

Social Security Beneficiaries Get a Raise

By Louis E. Conrad II

- ▶ After a two-year drought, Social Security recipients will see their benefits increase by 3.6% in 2012.
- ▶ However, for many, that increase will be reduced by higher Medicare Part B premiums.

Following two years without a raise, Social Security beneficiaries will receive a 3.6% cost-of-living increase for 2012. Unfortunately, many seniors will incur higher Medicare Part B premiums that will reduce their net Social Security benefit.

The 3.6% benefit increase, to 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.

Medicare is expected to announce its 2012 Part B premiums as early as next week. Part B premiums, which cover doctor visits, are deducted directly from Social Security disbursements. For some seniors, about one-quarter of their Social Security raise could be lost to higher Part B premiums.

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. The 2009 premium level is \$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 have been paying premiums based on 2009 levels will see the biggest percentage increase in 2012 premiums.

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