

Good News for 2012 Medicare Premiums

By Louis E. Conrad II

- ▶ Despite an environment in which health care costs are experiencing meaningful increases, most Medicare recipients will see only modest increases in their 2012 premiums and, in fact, some will actually see a decline.

In recent weeks the federal government announced changes to the premiums and deductibles that Medicare recipients will pay, as well as an increase in the benefits to be received from Social Security. In this article, we highlight these changes.

Medicare Part B

A few weeks ago the 2012 premium rates and deductible for Medicare's Part B program were announced, pleasantly surprising Medicare recipients. The standard Medicare Part B premium will be \$99.90 per month in 2012, up \$3.50 from the \$96.40 that most recipients pay, but less than the \$106.60 that Medicare's trustees had projected earlier in the year. The government cited lower utilization rates as the primary reason behind the lower-than-expected premium increase. The deductible for Part B, which covers costs associated with physicians' services, outpatient hospital services, some home health services, and durable medical equipment, will actually decline by \$22 to \$140 in 2012.

When combined with the 3.6% cost-of-living increase for 2012 that was announced earlier by the Social Security Administration, most seniors will experience a net increase in their monthly Social Security benefit. The 3.6% benefit increase, which will be enjoyed by 55 million Social Security beneficiaries, amounts to \$43 more each month for the average retiree, or a total of \$1,229. In 2010 and 2011, inflation was too low to trigger a cost-of-living adjustment based on the Consumer Price Index used for the Social Security program.

Some Medicare recipients will actually experience a decrease in Part B premiums in 2012. By law, Medicare Part B premiums must be set each year to cover 25% of the program's costs. Premiums were kept at 2009 levels for about 75% of beneficiaries because there was no cost-of-living adjustment in 2010 and 2011 for Social Security. Consequently, the Part B premium

increase in 2010 and 2011 was borne by the remaining 25% of Medicare recipients, which included new enrollees and higher income families, as well as low income beneficiaries who have their premiums paid by Medicaid. As indicated above, the 2009 premium level was \$96.40 per month, though most of those who enrolled in 2010 pay \$110.50 per month and most of those who enrolled in 2011 pay \$115.40 per month. Those who enrolled in 2010 and 2011 will see their monthly premiums decline in 2012 to the new \$99.90 standard rate.

Part B's standard monthly premium is adjusted for those with higher modified adjusted gross income (MAGI). The tiered schedule results in higher premiums if your MAGI exceeds \$85,000 if you file an individual return and \$170,000 if you file a joint return.

Medicare Part A

Part A, which covers inpatient hospital, skilled nursing facility, and some home health care costs, will see a monthly premium increase of \$1 to \$451, though most Medicare beneficiaries do not pay any premium because they have at least 40 quarters of Medicare-covered employment. The deductible for a hospital inpatient stay will increase by \$24 to \$1,156.

Medicare Parts C and D

Medicare Advantage plans, known as Medicare Part C, and Medicare Prescription Drug Coverage, known as Medicare Part D, are expected to have slightly lower premiums in 2012 versus 2011, according to the federal government.

In summary, for most Medicare recipients, premiums in 2012 will only slightly reduce their increased Social Security benefit, though some seniors will actually enjoy a decrease in Medicare premiums.