

# update

## 2016 Medicare Premiums, Deductibles and Coinsurance Announced

On November 10, 2015, the [Centers for Medicare & Medicaid Services \(CMS\)](#) announced the 2016 Medicare Part A and Part B premiums, deductibles and coinsurance paid by beneficiaries. These amounts take effect on January 1, 2016.

### Part B Premiums

Part B covers physician services, outpatient hospital services, certain home health services, durable medical equipment and other items. For approximately 70 percent of Medicare beneficiaries, the 2016 Part B premium will remain at the current rate of \$104.90. However, for about 30 percent of Medicare beneficiaries, the monthly Part B premium will increase from \$104.90 to at least \$121.80. These individuals must pay a higher premium because either they are new Medicare beneficiaries, their Part B premiums are not withheld from Social Security, their premiums are paid by Medicaid, or they are high-income beneficiaries. High-income beneficiaries will pay more than \$121.80 on a sliding scale, as noted on page 2.

The standard Part B deductible will be the same as 2015 (and 2014 and 2013). The Part B dollar amounts are shown in the first three rows of the table below. The table also shows the base Part D beneficiary premium for prescription drug coverage that [CMS announced in July](#), which will increase slightly to \$34.10 per month.



### Health Compliance News Highlights:

- Part B premiums will remain at \$104.90 for most Medicare beneficiaries.
- Certain groups of Medicare beneficiaries will pay \$121.80 Part B premiums; and high-income beneficiaries will pay more than that on a sliding scale.
- The Part A deductible and coinsurance will increase by 2.2 percent.

Part B Premium, Part B Deductible and Part D Premium	2015	2016
Standard Monthly Part B Premium for Most Medicare Beneficiaries	\$104.90	\$104.90
Standard Monthly Part B Premium for Certain Medicare Beneficiaries*	\$104.90	\$121.80
Medicare Part B Deductible	\$147.00	\$166.00
Base Part D Beneficiary Premium**	\$33.13	\$34.10

\* The premium will increase for those Medicare beneficiaries who do not have their premiums withheld from social security, are new beneficiaries, or are on Medicaid. The monthly Part B premium varies for high-income enrollees, as noted in the table on the next page.

\*\* The base Part D premium was [announced](#) by the Office of the Actuary. 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 *Capital Checkup*, "[Medicare Part D Amounts Will Increase in 2015.](#)"

## For Individuals with Higher Incomes, Higher Part B Premiums and Modest Increase in Part D Premiums

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. The premium varies depending upon enrollees' modified adjusted gross income and income tax filing status. All of the income adjusted Part B premium rates will increase. 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>1</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 table below shows the 2016 income-related monthly adjustment amounts, which were [announced in July](#), and represent increases of less than 3.3 percent compared to 2015.

Income-Related Adjustments to Part B Premiums and Part D Premiums				
Income Ranges by Tax Filing Status		Part B Premium		Part D Premium Monthly Adjustment Amounts
		Monthly Adjustment Amounts	Total Monthly Premium	
Individual Return*	Joint Return			
\$85,001 to \$107,000*	\$170,001 to \$214,000	\$48.70	\$170.50	\$12.70
\$107,001 to \$160,000*	\$214,001 to \$320,000	\$121.80	\$243.60	\$32.80
\$160,001 to \$214,000	\$320,001 to \$428,000	\$194.90	\$316.70	\$52.80
\$214,001+	\$428,001+	\$268.00	\$389.80	\$72.90

\* Married beneficiaries with income in 2016 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 2016: \$194.90 (resulting in a total monthly premium of \$316.70). (The Part D monthly adjustment for these couples will be \$52.80.) Married beneficiaries with income in 2016 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 2016 \$268.00 (resulting in a total monthly premium of \$389.80). (The Part D monthly adjustment for these couples will be \$72.90.)

## Part A Deductible and Coinsurance

Part A pays for inpatient hospital, skilled nursing facility, hospice and certain home health care services. The Part A deductible and coinsurance will increase by 2.22 percent.

Part A Deductible and Coinsurance	2015	2016
First-Day Part A Hospital Deductible	\$1,260.00	\$1,288.00
Daily Part A Coinsurance for the 61 <sup>st</sup> through 90 <sup>th</sup> Day of a Hospital Stay*	\$315.00	\$322.00
Daily Part A Coinsurance for Hospital Stays Longer than 90 Days	\$630.00	\$644.00
Daily Part A Coinsurance for the 21 <sup>st</sup> through 100 <sup>th</sup> day in a Skilled Nursing Facility	\$157.50	\$161.00

\* There is no cost-sharing requirement for the 2nd through 60th day of a hospital stay.

<sup>1</sup> The Affordable Care Act is the abbreviated name for 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.

## Implications for Plan Sponsors

Plan sponsors that reimburse Medicare-eligible retirees for Part B premium costs will likely want to revisit their payment policies in order to assure that they accurately reflect the new premiums. In particular, plan sponsors will need to adjust premium payments for newly eligible retirees, and those that have incomes over the high-income thresholds. In light of recent changes to the Medicare program, including increased Part D payments which will result in the “donut hole” being closed by 2020,<sup>2</sup> plan sponsors may wish to provide coverage for retirees by contracting with a Medicare Part D prescription drug plan or a Medicare Advantage plan.

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<sup>2</sup> Segal's [April 19, 2012 Capital Checkup](#) includes a section called, “Part D Changes Introduced by the Affordable Care Act to Be Effective in 2013.”

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