



Memorandum

Congressman J. Randy Forbes
Virginia's Fourth Congressional District

TO: CBG/DG/HS/CK
FROM: CM
SUBJECT: PENDING MEDICARE PART B PREMIUM SPIKE
DATE: 10/08/2015

Bottom Line: Due to low levels of annual inflation, seniors are not expected to receive a COLA for 2016. This will trigger a massive spike in Medicare Part B premiums and deductibles for roughly 51 million Medicare beneficiaries. Congress is working on a fix but this is sure to be an issue that our seniors pick up on and ask that we address by the end of the month. There is legislation pending to address this issue and the estimated cost to prevent this type of premium spike is in the billions. This is also an issue Congress grappled with in 2010. More information on the actions Congress took and where JRF fell can be found below.

Background

Medicare Part B covers doctors' services, outpatient hospital services, some home health care and other items. Under federal law, part B premiums are linked closely to Social Security benefits. Part B premiums, which are automatically deducted from Social Security checks for those who receive Social Security, must cover 25% of projected Part B costs for aged beneficiaries. The Social Security Act includes a provision that holds most Social Security beneficiaries harmless for increases in the Medicare Part B premium: affected beneficiaries' Part B premiums are reduced to ensure that their Social Security checks do not decline from one year to the next. In a typical year, the hold harmless provision affects a small fraction of beneficiaries and has a limited impact on program finances. However, in a year when Medicare Part B premiums increase but Social Security benefits do not, the effects of the hold harmless provision are larger and more complex.

Since inflation has been so low, many are predicting that Social Security beneficiaries may not receive a cost-of-living adjustment next year. This could trigger a significant increase for Medicare beneficiaries that are not covered by the hold harmless provisions.

The absence of a Social Security COLA affects Medicare Part B premiums in two ways under current law:

1. For about three-quarters of Part B participants, the hold harmless provision prevents their Part B premiums from increasing and so the amount of their Social Security checks remains flat, all other things being equal.
2. However, under current law, the only way to collect the 25% of Part B costs that are required to be covered by beneficiary premiums is to increase Part B premiums on beneficiaries who are not protected by the hold harmless provision. The one-quarter of beneficiaries who are not held harmless therefore shoulder the entire beneficiary share of the increase in Part B costs. In other words, their collective premium increase can be nearly four times greater than if there were no hold harmless provision.

In our current situation, Medicare Trustees estimate that there will be a 52 percent increase, raising the standard monthly Part B premium from \$104.90 to \$159.30 per month (a \$650 annual increase) and raising the premium for those making over \$214,000 from \$335.7 to \$509.8 (a more than \$2,000 annual increase). It will also raise the annual Part B deductible for those beneficiaries from \$147 to \$223

Who does not qualify for the hold harmless provision?

The one-quarter of Part B enrollees to whom the hold harmless provision does not apply can be divided into three groups:

1. Low-income beneficiaries whose Part B premiums are not withheld from their Social Security benefits but instead are fully paid by the Medicaid program (currently about 17.5% of Part B enrollees, expected to increase);
2. High-income beneficiaries who are subject to income-related Part B premiums (about 5% of Part B enrollees); and
3. Beneficiaries for whom there is insufficient history of Social Security payments with corresponding deductions for the Part B premium (about 5% of Part B enrollees), which would include both new enrollees to either Social Security or Medicare and Part B enrollees who do not participate in Social Security.

The substantial majority of Part B enrollees (17.5%) not held harmless in 2010 were low-income beneficiaries whose Part B premiums are paid by Medicaid. As a result, in the absence of any intervention by Congress, most of the cost of the increase in Part B premiums in 2010 and 2011 will be paid by the federal-state Medicaid program, not directly by beneficiaries.

What happened in 2010?

A similar instance arose in 2010 and 2011 when inflation was stagnant and no COLA for Social Security was issued. In 2010 and 2011 though resulting premium increase was roughly 15%, significantly smaller than what we are dealing with today.

Then Speaker of the House Pelosi brought up for consideration the Senior's Protection Act (H.R. 5987), which would have provided a one-time, \$250 payment to Social Security beneficiaries (including persons on Social Security disability) and retired veterans and railroad workers.

- The bill was brought up under suspension of the rules but did not gain the 2/3rds vote it needed, failing 254-153.
 - JRF opposed this legislation
- JRF did support, however, the Medicare Premium Fairness Act in 2009 which would have kept 2010 premiums at 2009 levels and included an offset for the \$567 million cost.
 - The Senate never took this legislation under consideration though and premiums were increased for Seniors.
 - I searched through our website to see if we did any messaging on this bill but did not find anything. The only mention we have of that bill on our website is in a 2009 [blog post](#) where we posted the text of the bill as an example to constituents to show how complex bill-text actually is and make the point that lawmakers should have more than 24 hours to review a bill before they vote on it.

What is happening now?

Medicare officials are scheduled to announce the 2016 premiums this month, after the federal Bureau of Labor Statistics releases data on consumer prices – sometime around mid-next week (10/15-10/16). Medicare's annual open enrollment period also begins on Oct. 15.

The cost of avoiding such big premium and deductible increases is expected to be in the billions (some have said close to \$7.5 billion but the experts at CRS have told me it could be more in the \$3.5 billion range). In the current fiscal climate, Majority Leadership has told Minority Leadership that the entire cost must be fully offset if any legislative solution is to be seriously considered.

Current Legislation

- Senator Ron Wyden and Rep Dina Titus each have bills to prevent a Part B premium increase. No Republicans are on either bill, but I do know the House Ways and Means Committee is tracking on this issue.
 - I don't have much information as to what the House's plan will be for this just yet but will relay it as soon as I have more info.

