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An Unexpected Spike for Medicare Premiums?

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Unless the U.S. Department of Health and Human Services intervenes, some Medicare beneficiaries will face a steep increase in their 2016 premiums, even as the vast majority of Medicare recipients pay no increase at all.

Medicare's trustees projected in [a recent report](#) that for about 30% of the program's beneficiaries, 2016 premiums would rise by 52% for Part B, which covers doctor visits and other types of outpatient care.

The projected increases result from a little-noticed intersection between the rules governing Medicare and Social Security.

Under the Social Security Act's "hold harmless" provision, Medicare can't pass along to most Social Security recipients a premium increase that is higher than whatever they would receive through Social Security's annual cost-of-living adjustment, according to Casey Schwarz, policy and client-services counsel at the nonprofit Medicare Rights Center.

With inflation so low, Social Security isn't expected to pay a cost-of-living increase in 2016. So Medicare would be unable to pass any premium increase along to the estimated 70% of beneficiaries who will qualify for this "hold harmless" treatment in 2016. As a result, Medicare must spread the projected increase in its costs across the remainder.

But while the final rates the government sets in the fall are typically close to the trustees' predictions, HHS Secretary Sylvia Mathews Burwell has said she would search for ways to reduce the increase for affected beneficiaries. The final decision about 2016 rates "will be based on our preliminary projections today, subject to additional data, and the administration's consideration of policy options," she said last week.

The secretary has the ability to set a lower premium "if she determines there are sufficient reserves," says Tricia Neuman, director of the Henry J. Kaiser Family Foundation's program on Medicare policy. "This is not a done deal."

The largest single group of people affected are the 3.1 million participants subject to higher Part B premiums because their incomes are above \$85,000 (or \$170,000 for couples). Within this group, the trustees projected that single individuals earning up to \$107,000 (and couples earning up to \$214,000) would have their 2016 monthly premiums rise from \$146.90 a person this year to \$223 in 2016. For those earning more than \$214,000 (or \$428,000 for couples), the projected increase is to \$509.80 a month, from \$335.70 in 2015.

Up to another 1.6 million people are potentially affected because they receive Medicare but have deferred claiming their Social Security benefits or aren't eligible for those benefits. If they are paying the standard \$104.90 a month for Medicare Part B this year, they will be charged \$159.30 a month in 2016 if the trustees' predictions come to pass.

A 52% increase from 2015's rates would also apply to up to 2.8 million people who will be new to Medicare in 2016, the trustees projected.

The jump from this year's base charge of \$104.90 is an "unprecedented increase," Ms. Neuman said.

The 52% premium increase also affects about nine million lower-income Medicare beneficiaries whose premiums are paid by state Medicaid programs. But in that situation, the increase is "a problem for state governments," says Dan Adcock, government relations and policy director at the National Committee to Preserve Social Security & Medicare.

It still is possible that there will indeed be a Social Security cost-of-living adjustment for 2016, if inflation picks up over the next few months.

And if that isn't the case, the unusual disparity in 2016 Part B premiums between recipients with similar incomes could be smoothed out come 2017. Assuming Social Security recipients receive a cost-of-living adjustment in 2017, the "hold harmless" provision will affect a smaller portion of Medicare recipients—and

so Medicare costs will be shared more equally. Indeed, the Medicare trustees are projecting that the base Medicare Part B premium will reset for everyone at \$120.70 a month in 2017.

This isn't the first time this has happened.

In 2010 and 2011, Social Security paid no cost-of-living increase. For those who fell outside the "hold harmless" protection, the base premium rose to \$110.50 in 2010 and to \$115.40 in 2011—even as those with the protection continued to pay at the 2009 level of \$96.40. When Social Security resumed paying cost-of-living increases in 2012, everyone's base premium reset at \$99.90 a month, before rising to \$104.90 in 2013 and remaining there ever since.

In 2009, Congress tried to eliminate the higher premiums for Part B enrollees not covered under the "hold harmless" provision, says Mr. Adcock. But while the bill passed in the House, it stalled in the Senate, he said.

If you fall into the 30%, experts say, there is not much you can do.

If your income is 135% of the federal poverty guidelines or below—a cap that this year is below \$22,000 for a family of two in most of the U.S.—you can apply for a Part B premium subsidy from your state, says Joe Baker, president of the Medicare Rights Center. (For free help, visit your State Health Insurance Assistance Program at shiptacenter.org.)

But those with higher incomes "have very little maneuverability,"

says Ms. Neuman. Individuals who have deferred claiming Social Security can escape higher Medicare premiums if they start receiving benefits—and have their Medicare premiums deducted—by November, Ms. Schwarz says. But because those who defer claiming increase their benefits by approximately 6% to 8% for each year in which they wait, “it may not be prudent” to make that trade-off, Ms. Schwarz says. “This is not something we would necessarily advise,” she says.

At the very least, she adds, “it’s best to wait and see” what the final rates will be before taking action.

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