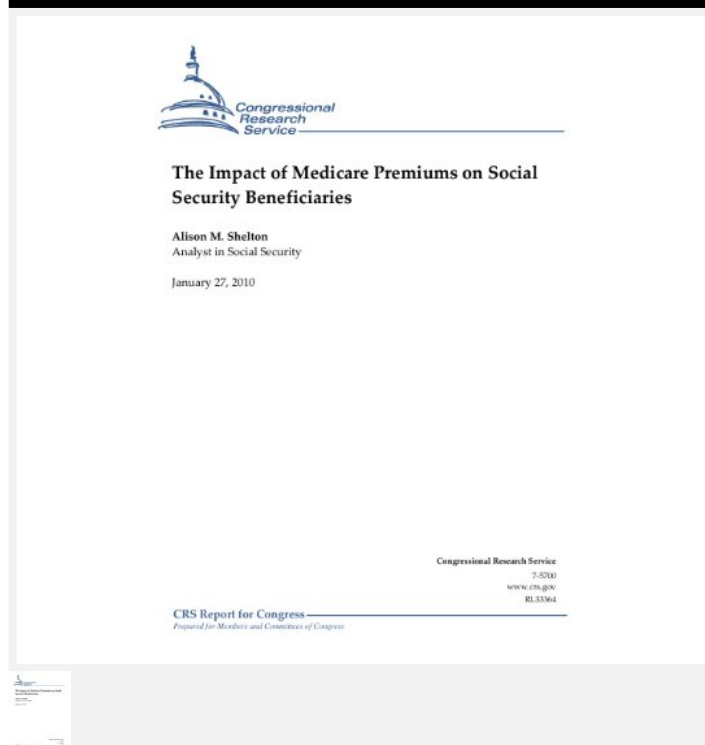


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# PDF Online The Impact of Medicare Premiums on Social Security Beneficiaries - Read Online



## Book detail

- Title : PDF Online The Impact of Medicare Premiums on Social Security Beneficiaries - Read Online
- isbn : B005UTJSOU



## Book Synopsis

Most Social Security beneficiaries pay Medicare premiums. Beneficiaries who participate in Medicare Part B (Supplementary Medical Insurance) or Part D (prescription drugs) must pay monthly premiums, unless they qualify for low-income assistance. Part B participants who also receive Social Security must have the Part B premiums automatically deducted from their Social Security checks. Part D participants may choose to have their premiums deducted from their Social Security checks.

Medicare premiums are absorbing a growing share of Social Security benefits. To see the effect of growing premiums, consider a Social Security beneficiary who earned the average wage throughout his or her career. If this retiree chose to participate in Part B—as the vast majority of Social Security beneficiaries do—the standard Part B premium would have absorbed almost 5% of benefits upon retirement in 2000 and about 8.5% in 2010 after over a decade of retirement. For a new retiree in 2010, the Part B premium absorbs about 9% of the Social Security benefit, and combined premiums for both Part B and Part D absorb about 12% of the average initial Social Security benefit check. Medicare's trustees project that premiums for Parts B and D will grow at a faster rate than average Social Security benefits in the future, thus consuming a greater proportion of benefits over time. In 2078, a retired worker receiving the average initial Social Security benefit amount is projected to need 22% of benefits to pay the Part B premium and 31% of initial benefits to pay combined Parts B and D premiums.

The deduction of Medicare premiums affects beneficiaries differently, depending on their Social Security benefit amounts and total incomes. Medicare premiums absorb a greater fraction of lower earners' Social Security benefits than of higher earners' benefits, because although benefit amounts are progressive, low earners tend to have lower dollar amounts of benefits. However, some low-income beneficiaries are eligible for subsidies that cover their Medicare premiums and other out-of-pocket costs. Other beneficiaries may be protected by a hold harmless provision that prevents a beneficiary's Social Security check from declining due to Part B premium increases.

The Social Security Administration (SSA) has announced that there will be no Social Security cost-of-living adjustment (COLA) in 2010, and both SSA and the Congressional Budget Office predict that there will be no COLA in 2011. Over the same period, total Medicare Part B program costs and premiums are expected to increase. In a typical year, the hold harmless provision affects a small fraction of beneficiaries. However, in a scenario where there is no Social Security COLA, the effects of the hold harmless provision are larger and more complex. For more information on this issue, please see CRS Report R40561, *The Effect of No Social Security COLA on Medicare Part B Premiums*, by Jim Hahn and Alison Shelton.

Finally, it is important to note that although Social Security beneficiaries are affected by rising health care costs, the benefits of participating in Medicare

are substantially greater than the costs.

