Monthly Part B premium	– \$100	– \$105	– \$103
Net Social Security benefit	\$1,400	\$1,398	\$1,400

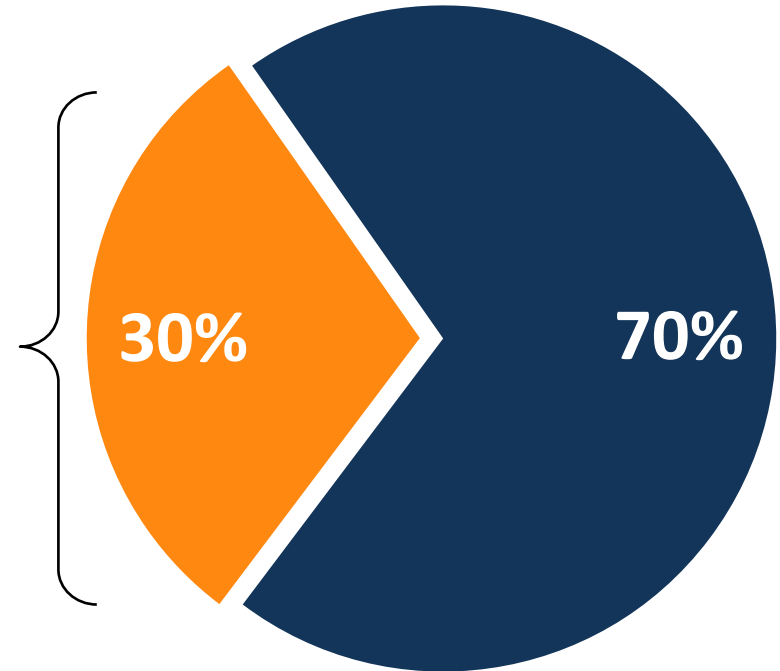
The “hold harmless” provision would prevent a reduction in a beneficiary’s Social Security payment from an increase in Part B premium

Figure 7

In 2017, most Part B enrollees (70%) are projected to be protected by the “hold harmless” provision, but 30% are not

Who is not protected by the “hold harmless”?

- Beneficiaries new to Medicare Part B in 2017
- Beneficiaries who do not receive Social Security payments
- Enrollees who are billed directly for Part B premiums
- Beneficiaries dually eligible for Medicare and Medicaid (because Medicaid pays their premiums)
- Beneficiaries with higher incomes



**2017 Medicare Part B Enrollment
= 53.5 million**

NOTE: Part D premiums and deductibles are not covered by the hold harmless provision.

SOURCE: 2016 Medicare Trustees report (number of enrollees held harmless: p. 207; Part B enrollment: Table V.B4).

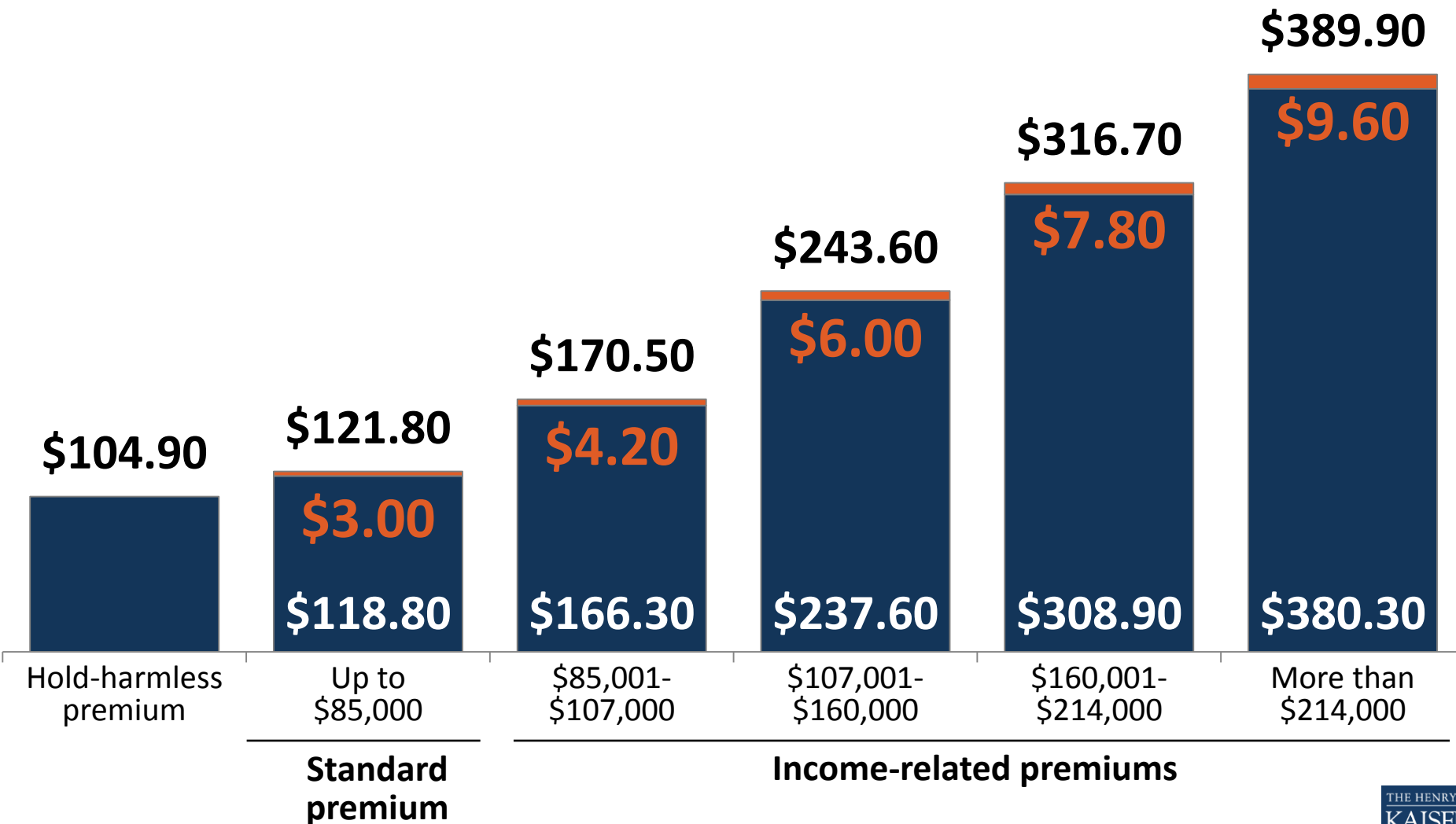
Déjà vu all over again? This time last year...

- **The Medicare Trustees projected that the Part B standard premium and deductible would increase by 52% in 2016**
- **The Bipartisan Budget Act of 2015 (BBA) prevented the 52% increase from taking effect:**
 - Modified the way in which premiums and deductibles were calculated in 2016
 - Determined that the Part B premium would be set as if the “hold harmless” had not taken effect and all Part B enrollees paid the standard premium
 - Requires Part B enrollees who are not held harmless to pay a \$3/month repayment premium surcharge to cover the \$7.4 billion in new costs
- **As a result of the BBA, the 2016 Part B standard premium increased by 16% rather than 52%**

Figure 9

Medicare Part B Premiums and Repayment Amounts, 2016

■ 2016 premium ■ 2016 repayment amount



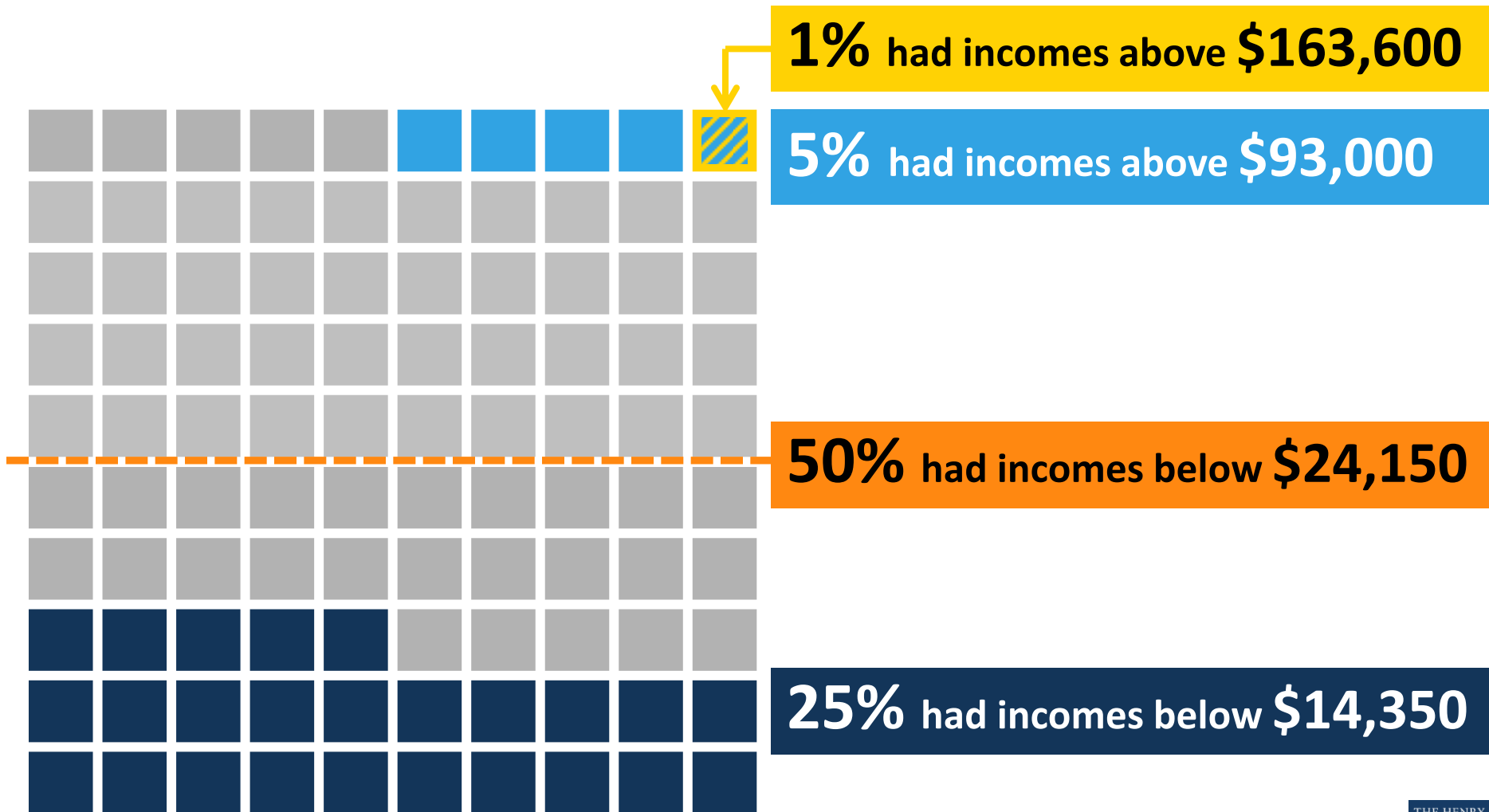
SOURCE: Kaiser Family Foundation; data from CMS and 2015 Medicare Trustees report.

What's next?

- **The Social Security Administration will make an announcement about the COLA on/after October 18th (date of CPI-W change announcement by BLS)**
- **The Secretary of HHS will soon announce 2017 Medicare premiums and deductibles – which may or may not be identical to those included in the Medicare Trustees' Report**
 - If there is no COLA for 2017, the BBA provisions will apply again
 - BBA provisions will not apply if the COLA is relatively low
 - Announced November 10th last year
- **New Medicare premium and deductible amounts will take effect in January 2017**

Figure 11

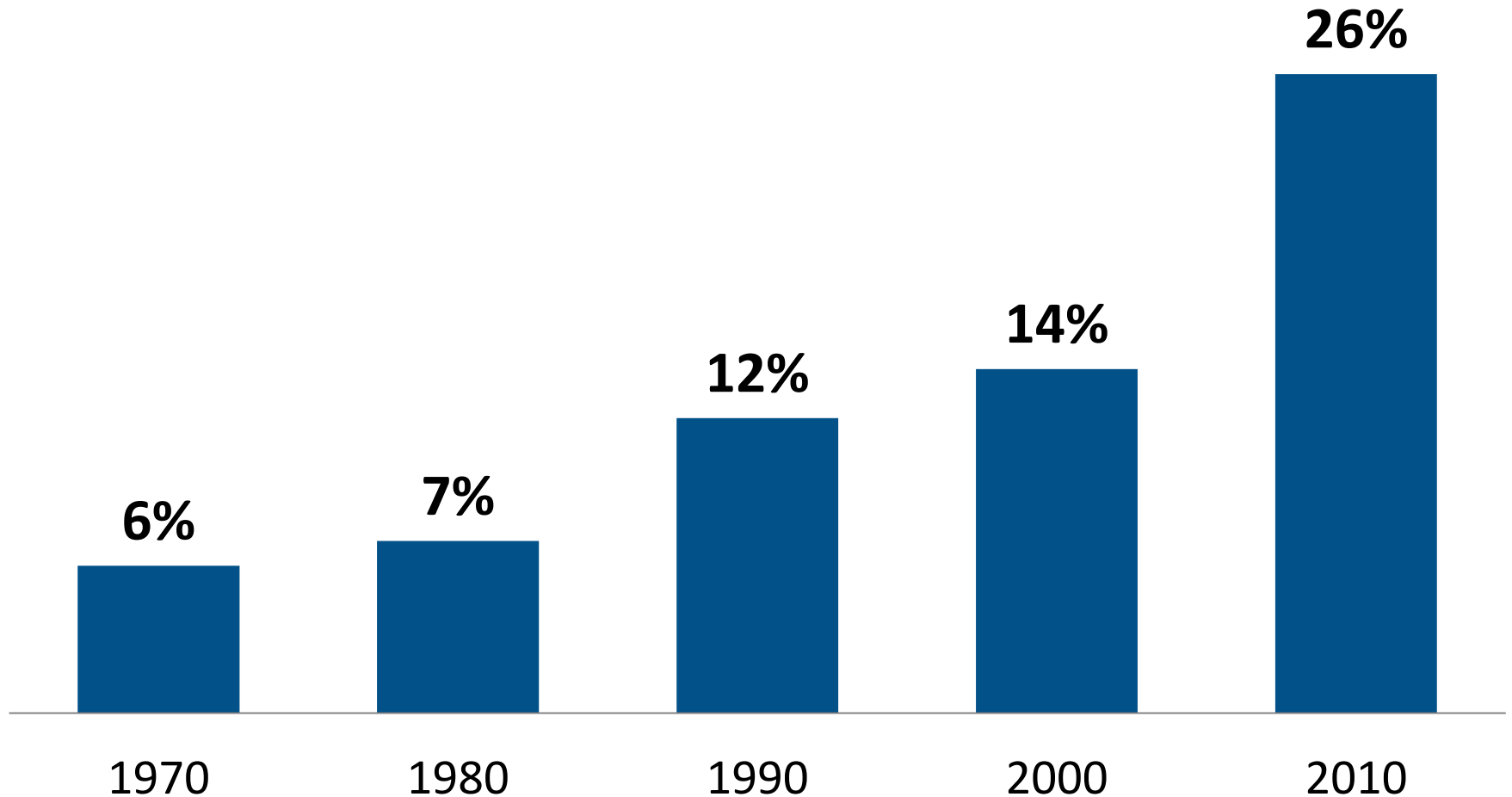
Half of Medicare beneficiaries had incomes less than \$24,150 in 2014



SOURCE: Urban Institute / Kaiser Family Foundation analysis of DYNASIM data 2015.

Figure 12

Average Medicare Parts B and D premiums and cost-sharing have been rising as a share of average Social Security payments



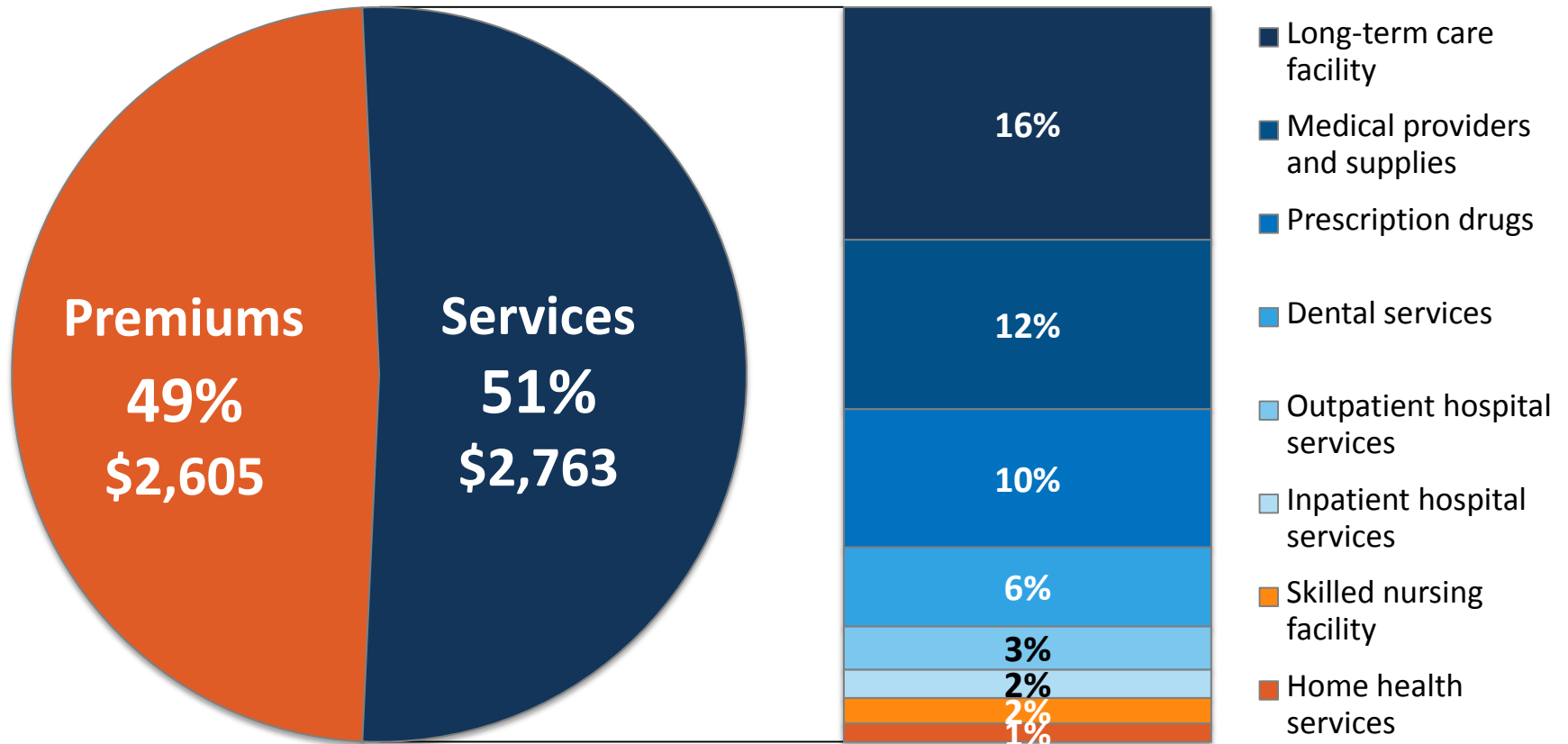
NOTE: Premium and cost-sharing amounts for Part D are included post-2006.

SOURCE: 2015 Medicare Trustees Report, Figure II.F2 and 2015 OACT unpublished data.

Figure 13

Average Out-of-Pocket Spending on Services and Premiums by Medicare Beneficiaries, 2011

Share of spending by type of service:

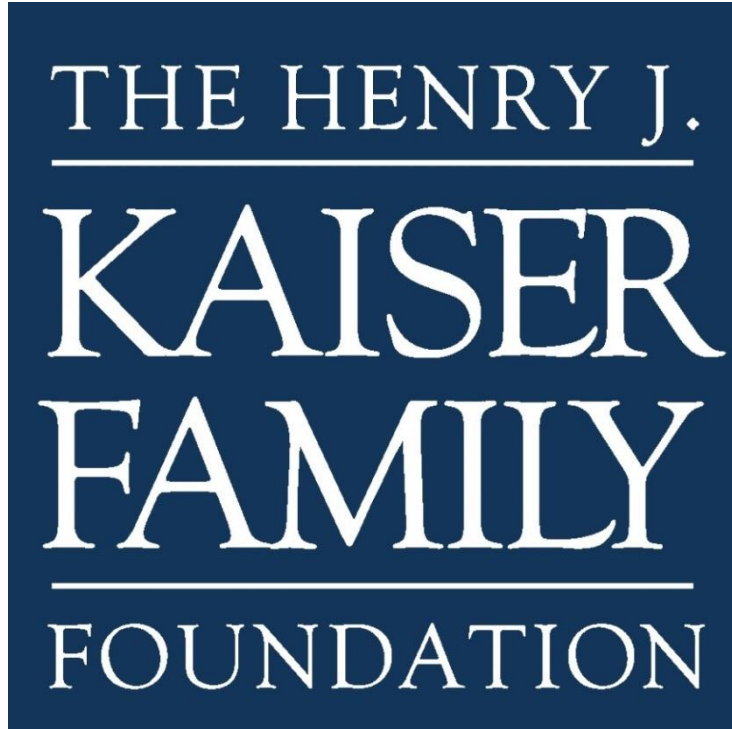


Average Total Out-of-Pocket Spending on Services and Premiums, 2011: \$5,368

NOTE: Analysis excludes beneficiaries enrolled in Medicare Advantage plans. Premiums are for Medicare A/B/C/D and other types of private and public supplemental health insurance beneficiaries may have.

SOURCE: Kaiser Family Foundation analysis of the Medicare Current Beneficiary Survey 2011 Cost & Use file.

Additional Resources on kff.org



- ✓ What's in Store for Medicare's Part B Premiums and Deductible in 2016, and Why?
- ✓ Medicare's Income-Related Premiums: A Data Note
- ✓ The Ups and Downs of Medicare Part B Premiums: Frequently Asked Questions
- ✓ Raising Medicare Premiums for Higher-Income Beneficiaries: Assessing the Implications
- ✓ Income and Assets of Medicare Beneficiaries, 2014 – 2030

For more information, visit kff.org/medicare