

## Premium increases may depend on your current income and Social Security status

You may be paying more for your Medicare Part B premiums in 2016. — Getty Images

One in 7 [Medicare](#) beneficiaries will see their Part B premiums for doctor visits and outpatient care jump by an unprecedented 52 percent next year — by far the largest hike in Medicare's history — unless the government intervenes to somehow soften the blow.

While the vast majority of beneficiaries are expected to pay the same Part B premium in 2016 as this year — \$104.90 a month — certain groups of people will experience a dramatic rise, to \$159.30 a month or even higher, due to an obscure part of the Medicare law that ties the [cost of living allowance \(COLA\)](#) in [Social Security](#) benefits to Part B premiums.

If, as expected, there is no Social Security increase next year, most recipients who collect both Medicare and Social Security will also see no increase in their Medicare Part B premiums. That will shift the burden of paying for increased costs to those Medicare recipients who do not collect a Social Security check, higher-income recipients and those new to the program.

"They'll be hit very hard with a very steep increase," says Joe Baker, president of the Medicare Rights Center. "Which doesn't sound fair, but that's the way the law works."

About 7 in 10 beneficiaries have their premiums automatically deducted from their Social Security checks. And under a "hold-harmless" provision of the law, a zero Social Security COLA in any year means that those people cannot pay more in standard Part B premiums than in the previous year — a phenomenon that has happened only twice in the last 40 years. The intent is to "provide a measure of protection to assure that their checks won't go down when Part B premiums rise," says Tricia Neuman, director of Medicare policy at the Kaiser Family Foundation, a health research group.

However, the hold-harmless policy doesn't apply to several groups (see chart) who make up about 30 percent of Medicare enrollees. About 16 percent — low-income people whose premiums are paid by their states — also will not be affected. That leaves 14 percent, or about 1 in 7, who will bear the full brunt of higher premiums out of their own pockets.

Under Medicare law, standard premiums must be set to cover 25 percent of the expected Part B costs for the following year, with the federal government paying the remainder. In normal years, those costs are spread through the Medicare population with a single premium for most enrollees, except for the wealthiest, who pay more. But in zero-COLA years, the whole burden falls on relatively few.

For people already paying higher-income premiums, the 52 percent increase will be "eye-popping," Neuman says. Those in the highest bracket would see their premiums skyrocket from \$335.70 to \$509.80 a month.

These figures are based on actuarial estimates released in July by the Medicare trustees, who report annually on the financial health of the program. The actual dollar amounts will be announced in October.

Under the law, either there is a COLA or there isn't, depending on the consumer price index rate of inflation. Medicare administrators cannot, under current law, keep next year's standard premium at the 2015 level for everyone, but experts say they might be able to intervene to soften the impact on those who face a steep increase.

In the meantime, the Medicare trustees' estimates have seriously alarmed many beneficiaries — especially those who have deferred collecting Social Security to increase their benefit and, consequently, won't be held harmless. Some have contacted AARP and other consumer groups to ask if they should sign up for Social Security early to avoid paying the hiked premium in 2016.

However, consumer experts advise caution. "You would hate to see somebody short themselves of their Social Security income for the rest of their lives in order to avoid a blip in the Part B premium in 2016," Neuman says. "It may be for just one year."

*Patricia Barry is the author of Medicare for Dummies, 2nd edition, Wiley/AARP, September 2015.*

Will Your Medicare Premiums Rise?  
It depends on your current income  
and Social Security status.



Your situation now	Will you pay higher premiums?
You pay standard Part B premiums and have them deducted from your Social Security checks	 No, because your premiums are deducted from your Social Security check.
You pay higher-income Part B premiums	 Yes, even if you receive Social Security benefits
You're enrolled in Part B but pay your premiums directly to Medicare	 Yes, because your premiums are not deducted from Social Security benefits
Your Part B premiums are paid by your state	 No, because your state will continue to pay your premium
You pay permanent penalties because you signed up late for Part B	 Yes, you'll pay more than you do now, because the penalties will be calculated as a percentage of the higher standard premium for 2016
You are not yet enrolled in Part B but will sign up in 2016	 Yes, even if you already receive Social Security checks