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Medicare 2016 premiums and deductibles announced

The Centers for Medicare and Medicaid announce each year the new Medicare premiums, deductibles and coinsurances. Perhaps most beneficiaries have made themselves aware of the changes and updates but in the event that you have not, here are the 2016 highlights.

- The basic Medicare Part B premium remains at \$104.90 per month for most beneficiaries. This is because there is no increase in the COLA for Social Security so most beneficiaries are “held harmless” for an increase.
- For the 30 percent of beneficiaries who are not in the “held harmless” class, the basic premium will be \$121.80. This includes those enrolled in Medicare but who are not yet receiving Social Security, new Medicare beneficiaries, seniors who earn more than \$85,000 per year, and dual eligible beneficiaries. This premium was due to rise drastically, but the effect was blunted by the Bipartisan Budget Act of November, 2015.
- The Part B annual deductible for all will be \$166, up from \$147 in 2015.
- The Part A hospital deductible for those with traditional Medicare only (no supplement or Medigap policy) will be \$1,288 (was \$1,260).
- Co-payments for hospital stays for days 61-90 is \$322 per day (was \$315). If the hospital stay extends beyond 90 days, the co-payment rises to \$644 per day from \$630 per day.
- The co-payment for a skilled nursing facility after day 20 and until day 100 (for those without a supplement or Medigap plan) is now \$161 per day, up from \$157.50.

Higher income beneficiaries pay higher Medicare Part B premiums. For instance, individuals with annual incomes between \$85,000 and \$107,000 will pay a monthly premium of \$170.50. If those same individuals make between \$107,000 and \$160,000, they will now pay \$243.60 instead of \$209.80. Finally, those individuals with annual incomes of between \$160,000 and \$214,000 will pay a premium of \$316.70. Married couples can have a larger income (roughly twice the individual income) in each category which determines their monthly premium. Beneficiaries who are married but file separate returns have yet another calculation to determine the premium.

Social Security uses income reported two years before to determine a Part B beneficiary's income. Therefore the income reported on the 2014 federal income tax return will be determinative of the 2016 Part B premium. Income is calculated by using the beneficiary's adjusted gross income and adding back some normally excluded income, such as tax-exempt interest, U.S. Savings Bond interest used to pay tuition, and certain income from foreign sources. Remember that cashing in IRA accounts results in income that year since IRAs (other than Roth IRAs) are funded with pre-tax money. This calculation is called the modified adjusted gross income (MAGI). Note also if the beneficiary's MAGI decreased significantly in the past two years, she or he may request that information from more recent tax returns be used to calculate the premium.

Those enrolled in Medicare Advantage plans have a different premium schedule (not related to the Part B premium). The average Medicare Advantage premium is expected to decrease slightly in 2016. Go to www.medicare.gov for more complete information.