

Medicare Parts B and D Premiums to Increase for Some High-Income Enrollees

Last month, President Obama signed into law the Medicare Access and CHIP Reauthorization Act of 2015. Among other things, the law increases the amounts that certain higher-income enrollees must pay for coverage under Medicare Parts B and D. The premium increases are first effective in 2018.

Background

On April 16, President Barack Obama signed the [Medicare Access and CHIP Reauthorization Act of 2015](#) (MACRA) into law. MACRA includes several policy changes, including the “doc fix” — the permanent elimination of the sustainable growth rate (SGR) formula that affected Medicare’s reimbursement rates for physicians. It also includes a two-year extension of the Children’s Health Insurance Program (CHIP).

To partially offset the cost of the SGR repeal and CHIP, MACRA increases the monthly premiums that certain high-income enrollees must pay for coverage under Medicare Parts B and D. These premium increases will take effect in 2018. The law also eliminates first-dollar Medigap coverage for new Medicare enrollees starting in 2020.

Medicare Part B premiums that increase with enrollee income were first enacted in the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (MMA) — effective in 2007. Prior to MMA, the federal government paid approximately 75% of the Part B premium and beneficiaries paid the remaining 25%, regardless of income. After MMA enactment, Medicare enrollees with modified adjusted gross income above \$80,000 (generally indexed, and doubled for a couple filing jointly) paid a higher share of the premium —from 35% to 80%, depending on income and after a four-year phase-in. The Affordable Care Act extended income-related premiums to the Medicare Part D benefit beginning in 2011.



Parts B and D Premium Increases

The chart below sets out the percentage of Part B and Part D premiums that high-income Medicare enrollees will pay beginning in 2018:

Modified adjusted gross income (doubled for couple filing jointly)	Post-MACRA enrollee share of Part B and D premiums – effective in 2018
More than \$85,000 and up to \$107,000	35%
More than \$107,000 and up to \$133,500	50%
More than \$133,500 and up to \$160,000	65%
More than \$160,000	80%

These income thresholds will apply for 2018 and 2019. Starting in 2020, the thresholds will be indexed.

In Closing

Plan sponsors should consider MACRA's new premium rules for Parts B and D of Medicare when designing retiree benefit programs.

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