



update

Compliance News for Plan Sponsors

November 21, 2016

2017 Medicare Premiums, Deductible and Coinsurance Announced

On November 10, 2016, [the Centers for Medicare & Medicaid Services \(CMS\) announced the 2017 Medicare Part A and Part B premiums, deductibles and coinsurance paid by beneficiaries](#). These amounts take effect on January 1, 2017.

A statutory “hold harmless” provision protects most Medicare beneficiaries from having to pay increases in the Medicare premium which exceed the cost-of-living adjustment (COLA) for Social Security (a 0.3 percent increase in 2017; zero in 2016). Medicare beneficiaries in certain categories are held harmless from higher Medicare premiums, but those who are new beneficiaries, Medicaid recipients, or who do not pay Medicare through Social Security are not protected.

For 2016, Congress adjusted the Medicare premiums to prevent high increases in premiums. This year, the Department of Health and Human Services (HHS) announced that it would hold the Medicare premium increases to a lower amount through administrative authority.

Changes to the Medicare beneficiary premium are likely to attract political attention in the coming months. HHS has said it would work with Congress as it explores budget-neutral solutions to challenges created by the “hold harmless” provision.

Part B Premiums

Part B covers physician services, outpatient hospital services, certain home health services, durable medical equipment and other items. For most Medicare beneficiaries, the 2017 Part B premium will increase to \$109.00, up from \$104.90. For about 30 percent of Medicare beneficiaries, the monthly Part B premium will increase to \$134.00, up from \$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 \$134.00 on a sliding scale, as noted on page 2.

The 2017 standard Part B deductible will be \$183.00, up from \$166.00. The Part B dollar amounts are shown in the first three rows of the table at the top of the next page. That table also shows the base Part D beneficiary premium for prescription drug coverage that [CMS announced on July 29, 2016](#), which will increase slightly to \$35.63 per month.



Health Compliance News Highlights:

- Part B premiums will increase by just over \$4 to \$109 per month for most Medicare beneficiaries.
- Certain Medicare beneficiaries will pay \$134 per month for Part B premiums and high-income beneficiaries will pay more than that on a sliding scale.

Part B Premium, Part B Deductible and Part D Premium	2016	2017
Standard Monthly Part B Premium for Most Medicare Beneficiaries	\$104.90	\$109.00
Standard Monthly Part B Premium for Certain Medicare Beneficiaries*	\$121.80	\$134.00
Medicare Part B Deductible	\$166.00	\$183.00
Base Part D Beneficiary Premium**	\$34.10	\$35.63

* Several groups of Medicare beneficiaries are not “held harmless” from the premium increases. These include 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 below.

** The actual premium paid by a Medicare beneficiary for a Part D Prescription Drug Plan will vary from this base amount 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 Sibson Consulting’s May 4, 2016 *Update*, [“Medicare Part D Amounts Will Increase in 2016.”](#)

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 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 2017 income-related monthly adjustment amounts, which CMS [announced in July](#). They represent increases of more than 4.5 percent compared to 2016.

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	\$53.50	\$187.50	\$13.30
\$107,001 to \$160,000*	\$214,001 to \$320,000	\$133.90	\$267.90	\$34.20
\$160,001 to \$214,000	\$320,001 to \$428,000	\$214.30	\$348.30	\$55.20
\$214,001+	\$428,001+	\$294.60	\$428.60	\$76.20

* Married beneficiaries with income in 2017 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 2017: \$214.30 (resulting in a total monthly premium of \$348.30). (The Part D monthly adjustment for these couples will be \$55.20.) Married beneficiaries with income in 2017 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 2017: \$294.60 (resulting in a total monthly premium of \$428.60). (The Part D monthly adjustment for these couples will be \$76.20.)

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 2.17 percent.

Part A Deductible and Coinsurance	2016	2017
First-Day Part A Hospital Deductible	\$1,288.00	\$1,316.00
Daily Part A Coinsurance for the 61 st through 90 th Day of a Hospital Stay*	\$322.00	\$329.00
Daily Part A Coinsurance for Hospital Stays Longer than 90 Days	\$644.00	\$658.00
Daily Part A Coinsurance for the 21 st through 100 th day in a Skilled Nursing Facility	\$161.00	\$164.50

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

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 ensure 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 planned changes to the Medicare program, including increased Part D payments which will result in the “donut hole” being closed by 2020,* plan sponsors may wish to provide coverage for retirees by contracting with a Medicare Part D prescription drug plan or a Medicare Advantage (MA) plan.

How Sibson Can Help

Sibson’s Compliance Practice works with plan sponsors and their attorneys on compliance issues. Sibson’s Health Practice helps plan sponsors understand options for providing benefits to Medicare-eligible retirees, including MA Employer Group Waiver Plans (EGWPs).

Questions?

For more information about how the 2017 Medicare premiums may affect your retiree health plan, please contact your Sibson consultant or the [Sibson office nearest you](#).

* Sibson’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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