

Medicare Fix-It

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Congressional leaders and the Obama Administration have fixed the potentially alarming increase in Medicare Part B premiums under the recently passed government budget deal.

Medicare Part B covers most health care services outside of hospitals, and thus represents one of the biggest expense items in the government-run health system. The program is voluntary, but 91% of all Medicare beneficiaries are enrolled in Part B.

The problem that had to be fixed arose because, under Social Security and Medicare rules, the government is required to collect 25% of all expected Part B costs from recipients each year - in the form of premiums. The total Part B cost was anticipated to reach \$171.2 billion 2016.

However, another provision says that in years where there is no increase in Social Security benefits - such as next year - Medicare premiums must be held steady for current Social Security recipients. As a result, the entire increase would have had to be borne by enrollees who either don't yet collect Social Security checks; enrollees with incomes above \$85,000 (single) or \$170,000 (married); or are dual Medicare-Medicaid beneficiaries. In all, these three categories represent 30% of 2016 Medicare beneficiaries - roughly 7 million Americans.

The new budget deal creates a \$12 billion loan from the U.S. Treasury to the Medicare trust fund to reduce the impact on those Medicare participants. Instead of seeing their monthly premiums go up from \$104.90 to \$159.30, they will experience a more modest 14% premium increase, to \$120 a month next year, plus a monthly surcharge of \$3. This will allow premiums to rise more gradually, and spread the cost over a longer period of time.

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