

CMS ANNOUNCES MEDICARE PREMIUMS, DEDUCTIBLES FOR 2010

Most Medicare beneficiaries will not see a Part B monthly premium increase as a result of a "hold harmless" provision in the current law. This allows for 73 percent of beneficiaries to be protected from an increase raising the 2010 Part B monthly premiums from \$96.40 to \$110.50. The Administration continues to urge Congressional action that would protect all beneficiaries from higher Part B premiums and eliminate the inequity of a high premium for the remaining 27 percent of beneficiaries.

By law, the Centers for Medicare & Medicaid Services (CMS) is required to announce the Part A deductibles and Part B premium amount – a notice that is published annually in the Federal Register.

Under the Medicare law, the standard premium is set to cover approximately one-fourth of the average cost of Part B services incurred by beneficiaries aged 65 and over. The remaining Part B costs are financed by Federal general revenues. This monthly premium paid by beneficiaries enrolled in Medicare Part B covers a portion of the cost of physicians' services, outpatient hospital services, certain home health services, durable medical equipment, and other items.

In calculating the monthly Part B premium each year, the CMS Office of the Actuary includes a contingency margin to provide for possible variation between actual and projected costs. The size of the contingency margin estimated to be needed for 2010 is affected by two main factors.

First, the current law formula for physician fees, which will result in a reduction in physician fees of approximately 21 percent in 2010 and is projected to cause additional reductions in subsequent years, is one factor affecting the 2010 contingency margin. For each year from 2003 through 2009, Congress has acted to prevent physician fee reductions from occurring.

In recognition of the strong possibility of increases in Part B expenditures that would result from similar legislation to override the decreases in physician fees in 2010 or later years, it is appropriate to maintain a significantly larger Part B contingency reserve than would otherwise be necessary. The asset level projected for the end of 2009 is not adequate to accommodate this contingency.

Second, the Social Security Administration announced there would be no increase in Social Security benefits for 2010. As a result of the hold-harmless provision, the increase in the Part B premium for 2010 will be paid

by only a small percentage of Part B enrollees. Most Part B enrollees will pay the same monthly premium that they paid in 2009 (\$96.40 was the 2009 standard monthly premium).

Approximately 27 percent of beneficiaries are not subject to the hold-harmless provision because they are new enrollees during the year (3 percent), they are subject to the income-related additional premium amount (5 percent), they do not have their Part B premiums withheld from social security benefit payments (19 percent), including those who qualify for both Medicare and Medicaid and have their Part B premiums paid on their behalf by Medicaid (17 percent).

As required in the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (MMA), beginning in 2007 the Part B premium a beneficiary pays each month is based on his or her annual income. Specifically, if a beneficiary's "modified adjusted gross income" is greater than the legislated threshold amounts (\$85,000 in 2010 for a beneficiary filing an individual income tax return or married and filing a separate return, and \$170,000 for a beneficiary filing a joint tax return) the beneficiary is responsible for a larger portion of the estimated total cost of Part B benefit coverage. In addition to the standard 25 percent premium, such beneficiaries now pay an income-related monthly adjustment amount. These income-related Part B premiums were phased-in over three years, beginning in 2007. About 5 percent of current Part B enrollees are expected to be subject to the higher premium amounts

The 2010 Part B monthly premium rates to be paid by beneficiaries who file an individual tax return (including those who are single, head of household, qualifying widow(er) with dependent child, or married filing separately who lived apart from their spouse for the entire taxable year), or who file a joint tax return are:

Beneficiaries who file an individual tax return with income:	Beneficiaries who file a joint tax return with income:	Income-related monthly adjustment amount	Total monthly premium amount
Less than or equal to \$85,000	Less than or equal to \$170,000	\$0.00	\$110.50
Greater than \$85,000 and less than or equal to \$107,000	Greater than \$170,000 and less than or equal to \$214,000	\$44.20	\$154.70

Greater than \$107,000 and less than or equal to \$160,000	Greater than \$214,000 and less than or equal to \$320,000	\$110.50	\$221.00
Greater than \$160,000 and less than or equal to \$214,000	Greater than \$320,000 and less than or equal to \$428,000	\$176.80	\$287.30
Greater than \$214,000	Greater than \$428,000	\$243.10	\$353.60

In addition, the monthly premium rates to be paid by beneficiaries who are married, but file a separate return from their spouse and lived with their spouse at any time during the taxable year are:

Beneficiaries who are married but file a separate tax return from their spouse:	Income-related monthly adjustment amount	Total monthly premium amount
Less than or equal to \$85,000	\$0.00	\$110.50
Greater than \$85,000 and less than or equal to \$129,000	\$176.80	\$287.30
Greater than \$129,000	\$243.10	\$353.60

Part B Deductible

The Part B deductible was increased to \$110 in 2005 and, as a result of the Medicare Modernization Act, is currently indexed to the annual percentage increase in the Part B actuarial rate for aged beneficiaries. In 2010, the Part B deductible will be \$155.

Part A Premium and Deductible

Today, CMS is also announcing the Part A deductible and premium for 2010. Medicare Part A pays for inpatient hospital, skilled nursing facility, hospice, and certain home health care services. The \$1,100 deductible for 2010, paid by the beneficiary when admitted as a hospital inpatient, is an increase of \$32 from \$1,068 in 2009. Beneficiaries must pay an additional \$275 per day for days 61 through 90 in 2010, and \$550 for lifetime reserve days. The corresponding amounts in 2009 are \$267 and \$534, respectively. Daily coinsurance for the 21st through 100th day in a skilled nursing facility will be \$137.50 in 2010, up from \$133.50 in 2009.

Approximately 99 percent of Medicare beneficiaries do not have to pay a premium for Part A services because they have at least 40 quarters of Medicare-covered employment (or are the spouse or widow(er) of such a person). However, other seniors and certain people under age 65 with disabilities who have fewer than 30 quarters of coverage may obtain Part A coverage by paying a monthly premium set according to a statutory formula. This premium will be \$461 per month for 2010, an increase of \$18 from 2009. A reduced premium applies in the case of individuals with 30 to 39 quarters of coverage, who will pay a premium of \$254 in 2010, compared to \$244 in 2009.