



## CAPITAL CHECKUP

October 23, 2014

### **2015 Medicare Premiums, Deductibles and Coinsurance**

The Centers for Medicare & Medicaid Services (CMS) has announced the Medicare Part A and Part B premiums, deductibles and coinsurance paid by beneficiaries.<sup>1</sup> These amounts take effect on January 1, 2015.

The standard monthly Part B premium and the Part B deductible will be the same as 2014 (and 2013). The Part B dollar amounts are shown in the first two rows of the table below.

The Part A numbers will increase by 3.62 percent. See the last rows in the table on the next page.

That table also shows the base Part D beneficiary premium that CMS announced in July, which will increase slightly to \$33.13 per month.<sup>2</sup>

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<sup>1</sup> The CMS announced the 2015 numbers on October 9, 2014 in a press release:  
<http://www.hhs.gov/news/press/2014pres/10/20141009a.html>

<sup>2</sup> The base premium was announced by the Office of the Actuary:  
<http://www.cms.gov/Medicare/Health-Plans/MedicareAdvtgSpecRateStats/Downloads/PartDandMABenchmarks2015.pdf>

Cost-Sharing Requirement	2014	2015
Standard Monthly Part B Premium*	\$104.90	<b>\$104.90</b>
Medicare Part B Deductible	\$147.00	<b>\$147.00</b>
Base Part D Beneficiary Premium**	\$32.42	<b>\$33.13</b>
First-Day Part A Hospital Deductible***	\$1,216.00	<b>\$1,260.00</b>
Daily Part A Coinsurance for the 61st through 90th Day of a Hospital Stay****	\$304.00	<b>\$315.00</b>
Daily Part A Coinsurance for Hospital Stays Longer than 90 Days	\$608.00	<b>\$630.00</b>
Daily Part A Coinsurance for the 21st through 100th day in a Skilled Nursing Facility	\$152.00	<b>\$157.50</b>
<p>* Part B covers physician services, outpatient hospital services, certain home health services, durable medical equipment and other items. The monthly Part B premium varies for high-income enrollees, as noted in the table on the next page.</p> <p>** The actual premium paid by a Medicare beneficiary for a Part D Prescription Drug Plan will vary due, in part, to the type of plan he or she selects. Factors could include the amount of the deductible, the level of coverage through the coverage gap ("donut hole") and the range of covered drugs in the plan's formulary. For more information about the "donut hole," see the chart in Segal Consulting's April 24, 2015 <i>Capital Checkup</i>, "Medicare Part D Amounts Will Increase in 2015," which is available as both a webpage (<a href="http://www.segalco.com/publications-and-resources/public-sector-publications/capital-checkup/archives/?id=2537">http://www.segalco.com/publications-and-resources/public-sector-publications/capital-checkup/archives/?id=2537</a>) and a printer-friendly PDF (<a href="http://www.segalco.com/publications/capitalcheckup/SegalPartD2015.pdf">http://www.segalco.com/publications/capitalcheckup/SegalPartD2015.pdf</a>).</p> <p>*** Part A pays for inpatient hospital, skilled nursing facility, hospice and certain home health care services.</p> <p>**** There is no cost-sharing requirement for the 2nd through 60th day of a hospital stay.</p>		

The Medicare Part B premiums remain unchanged and the Medicare Part D premiums will only increase slightly due, in part, to lower-than-expected spending for Part A (Hospital Insurance) services and Part D (outpatient prescription drugs).

## No Change in Part B Premiums and Modest Increase in Part D Premiums for Individuals with Higher Incomes

Since 2007, as required in the Medicare Prescription Drug, Improvement, and Modernization Act of 2003, high-income Medicare-eligible individuals who enroll in the Part B program have been required to pay a monthly Part B premium that is higher than the standard premium. It varies depending upon enrollees' modified adjusted gross income and income tax filing status. All of the income-adjusted Part B premium rates will be the same in 2015 as in 2014 (and 2013). The third column of the table below shows the income-related monthly Part B premiums.

There is also an income-related monthly adjustment for enrollees in Part D prescription drug plans, which started in 2011. The Affordable Care Act<sup>3</sup> requires Part D enrollees whose incomes exceed the thresholds established for Part B to pay their regular Part D premium to their plan (that amount will vary based on the plan they choose) and also pay an income-related adjustment to Medicare. The last column of the following table shows the 2015 income-related monthly adjustment amounts, which were announced in July, and represent increases of less than 2.5 percent.<sup>4</sup>

<u>Income Ranges by Tax Filing Status</u>		<u>Monthly Adjustment Amounts</u>	
<u>Individual Return*</u>	<u>Joint Return</u>	<u>Part B Premium</u>	<u>Part D Premium</u>
\$85,001 to \$107,000*	\$170,001 to \$214,000	\$42.00	\$12.30
\$107,001 to \$160,000*	\$214,001 to \$320,000	\$104.90	\$31.80
\$160,001 to \$214,000	\$320,001 to \$428,000	\$167.80	\$51.30
\$214,000+	\$428,001+	\$230.80	\$70.80

\* Married beneficiaries with income in 2015 of more than \$85,000 and less than or equal to \$129,000 who file a separate return from their spouse *and* lived with their spouse at some time during the taxable year must pay the following Part B monthly premium adjustment in 2015 (unchanged from 2014): \$167.80. (The Part D monthly adjustment for these couples will be \$51.30, up from \$50.20.) Married beneficiaries with income in 2015 of more than \$129,000 who file a separate return from their spouse *and* lived with their spouse at some time during the taxable year must pay the following Part B monthly premium adjustment in 2015 (unchanged from 2014): \$230.80. (The Part D monthly adjustment for these couples will be \$70.80, up from \$69.30.)

<sup>3</sup> The Affordable Care Act is the abbreviated name for the new health care reform law, the Patient Protection and Affordable Care Act (PPACA), Public Law No. 111-48, as modified by the subsequently enacted Health Care and Education Reconciliation Act (HCERA), Public Law No. 111-52.

<sup>4</sup> Refer to the announcement mentioned in footnote 2.

## Implications for Plan Sponsors

The Affordable Care Act made significant changes in the Medicare program, such as greater coverage for preventive services.<sup>5</sup> The Affordable Care Act also changed reimbursement rules for Medicare prescription drug plans.<sup>6</sup> Taking a fresh look at coverage provided to Medicare-eligible retirees in light of changes in the Medicare program could allow plan sponsors to continue to provide good retiree coverage with additional cost-savings.



*As with all issues involving the interpretation or application of laws, health plan sponsors should rely on their legal counsel for authoritative advice on the integration of Medicare with their health benefit plans. Segal Consulting can be retained to work with plan sponsors on their retiree health coverage.*

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<sup>5</sup> The Affordable Care Act added several benefits to Medicare's list of preventive benefits, including an annual "wellness" visit. A list of Medicare preventive benefits is on the Medicare.gov website: <http://www.medicare.gov/Pubs/pdf/10110.pdf>

<sup>6</sup> Segal's April 19, 2012 *Capital Checkup* (<http://www.segalco.com/publications-and-resources/public-sector-publications/capital-checkup/archives/?id=1824>) includes a section called "Part D Changes Introduced by the Affordable Care Act to Be Effective in 2013."

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