

2018 Medicare Premiums

*Or why we may see as many premium amounts as
beneficiaries*



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Agenda – What Determines the Part B Premiums?

- Pre-Test
- Laws Governing Part B Premium Determinations
- Hold Harmless Provision
- IRMAA – Income Related Monthly Adjustment Amounts
- Part B Late Enrollment Penalty
- Summary – Conclusion – Pre-Test Answers

Pre-Test

1. Who determines the year's Part B Premium amount?
2. How is the SMI Trust Fund, funded?
3. In 1966, what was the Part B Premium and what percentage of the Part B costs would it cover?
4. In 2018, what is the Part B Premium and what percentage of the Part B costs should it cover?
5. When did the Hold Harmless Provision start?
6. The 2015 Part B Premium was \$104.90, in 2016 it was \$121.80 and 2017 it was \$134. Could someone's 2018 premium be \$111?

7. Approximately what percentage of beneficiaries did not pay the 2017 standard Part B Premium of \$134?
8. If you have a 20% late enrollment penalty, what amount will be added to your premium in 2018 if your premium is \$110?
9. If it is \$134?
10. If it is \$187.50?

Handout

- One page summary of all Part B premiums
- Starts in 1966 through 2018
- Amount of the SSA COLA for next calendar year
- Standard Part B Premium
- Amount of General Revenues used for Part B
- Amount of IRMAA for each level



Introduction

Things to Remember

- CMS determines the year's standard Part B Premium amount
- SSA determines an individual's Medicare Premium
- Premiums are primarily collected via the monthly SSA check (SSA benefit pays month after and Medicare premium taken at beginning of month)
- Premiums can also be collected via the OPM Civil Service retiree check, or are paid directly by the beneficiary if there is no SSA or OPM monthly check
- COLA's are determined by CPI-W increases, comparing the average change in the 3rd Quarter of the prior year to the 3rd Quarter of the current year
 - The SSA (and OPM) COLA for CY17 is **.3%** increase
 - The SSA (and OPM) COLA for CY18 is **2%** increase

How is Medicare Funded?

- There are 2 Trust Funds that are used to pay for Medicare Services:
 - **Hospital Insurance (HI) Trust Fund**
 - **Supplementary Medical Insurance (SMI) Trust Fund**

Hospital Trust Fund

How is it funded?

- Payroll taxes paid by most employees, employers, and people who are self-employed
- Other sources, like income taxes paid on Social Security benefits, interest earned on the trust fund investments, and Medicare Part A premiums from people who aren't eligible for premium-free Part A

What does it pay for?

- [Medicare Part A \(Hospital Insurance\) benefits](#), like inpatient hospital care, [skilled nursing facility care](#), [home health care](#), and [hospice care](#)
- Medicare Program administration, like costs for paying benefits, collecting Medicare taxes, and combating [fraud and abuse](#)

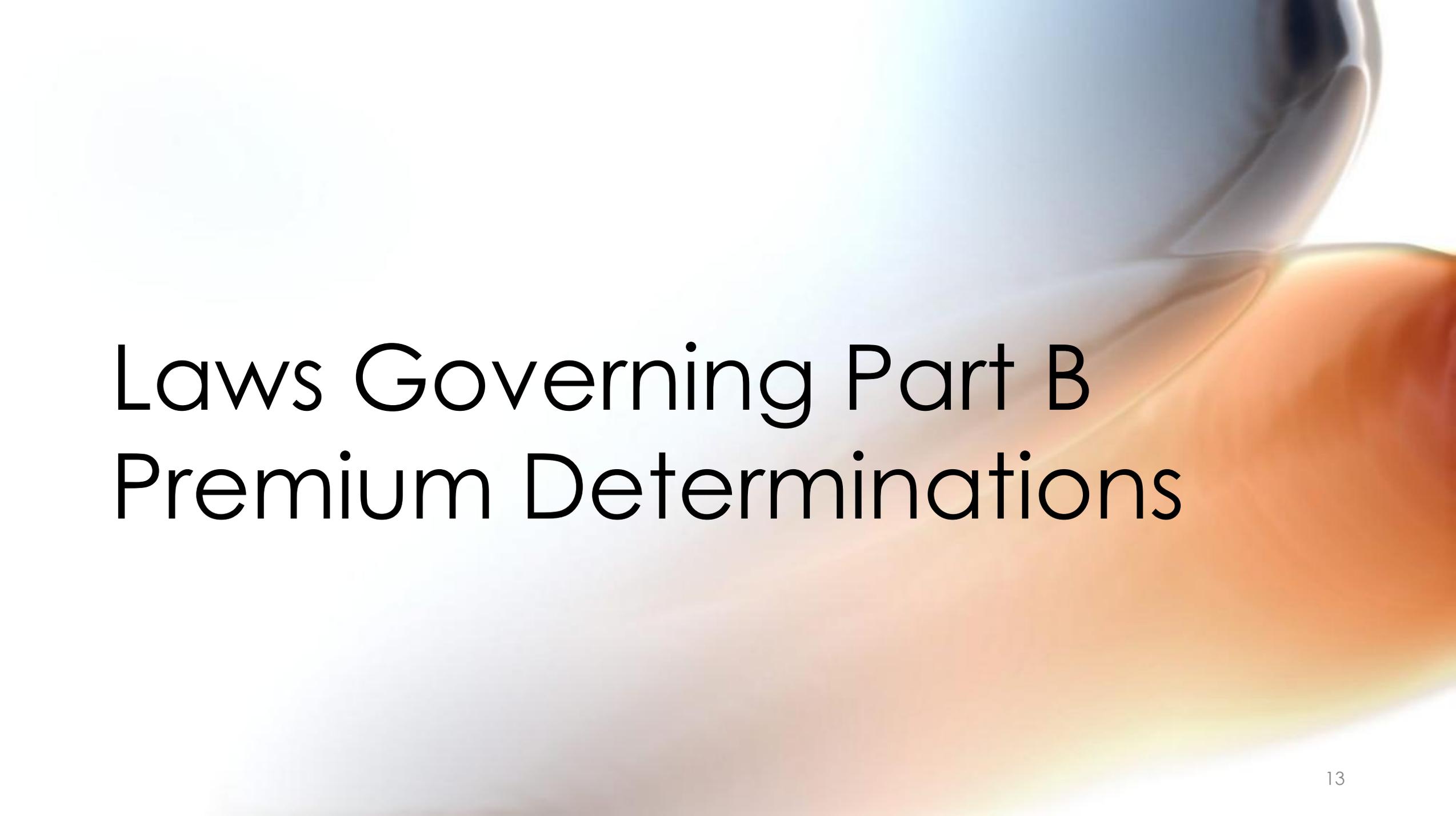
SMI Trust Fund

How is it funded?

- Funds authorized by Congress – general revenue funds
- Premiums from people enrolled in [Medicare Part B \(Medical Insurance\)](#) and [Medicare prescription drug coverage \(Part D\)](#)
- Other sources, like interest earned on the trust fund investments

What does it pay for?

- [Part B benefits](#)
- Part D
- Medicare Program administration, like costs for paying benefits and for combating [fraud and abuse](#)



Laws Governing Part B Premium Determinations

How is the Part B Premium Determined?

1965 Law:

- SEC. 1839. (a) The monthly premium of each individual enrolled under this part for each month before 1968 **shall be \$3.**
- (b)(2) (2) The Secretary shall, between July 1 and October 1 of 1967 and of each odd-numbered year thereafter, determine and promulgate the dollar amount which shall be applicable for premiums for months occurring in either of the two succeeding calendar years. Such dollar amount shall be such amount as the Secretary estimates to be necessary so that the aggregate premiums for such two succeeding calendar years **will equal one-half of the total of the benefits and administrative costs** which he estimates will be payable from the Federal Supplementary Medical Insurance Trust Fund for such two succeeding calendar years.

SSA Law, Section 1839, today

Section 1839

- (a)(1) The Secretary shall, during September of 1983 and of each year thereafter, determine the monthly actuarial rate for enrollees **age 65 and over** which shall be applicable for the succeeding calendar year. Such actuarial rate shall be the amount the Secretary estimates to be necessary so that the **aggregate amount** for such calendar year with respect to those enrollees age 65 and older **will equal one-half of the total of the benefits and administrative costs** which he estimates will be payable from the Federal Supplementary Medical Insurance Trust Fund for services performed and related administrative costs incurred in such calendar year with respect to such enrollees. In calculating the monthly actuarial rate, the Secretary shall include an appropriate amount for a contingency margin.

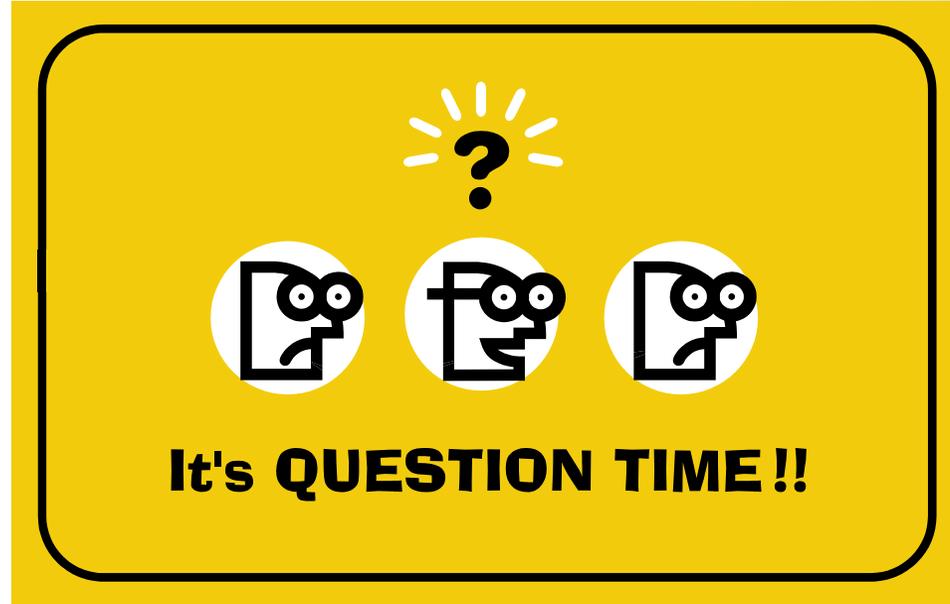
Other Laws Enacted that Have Determined the Part B Premium

- Medicare Enrollment Act of 1967 – Part B premium will be 50% of costs
- Cost-of-Living Adjustment limit, added to SSA of 1972
- Part B Premium set at 25% of projected costs by:
 - Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA)
 - Deficit Reduction Act of 1984 (DEFRA)
 - Consolidated Omnibus Budget Reduction Act (OBRA) of 1985
 - OBRA 87
 - OBRA 89

- Part B set at a Fixed Dollar Amount (1991-1995) by OBRA 90
- **Part B set at 25% of Costs** by OBRA 93 and Balanced Budget Act of 97 (BBA)
- Medicare Modernization Act of 2003 (MMA) and the Deficit Reduction Act of 2005 (DRA) – **authorized higher premiums for high-income enrollees** (i.e., IRMAA)
 - ACA freezes higher premium thresholds at 2010 levels through 2019; Medicare Access and CHIP Reauthorization Act of 2015 (MACRA) changes 2019 to 2017
- BBA 15 – For those not held harmless in 2016, Part B premium no more than if no one held harmless; repayment surcharge added to future premiums until the additional federal general revenue transfer are repaid

Summary: 2018 Part B Premium

- Based on who will be paying the premium and the anticipated Part B costs.
- Per all current laws, the revenue from the Part B premium for the year must be approximately 25% of the total Part B Medicare costs for all Aged Medicare beneficiaries.
- The fewer the beneficiaries paying a full premium, the higher the standard premium must be. (In 2018, most beneficiaries will pay full premium. In 2017 only about 30% of beneficiaries paid the full premium.)
- 2016 was an exception to these principles due to a provision of the BBA of 2015.





Hold Harmless Provision

AKA: Variable Supplemental Medical Insurance Premium

“Hold Harmless”

SS Law, Section 1839

- (f) For any calendar year **after 1988**, if an individual is entitled to monthly benefits under section [202](#) or [223](#) or to a monthly annuity under section 3(a), 4(a), or 4(f) of the Railroad Retirement Act of 1974^[129] for November and December of the preceding year, if the monthly premium of the individual under this section for December and for January is deducted from those benefits under section [1840\(a\)\(1\)](#) or section [1840\(b\)\(1\)](#), and if the amount of the individual's premium is not adjusted for such January under subsection (i), the monthly premium otherwise determined under this section for an individual for that year shall not be increased, pursuant to this subsection, to the extent that such increase would reduce the amount of benefits payable to that individual for that December below the amount of benefits payable to that individual for that November (after the deduction of the premium under this section

How Does SSA Apply the Hold Harmless

- POMS: HI 01001.004
- [The Variable Supplementary Medical Insurance \(VSMI\) Premium](#) (aka Hold Harmless Provision)

General Policy –

1. SSA protects Title II or RRB benefits from decreasing because of increases in the Part B premium.
2. VSMI only protects beneficiaries; State Agencies that pay the Part B premium do not get VSMI protection.

Conditions for a variable premium

- Individual is entitled to SSA benefits for November and December
- Medicare Part B premiums for December and January are deducted from the benefits
- The individual receives a cash benefit for November and December (paid in December and January), and
- Solely because the increase in the Part B premium is so high compared to the Social Security benefit payable, the Social Security benefit paid would be lower in January than in December.

Procedure

Remember: While CMS establishes the standard premium, SSA will actually compute each individual's monthly premium. So:

- SSA will reduce the CMS established standard premium to an amount that permits the check received in January, after reduction of the premium, to equal the check received in December.

Example One

	Social Security (before deductions)	Net	Beneficiary's Medicare Premium	COLA
• 2014	\$1477.90	\$1373	\$104.90	
• 2015	\$1502.90	\$1398	\$104.90	1.7%
• 2016	\$1502.90	\$1398	\$104.90	0%
• 2017	\$1508	\$1398	\$110	.3%
• 2018	\$1538	\$1404	\$134	2.0%

Example One Continued

	Beneficiary's Premium	CMS Standard Premium
2015	\$104.90	\$104.90
2016	\$104.90	<u>\$121.80</u>
2017	\$110.00	<u>\$134.00</u>
2018	\$134.00	\$134.00

Example One Summary

- Beneficiary paid the full Medicare premium for 2014, 2015 and 2016.
- In 2017, the entire .3% COLA (or \$5.10) was used towards the standard premium (\$134).
- In 2018, almost the entire 2% COLA (or \$30) was used towards the standard premium of \$134, i.e., \$24 of the \$30 was used for Medicare premium.
- In 2018, after 3 years of no net SSA increase, the beneficiary will see a net income **increase of \$6 per month (or \$72 for the year)**.

Example Two (COLA plus Additional Work Earnings)

	Social Security	Net	Medicare Premium	COLA
• 2014	\$270.90	\$163	\$104.90	
• 2015	\$275.90	\$171	\$104.90	1.7%
• 2016	\$286.90	\$182	\$104.90	0%
• 2017	\$288	\$182	\$106	.3%
• 2018	\$293	\$182	\$111	2.0%

Example Two Continued

	Beneficiary's Premium	CMS Standard Premium
2015	\$104.90	\$104.90
2016	\$104.90	<u>\$121.80</u>
2017	\$106.00	<u>\$134.00</u>
2018	\$111.00	<u>\$134.00</u>

Example Two Summary

- Beneficiary paid the full Medicare premium for 2014, 2015 and 2016.
- In 2017, the entire .3% COLA (or \$1.10) was used towards the standard premium (\$134).
- In 2018, the entire 2% COLA (or \$5) was used towards the standard premium of \$134.
- Unless this beneficiary has significant earnings added to the SSA benefit, it could be expected the person will always have a Medicare premium significantly less than the standard amount.

Exclusions to Hold Harmless Provision

- Beneficiaries who do not receive Social Security benefits
 - Individuals who enroll for the first time in 2018
 - Individuals billed directly for Part B (or have it deducted from their OPM retirement check)
 - Individuals who are entitled to Medicare and Medicaid (Medi-Cal), and premium is paid by Medicaid (Medi-Cal)
 - Individuals who pay an income-related premium (IRMAA)
- These 5 groups would represent about 30% of all Part B enrollees.

2018 Medicare Premium

- Since the 2018 COLA is 2%, most Medicare beneficiaries will pay the full Medicare premium of 2018 which is \$134.
- Anyone who is protected by the Hold Harmless provision will see their Medicare Premium increase no more than the amount of the COLA.
- This will result in many beneficiaries paying an amount less than the standard 2018 Medicare premium.

- In 2017, the **average** SSA benefit before the COLA was \$1355.
- A .3% increase of \$1355 was \$4.10. When added to the previously protected Part B Premium of \$104.90, the **average** protected Part B Premium became \$109. (Amount quoted in the papers).

- In 2018, the **average** SSA benefit before the COLA is \$1377.
- A 2% increase of \$1377 is \$27.50. When added to the previously protected Part B Premium of \$109 from 2017, individuals receiving an average SSA benefit (or larger) can afford to pay the full \$134 Medicare premium.
- Many beneficiaries receiving less than the average SSA benefit will be subject to the Medicare hold harmless rule and have a premium less than \$134.

- In 2017, since the increase of \$4.10 was based on the average SSA benefit of \$1355, anyone whose benefit was less than \$1355 would have a smaller Part B premium increase and benefits larger than \$1355 saw a larger Part B premium increase.
- In 2018, the increase on the average SSA benefit can cover the 2018 Medicare premium of \$134. It is expected that many individuals receiving less than the average benefit will have a Medicare premium less than \$134.

- Hold harmless provision applies not only to those who received benefits in 2016 or earlier, but also applies to individuals who applied in 2017.
- The hold harmless provision applies all the time, regardless of when you first receive Medicare or what premium you are initially assessed. If you meet the requirements, it will be applied.

Summary: 2018 Premium

- The Part B Premium amount for 2018 is \$134. While some individuals will have a premium less due to the hold harmless provision, a greater majority will pay the full amount.
- The \$134 premium is used to calculate all Part B penalty amounts.
- The \$134 premium is the amount paid by the State Agency for Medicaid (Medi-Cal) beneficiaries
- The \$134 premium is the amount that determines what the IRMAA related premiums will be.



Income Related Monthly Adjustment Amount

Income-Related Monthly Adjustment Amounts

Premium adjustments are calculated to cover a percentage of the Part B program costs:

- Standard – 25% (2018: \$134 or less)
- Level 1 – 35% (2018: \$187.50)
- Level 2 – 50% (2018: \$267.90)
- Level 3 – 65% (2018: \$348.30)
- Level 4 – 80% (2018: \$428.60)

In 2018, the income amounts for the levels has changed. This means more individuals will pay a higher premium.



Part B Late Enrollment Penalty

Part B Enrollment Penalty

- The late enrollment penalty amount is a percentage of the current year standard premium amount.
- Once the penalty amount is calculated, it is added to the beneficiary's current premium.
- The hold harmless provision does not provide protection from increases in the penalty amount, even if it protects the basic premium amount.
- This means that a calculated penalty amount could be added to the \$121.80, the current \$134, the current IRMAAs or a determined premium less than \$134.

Example: 2018 Premium with Penalty

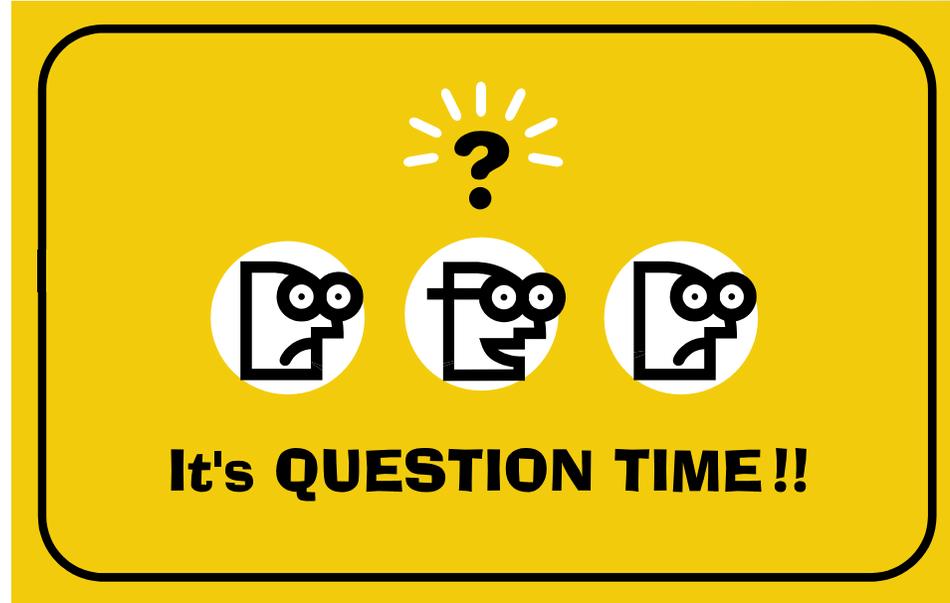
- Year: 2018
- Penalty Percentage for late Enrollment: 20%
 - Before Hold Harmless Provision:
 - ✓ $\$134 \times 20\% = \mathbf{\$26.80}$
 - ✓ $\$134 + \mathbf{\$26.80} = \$160.80$
 - ✓ IRMAA Premium (\$187.50-428.60) + $\mathbf{\$26.80} = 2018 \text{ Premium}$
 - After Hold Harmless Provision
 - ✓ $\$104.90 + \mathbf{\$26.80} = \$131.70$
 - ✓ $\$121.80 + \mathbf{\$26.80} = \$148.60$ or
 - ✓ Actual Premium (less than \$134) + $\mathbf{\$26.80} = 2018 \text{ Premium}$

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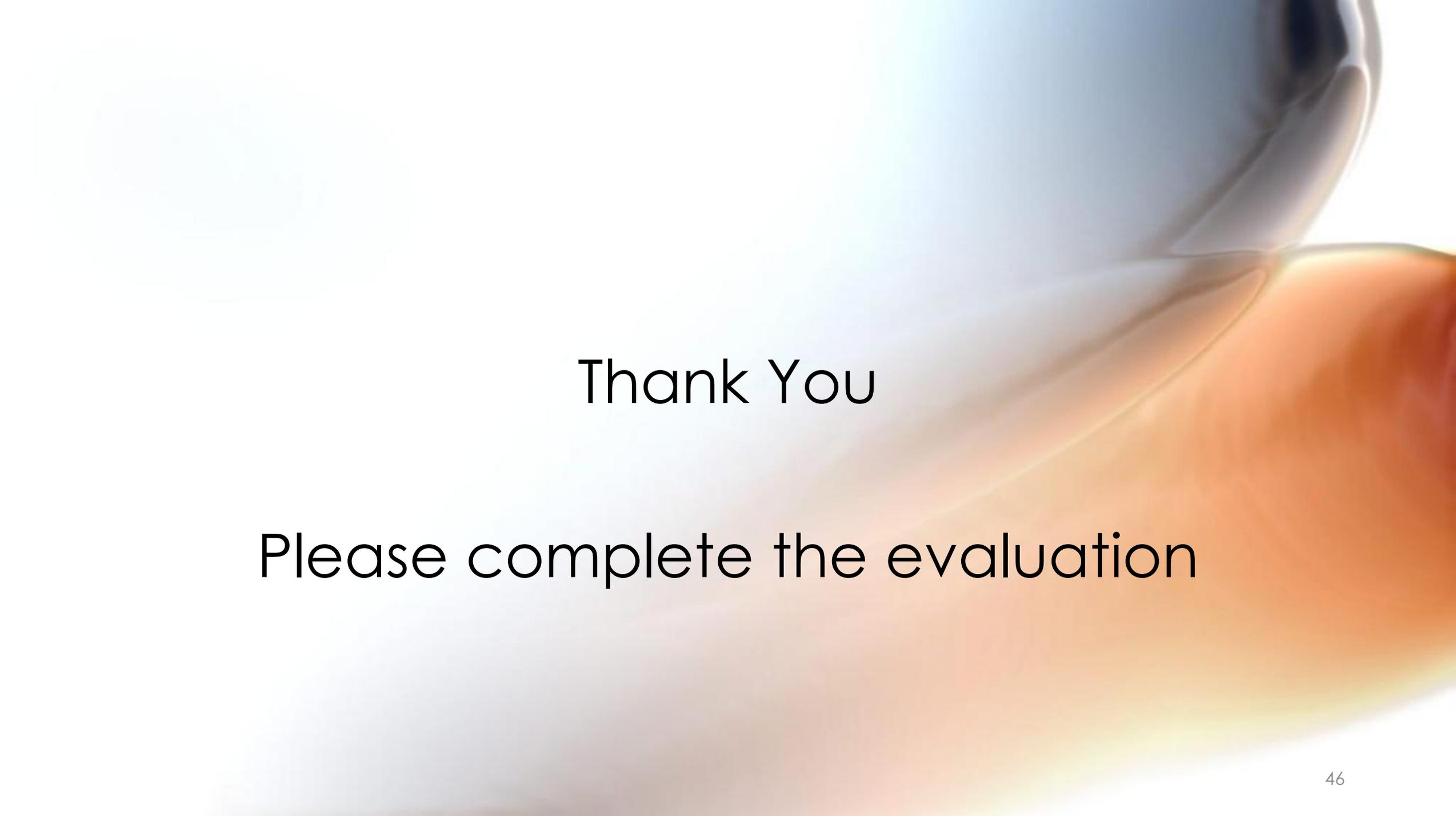
Conclusion

Summary – Things to Remember

- 2018 Part B Standard Premium is \$134.
- Most Medicare beneficiaries will have a Medicare premium of the full \$134, although a significant group may have a premium less than \$134.
- Most of the 2% SSA increase will end up going to the Part B premium for those on Medicare.
- The Hold Harmless Provision does not apply to those who: enroll in 2018, do not receive an SSA benefit check, are subject to IRMAA or have Medical pay their premium.



It's QUESTION TIME!!



Thank You

Please complete the evaluation