



Congress Must Protect All Medicare Beneficiaries From the 2016 Hike in Part B Premium and Deductible

Medicare Part B allows seniors and individuals with disabilities to see doctors and get outpatient care. The cost of these benefits is split between the federal government and beneficiaries. The federal government pays about 75% of Part B costs with general revenues. These funds are from personal income tax, corporate income tax, and other payments to the federal government. Beneficiaries pay the other 25% through monthly premium payments. Usually, these payments are taken out of Social Security benefits before they are sent to the recipient. The Part B deductible is set by a formula tied to the Part B premium. When Part B premiums go up so does the Part B deductible.

Part B premiums are expected to increase in 2016. Premiums will go up because doctor visits and other outpatient care were much higher than projected. At the same time, there will be no cost of living adjustment (COLA) for Social Security in 2016. The “hold harmless provision” in federal law will protect most beneficiaries’ premiums. Medicare Part B premiums cannot go up from one year to the next more than the increase in Social Security benefits. Next year, roughly 70% of Medicare beneficiaries will see their monthly Part B premium remain the same as this year, at \$104.90. However, the remaining 30% of beneficiaries will be hit with a sharp premium hike, unless the Administration and Congress act. They are not protected by the hold harmless law. Most of the remaining 30% of beneficiaries will see their premiums jump 52% to \$159.30.

Who will be hit with a large Part B Premium increase in 2016?

If nothing is done, the 30% of Medicare beneficiaries who are not protected by the hold harmless provision will bear the full burden of the beneficiary costs of the premium increase. They will also see a higher Part B deductible. This includes the roughly 2.8 million new Medicare enrollees in 2016. Also hit will be retired federal, state and local government workers who do not collect Social Security benefits. About one in four state and local government workers are not covered by Social Security. They will not be protected by the hold harmless provision. Beneficiaries who already pay higher, income-related premiums (individuals’ with income above \$85,000 or couples with income above \$170,000) will also face a premium spike. Individuals who rely on both Medicare and Medicaid are also not covered by the hold harmless rule. These low income individuals won’t pay the increase. However, the state Medicaid programs and budgets will be on the hook for much higher Part B premiums and deductibles.

How will Part B Deductible increase?

The Medicare trustees estimate that the Part B deductible will jump from \$147 to \$223 in 2016. This \$76 annual increase is the largest single-year increase in the history of Medicare. Seniors on fixed incomes, the disabled, state Medicaid programs, and retiree plans that supplement retirees' Medicare fee-for-service coverage will be hit by this increase. The agency responsible for Medicare has some flexibility to calculate the deductible for 2016 so that the increase is not so steep.

The Administration and Congress Must Act

Protecting all Medicare beneficiaries from a large hike in Part B premiums and deductibles is vital to the retirement security of all beneficiaries. In October 2015, the agency responsible for Medicare will announce the Part B premium and deductible for 2016. Congress and the Administration must act to ease or stop the financial pain of a sharp Part B premium increase on 30% of Medicare beneficiaries and steep deductible on beneficiaries or their retiree plans.

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