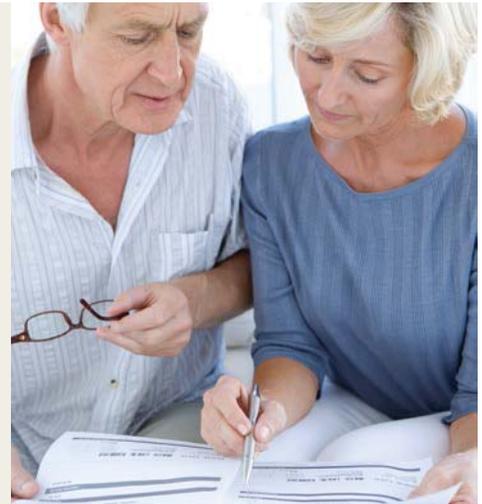




# Higher Income Retirees: Increased Medicare Premiums Are Here

Starting in 2018, thanks to a new piece of legislation called the Medicare Access & CHIP Reauthorization Act of 2015, wealthier Medicare beneficiaries will see higher premiums. Signed into law in April 2015, the new rules require individual seniors with incomes above \$133,500, and married seniors with incomes above \$267,000 to pay an even greater share of Medicare Part B (physician and outpatient services) and D (prescription drug) premiums than they pay now.



## Medicare Part B

If you are receiving Social Security benefits before age 65, you are automatically enrolled in Medicare. If you have creditable health insurance through your employer (or your spouse's), you can choose to opt out of Medicare until your coverage ends. For most people, Part A (hospital insurance) is free. Part B (physician's services) requires a monthly premium.

For most seniors, the government covers about 75% of your Medicare Part B cost and you cover 25%. If you receive Social Security payments, your Medicare premium is deducted from your monthly Social Security check, otherwise you are billed directly for your premiums.

Currently, individuals with income of \$85,000 or more (and couples with income above \$170,000) pay a larger percentage of their Medicare costs. Depending on your income, you could be required to pay up to 80% of the total monthly cost. The Social Security Administration (SSA) uses your modified adjusted gross income (MAGI) from your most recently filed federal tax return to calculate annually the additional amount you must pay. When determining your 2018 Medicare premiums, the most recent tax return available would be your 2016 tax return. Keep in mind too, that MAGI is your total adjusted gross income plus any tax-exempt interest income.

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The SSA will send you a letter if you are going to be paying higher premiums. Also, if your income drops below the thresholds for certain reasons, such as marriage, divorce, death of a spouse or stopping work, you can ask the SSA to review your individual situation.

### How Have Part B Premiums Changed?

Income levels that require you to pay a larger portion of your Medicare premiums have been lowered, causing some retirees to pay more for their Part B coverage. In the past, single retirees with a MAGI from \$133,500 to \$160,000 and married couples filing jointly with MAGI from \$267,000 to \$320,000, only paid approximately 50% of average Medicare enrollee costs. That increased to 65% in 2018.

In addition, prior to 2018, the highest income tier for premiums began at \$214,000 for single filers and \$320,000 for married couples filing jointly. Beginning in 2018, they begin at \$160,000 for single filers and \$270,000 for married couples filing jointly. As a result, individuals that were previously in the 65% premium tier will now be in the 80% premium tier.

For example, if a married couple had joint MAGI for 2015 and 2016 of \$270,000, their 2018 Part B would be \$348.30 a month, a 30% increase from the \$267.90 premium they paid in 2017. To keep the Medicare premium from increasing, their 2016 MAGI would need to have dropped to \$267,000 or less – a move that would have saved them \$964 a year.

### Medicare Part D

In addition, these new income tiers also apply to Part D (prescription drug coverage), but the increase in premiums will be dependent on the specific Part D plan in which you are enrolled. The surcharges for Part D premiums range from \$13.00 to \$74.80 a month.

### Plan Now To Better Control Medicare Premiums

Because your 2018 income tax return information will determine what your Medicare premiums will be in 2020, you may be able to implement income reduction strategies now that will help you better manage your Medicare premiums down the road. It's also important to note that these income tiers will not be adjusted for cost-of-living again until 2020 and then annually thereafter. Take some time now to review your situation with your tax and financial advisor and discuss ways to reduce your modified AGI, especially if your income is near the top or the bottom of one of the income tiers, to minimize the impact of your Medicare costs in retirement. ■

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2016 Modified Adjusted Gross Income (MAGI)	Part B Premium % of Total Cost	2018 Part B Physician's Services Monthly Premium Amount	2018 Part D Prescription Drug Coverage Monthly Premium Amount
Individuals with a MAGI of \$85,000 or less Married couples with a MAGI of \$170,000 or less	25%	2018 standard premium= \$134.00	Your plan premium
Individuals with a MAGI above \$85,000 up to \$107,000 Married couples with a MAGI above \$170,000 up to \$214,000	35%	Standard premium + \$53.50	Your plan premium + \$13.00
Individuals with a MAGI above \$107,000 up to \$133,500 Married couples with a MAGI above \$214,000 up to \$267,000	50%	Standard premium + \$133.90	Your plan premium + \$33.60
Individuals with a MAGI above \$133,500 up to \$160,000 Married couples with a MAGI above \$267,000 up to \$320,000	65%	Standard premium + \$214.30	Your plan premium + \$54.20
Individuals with a MAGI above \$160,000 Married couples with a MAGI above \$320,000	80%	Standard premium + \$294.60	Your plan premium + \$74.80

Source: Medicare Premiums: Rules for Higher-Income Beneficiaries, (<https://www.ssa.gov/pubs/EN-05-10536.pdf>)

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