



Increases to Medicare Part B Premiums for 2010

Despite the fact that Social Security beneficiaries will not receive an increase in benefits in 2010, higher-income earners may still face higher Medicare Part B premiums. The following discusses the changes and how some may avoid the increases.

Typically, Social Security benefits increase each year by the cost-of-living adjustment (COLA), which is based on the consumer price index. For the first time since 1975, there will not be a COLA in 2010, due to the deflationary environment. A hold-harmless provision prevents basic Medicare Part B premiums from increasing if COLAs for Social Security benefits are zero. While the majority of Medicare participants will not face additional Medicare expenses next year, higher-income earners are not protected by the hold-harmless provision and may find that higher Medicare premiums are harder to pay without the increase in Social Security benefits.

Prior to 2007, all Medicare enrollees paid the same premium for Medicare Part B coverage. But to ensure the long-term solvency of the Medicare program, Congress passed the Medicare Modernization Act of 2003 to increase premiums for retirees with higher income.

So while approximately three-fourths of Medicare participants will continue to pay the current \$96.40 monthly premium in 2010, the remaining 25 percent of beneficiaries will pay higher premiums based on the fact that they:

- s Are subject to a premium surcharge based on high income
- s Do not have their Part B premiums withheld from their Social Security checks
- s Are newly enrolled in Part B

Beneficiaries who do not withhold Part B premiums from their Social Security checks or are new enrollees will pay \$110.50 per month beginning in 2010. That higher amount would have been the basic rate for all participants had there been a COLA applied to Social Security benefits. For higher-income beneficiaries, premiums will increase as follows:

Individual Income	Married Filing Jointly Income	Total Monthly Premium Amount
Less Than \$85,000	Less Than \$170,000	\$110.50
Between \$85,000 and \$107,000	Between \$170,000 and \$214,000	\$154.70
Between \$107,000 and \$160,000	Between \$214,000 and \$320,000	\$221.00
Between \$160,000 and \$214,000	Between \$320,000 and \$428,000	\$287.30
Greater Than \$214,000	Greater Than \$428,000	\$353.60

Source: U.S. Department of Health & Human Services, Centers for Medicare & Medicaid Services

A bill to freeze premiums at 2009 levels for high-income earners passed unanimously in the House but stalled in the Senate. At this point, it is unlikely that Congress will move forward on this issue. However, there may be another way for affected seniors to reduce their premiums.

The premium surcharge in 2010 is based on the modified adjusted gross income (MAGI) shown on 2008 tax returns. If a beneficiary's current income has declined substantially since 2008 due to retirement or other "life-changing events," they may be able to reduce or eliminate the high-income

surcharge. According to the Social Security Administration, examples of life-changing events include changes in marital status, job loss, reduced work hours, loss of income from income-producing property or cuts in pension benefits. Note that a decline in investment returns does not qualify.

To contest the high-income premium, fill out Form “Medicare Part B Income-Related Premium — Life-Changing Event,” which can be found at <http://www.ssa.gov/online/ssa-44.pdf>.

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