Segal Consulting

update

Compliance News for Multiemployer Plans

December 21, 2017

2018 Premiums, Deductible and Coinsurance for Medicare Parts A and B

The Centers for Medicare & Medicaid Services (CMS) has announced the 2018 Medicare Part A and Part B premiums, deductibles and coinsurance paid by beneficiaries. These amounts take effect on January 1, 2018.

Part B Premiums and Deductible

Part B covers physician services, outpatient hospital services, certain home health services, durable medical equipment and other items. The standard Part B premium will remain at $134 for 2018. However, many retirees in 2017 were paying $109 due to the special provisions of a "hold-harmless" rule, which is discussed on the next page. The effects of this rule will diminish in 2018, resulting in these retirees paying more in 2018, with many paying the $134 standard Part B premium.

The annual deductible for all Medicare Part B beneficiaries will be $183.00, the same as for 2017.

The Part B dollar amounts are shown in the first four rows of the table below, which also shows the base Part D beneficiary premium for prescription drug coverage that CMS announced on July 31, 2017 will decrease slightly.

Health Compliance News Highlights:

- The standard Part B premium will remain $134.00 per month in 2018.
- Forty-two percent of Medicare beneficiaries will see significant increases from $109 to $134 per month for Part B premiums because of an increase in their Social Security benefits.
- High-income beneficiaries will pay more than $134.00 on a sliding scale.

Part B Premium, Part B Deductible and Part D Premium	2017	2018
Standard Monthly Part B Premium	$134.00	$134.00
Monthly Part B Premium for Beneficiaries protected by the hold-harmless rule but who receive increases in Social Security benefits more than the Medicare increase	$109.00	$134.00
Monthly Part B Premium for Beneficiaries protected by the hold-harmless rule but who receive increases in Social Security benefits which are less than the Medicare increase	$109.00	<$134.00**
Medicare Part B Deductible	$183.00	$183.00
Base Part D Beneficiary Premium***	$35.63	$35.02

* Several groups of Medicare beneficiaries are not "held harmless" from the premium increases, as discussed on page 2. The monthly Part B premium varies for high-income enrollees, as noted in the table at the bottom of this page.

** The premium will be based on the COLA amount.

*** 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 Segal's June 23, 2017 *Update*, "2018 Medicare Part D Amounts: Modest Increases from 2017."

Impact of the "Hold-Harmless" Provision on Individual Medicare Premiums

A statutory "hold harmless" provision protects most Medicare beneficiaries from having to pay increases in the Medicare premium that exceed the cost-of-living adjustment (COLA) for Social Security.[1] In 2016 and 2017, the Social Security COLA was lower than the increase in Medicare premiums (a 0.3 percent increase in 2017; zero in 2016). For 2016, Congress adjusted the Medicare premiums to prevent high increases in premiums. In 2017, the Department of Health and Human Services (HHS) announced that it would hold the Medicare premium increases to a lower amount through administrative authority. However, in 2018, the COLA will increase Social Security benefits by 2.0 percent.[2]

Consequently, in 2018, Medicare beneficiaries will pay a variety of premium amounts as follows:

- Beneficiaries who were not protected by hold-harmless rules will continue to pay $134 in 2018, just as they did in 2017.
- Beneficiaries who are protected by the hold-harmless rules, but who receive an increase in their Social Security benefit which is higher than the Medicare premium increase will pay $134 in 2018 (up from $109 in 2017). CMS states that approximately 42 percent of Part B enrollees will see the increase from $109 to $134 because the increase in their Social Security benefit will be greater than or equal to an increase in their Part B premiums.
- Beneficiaries who are protected by the hold-harmless rules, but whose increased Social Security benefit is not large enough to cover the full Part B premium increase will pay less than $134, depending on the amount of their COLA. CMS estimates this is about 28 percent of Part B enrollees.

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

Since 2007, 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. The amounts of the four bands of income-adjusted Part B premiums, which are shown in the fourth column of the table at the top of the next page, will be unchanged for 2018, but three of the income ranges will be different.

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 at the top of the next page shows the 2018 income-related monthly adjustment amounts, which CMS announced in July. They represent slight decreases compared to 2017.

[1] Those who are not protected by the hold-harmless provision include new beneficiaries, Medicaid recipients, those who do not pay Medicare through Social Security and those who pay an income-related premium.

[2] See Segal Consulting's November 6, 2017 *Update*, "For 2018, Increases in Certain IRS Dollar Limits, Social Security Figures; No Increase in the PBGC Premium for Multiemployer Plans."

Income-Related Adjustments to Part B Premiums and Part D Premiums

Income Ranges by Tax Filing Status		Part B Premium		Part D Premium
Individual Return*	Joint Return	Monthly Adjustment Amounts	Total Monthly Premium	Monthly Adjustment Amounts
$85,001 to $107,000	$170,001 to $214,000	$53.50	$134.00	$13.00
$107,001 to $133,500**	$214,001 to $267,000	$133.90	$267.90	$33.60
$133,501 to $160,000***	$267,001 to $320,000	$214.30	$348.30	$54.20
$160,001+****	$320,001+	$294.60	$428.60	$74.80

* Married beneficiaries with income in 2018 of more than $85,000 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 2018: $294.60 (resulting in a total monthly premium of $428.60). (The Part D monthly adjustment for these couples will be $74.80.)

** In previous years, the upper limit for this age band was $160,000.

*** In previous years, the range for this age band was $160,001 to $214,000.

**** In previous years, this age band was incomes above $214,000.

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 1.83 percent.

Part A Deductible and Coinsurance	2017	2018
First-Day Part A Hospital Deductible	$1,316.00	$1,340.00
Daily Part A Coinsurance for the 61st through 90th Day of a Hospital Stay*	$329.00	$335.00
Daily Part A Coinsurance for Hospital Stays Longer than 90 Days	$658.00	$670.00
Daily Part A Coinsurance for the 21st through 100th day in a Skilled Nursing Facility	$164.50	$167.50

* 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 to ensure that they accurately reflect the new premiums. In particular, plan sponsors may want to limit the amount they pay toward Medicare premiums so that they would not pay for any premium incurred by the retiree. In that way, they will not be exposed to the higher premiums that will be paid by retirees with incomes over the high-income thresholds.

In light of 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 (also referred to as an Employer Group Waiver Plan or EGWP) or a Medicare Advantage (MA) plan.

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How Segal Can Help

Professionals in Segal's Compliance Practice work with plan sponsors and their attorneys on compliance issues. Consultants in Segal's Health Practice help plan sponsors understand options for providing benefits to Medicare-eligible retirees, including Medicare EGWPs or MA plans.

Questions?

For more information about how the 2018 Medicare premiums may affect your retiree health plan, please contact your Segal consultant or the Segal office nearest you.

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