



# Medicare: Today's Issue

March 30, 2004

## *BETTER BENEFITS – MORE CHOICES*

*Good News about the Medicare Prescription Drug, Improvement and Modernization Act of 2003!*

### Income-Related Reduction in Part B Premium Subsidy:

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (MMA) reduced the government Part B premium subsidy for certain high-income beneficiaries. This change will be phased in over a five-year period beginning January 2007. Prior to the MMA, current law set the Part B premium at 25% of estimated program spending in a given year. The income of the beneficiary was not a criterion for determining a beneficiary's premium.

### Income Thresholds:

- ❖ Individuals with incomes under \$80,000 and married couples with incomes under \$160,000 will continue to receive a government subsidy of 75% and pay premiums worth 25% of the benefit.
- ❖ In order to determine the amount of the Part B premium adjustment, the IRS will provide income data from two prior years to the Social Security Administration. Regulations will be issued soon for the case of an eligible individual who has not filed taxes recently.

### Reducing the Government Subsidy:

- ❖ The smaller federal subsidies are phased-in over 5 years. The phase-in percentages are:
  - For 2007, 20% of the reduced federal subsidy;
  - For 2008, 40% of the reduced federal subsidy;
  - For 2009, 60% of the reduced federal subsidy;
  - For 2010, 80% of the reduced federal subsidy;
  - For 2011 and each subsequent year, 100% of the reduced federal subsidy.
- ❖ The following chart shows a comparison of the percentage of Part B costs incurred by beneficiaries and the federal government, both under current law and under changes in the MMA.

	Beneficiary Premium	Government Subsidy
Current Law	25%	75%
The MMA		
Incomes below \$80,000	25%	75%
Incomes from \$80,000–\$100,000 (\$160,000 and \$200,000 for a married couple)	35%	65%
Incomes from \$100,000–\$150,000 (\$200,000 and \$300,000 for a married couple)	50%	50%
Incomes from \$150,000–\$200,000 (\$300,000 and \$400,000 for a married couple)	65%	25%
Incomes above \$200,000 (\$400,000 for a married couple)	80%	20%

#### Updates to Part B Deductible:

- ❖ The MMA indexed the Part B Deductible to inflation. While the Part B deductible remains \$100 through 2004, it becomes \$110 for 2005, and beginning in 2006, it will be updated by the annual percentage increase in the monthly actuarial rate under section 1839(a), which is essentially the growth rate in Medicare program expenditures.

#### Background:

- ❖ Under Part B, Medicare generally pays 80 percent of the approved amount for covered services after the eligible individual pays an annual deductible of \$100. The Part B deductible has been set at \$100 since 1991.