



September 26, 2011

Premium Nonsense On Medicare

Q: Will the new health care law raise Medicare's basic monthly premium to \$247 in 2014, as a viral message claims?

A: No, Medicare officials project the basic premium will be less than half that. But the law will eventually cause 14 percent of seniors with incomes over \$85,000 a year (\$170,000 for couples) to pay higher "income-related" premiums, up from 5 percent currently.

FULL QUESTION

Please advise the accuracy of contents below.

Thank you,

MEDICARE PAY INCREASE

For those of you who are on Medicare (or will be soon), read the short article below.

It is about the monthly amount of money you are going to pay into Medicare in 2011, 2012 and the huge increase you will pay in 2013. You will pay it.

Social Security

Congress will not allow an increase in the social security COLA (cost of living adjustment). However, the per person monthly Medicare insurance premium will be increased from the 2009 premium of \$96.40 to \$104.20 in 2010, \$120.20 for the year 2011, AND a yearly increase to a wonderful \$247.00 in 2014. Thank You Obamacare!

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In the meantime, Congress gave themselves a \$3,000 a month Cost of Living Adjustment!

Send this to all seniors that you know.

REMEMBER IN NOVEMBER 2012

FULL ANSWER

This widely circulating message is similar to [a falsehood-filled screed that went around last year](#), urging "retribution" against members of Congress in the 2010 midterm elections. This message makes somewhat different accusations — also false — and urges voters to "remember" in November 2012.

- It falsely claims "Congress gave themselves a \$3,000 a month Cost of Living Adjustment," when the truth is that Congress voted to deny itself any pay increase at all, both for 2010 and 2011.
- It wrongly blames Congress for disallowing any cost-of-living increase for Social Security recipients. It's true there was no COLA for Social Security recipients in 2010 or in 2011, but that was due to the workings of a long-standing formula and not the result of any vote by the current Congress or the previous one. We [covered this in detail in 2009](#) and the [Social Security Administration](#) has an explanation posted as well.
- It claims that "those of you who are on Medicare" can thank "Obamacare" for increases in the per-person monthly Medicare premium — "to a wonderful \$247.00 in 2014." This is also false. The basic premium for Medicare Part B (which covers physician services) [was indeed \\$96.40 in 2009](#). But the other numbers are all wrong. It was \$110.50 last year, for example, and not \$104.20 as claimed. And [it is \\$115.40 this year](#), not \$120.20 as claimed.

Actually, only 27 percent of Medicare beneficiaries are paying the basic rate. The rest — 73 percent — are paying less under a "hold harmless" provision triggered by the lack

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of a cost-of-living increase in Social Security this year or last year. Most are still paying \$96.40.

As for the future, nobody can say with precision what the basic Part B premium will be next year or the year after, let alone in 2014. The premium is set each year at a level calculated to pay for 25 percent of the cost of the coverage. Medicare officials do keep close watch on the trends, however. And when we contacted Medicare's Office of the Actuary, we were given these projections — the most recent available — which are current as of the president's budget for fiscal year 2012 issued in mid-February:

Medicare Part B Standard Premium (projected, February 2011)	
2012	\$108.20
2013	\$112.10
2014	\$117.10
Source: Center for Medicare & Medicaid Services Office of the Actuary	

(Note: These figures are unpublished but publicly available on request from the Office of the Actuary. They are actually a few dollars lower than what Medicare officials were projecting six months earlier, in August 2010, when the most recent [report of the system's trustees](#) was issued. Those published projections, now outdated, can be found on page 234. Officials told us they lowered their projections because actual Part B costs in 2010 turned out to be somewhat lower than previously estimated.)

The actual premiums could turn out to be higher or lower than our table shows, but not by a lot. One major uncertainty is whether Congress will allow scheduled cuts in payments to physicians and other providers to take effect. Congress has already postponed those cuts every year since 2003, and did so again after the trustees issued their August report. The cuts have now been delayed [until the end of this year at least](#). The projected premiums are based on assumptions that build in a "margin" to account for the high likelihood that Congress will not allow physician cuts to take effect,

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however. An official in the Office of the Actuary (OACT), who did not wish to be quoted by name, told us in an e-mail message:

OACT official: This margin includes an amount to account for the probability that the scheduled physician cuts will be legislatively overridden. Therefore, if the scheduled physician payment cuts are legislatively avoided, then the Part B premiums should not change significantly (depending on the nature of the legislative override).

It's true that the gradual rise in the basic Medicare premium will — for most seniors — likely be enough to offset the small cost-of-living increase that Social Security recipients can expect in 2012. Only those with high benefits are likely to get a COLA large enough in dollar terms to exceed the premium increase. And a few seniors — those who were not held-harmless in 2011 and who are therefore paying this year's standard premium of \$115.40 — will almost certainly see a *reduction* in their premium for 2012 — to \$108.20 if the current projections holds. But the claim that Part B premiums could more than double by 2014 is ludicrous, and has no basis in fact.

The Real Effect of the Health Care Law

That's not to say that the health care law won't have an effect on the premiums paid by some seniors. It will, but not in the way this bogus message claims. The change will affect only a small minority of upper-income Medicare beneficiaries.

Currently, about the top 5 percent of seniors pay an "income-related premium" that was enacted as part of the same 2003 law that created the new Medicare prescription-drug benefit. Upper-income seniors have been paying more than the standard premium since 2007. Currently those earning between \$85,000 and \$107,000 for individuals (between \$170,000 and \$214,000 for couples) pay a total of \$161.50. The amounts grow larger for higher-income groups, reaching \$369.10 per month for seniors making more than \$214,000 (or \$428,000 for couples).

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The new law doesn't increase those premiums, but does ensure that more high-earning seniors will pay them. It does this by freezing the income brackets at 2010 levels through 2019, rather than allowing them to rise with inflation as originally enacted. The [Kaiser Family Foundation released a report](#) in December projecting that in 2019 the top 14 percent of seniors would be paying the income-related premiums — an additional 3.5 million seniors.

The law also established a separate set of income-related premiums for Medicare Part D — the prescription-drug benefit — which previously had charged only a standard premium for all. Taken together, these changes are expected to bring in an additional \$36 billion over 10 years, Kaiser's study said.

Sources

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