Medicare premiums to rise significantly for 1.6 million in US

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3 January 2007

A new mechanism for determining income-based premiums for Medicare's Part B program has gone into effect beginning January 1, driving up monthly premium costs for 1.6 million enrollees. Senior citizens enrolled in the plan could see their Medicare costs rise from $1,122 per year to as much as $1,937 by 2009.

In a change from previous years, Medicare Part B enrollees will now have the financial proceeds from house sales and cash from individual retirement accounts (IRA), among other additional factors, included in government calculations of their income. Since the Medicare premium costs are calculated by income, this technicality will push huge numbers of people into higher income brackets.

For instance, someone who made $50,000 in wages in 2005 would expect to pay $94.90 a month—the standard 2007 Medicare premium for individuals with incomes less than $80,000. However, if that person also sold a house that year for $150,000, he could be pushed into the bracket for those who made $200,000 or more in income, and could see his premium rise to $161.40 a month.

This change will be phased in over the next three years. In 2007, the affected enrollees will pay one third of the cost above what their premiums would have been before the change, in 2008 they will pay two thirds, and in 2009 the change will be fully in effect.

Medicare is a social insurance program, established in 1965 and managed by the Social Security Administration (SSA), that provides medical care to the elderly and the disabled, and is the only source of medical care for the majority of American seniors. Medicare Part B is an optional program that covers up to 80 percent of certain medical expenses, and its 40 million enrollees, who must pay a monthly premium, are overwhelmingly 65 years of age and older. Medical treatment such as x-rays, lab tests, medication, flu shots, ambulance transportation, and outpatient services are covered under the plan; physicals, dental and foot care, dentures, hearing aids, and glasses are not.

The program was conceived as an optional supplement to Part A, which covers hospital and skilled nursing home care, and under which most American senior citizens over 65 are covered. Many seniors are enrolled in Part B simply to cover the costs of their medications—costs that have risen sharply in recent years.

Provisions for this coming year's "means-testing," the new mechanism for determining income-based premiums, were included in the obscure "Medicare Prescription Drug Improvement and Modernization Act of 2003."

"Means-testing" was introduced to the bill by a Republican-dominated House-Senate conference committee, although neither the House nor the Senate had included the provision in their respective original bills. This raises the possibility that many legislators were actually unaware of the new "means-testing" when they voted in favor of the bill. The bill stipulated that the new methods for determining income would go into effect in January 2007.

While the Medicare system never offered anything close to universal or free medical care for the entire population, generally available (though under assault) in most major industrialized countries, it did at best protect workers from economic ruin resulting from medical bills. During the past quarter-century of relentless attacks on public and social services, Medicare has suffered massive cuts—especially during the Clinton and Bush presidencies.

The Government Accountability Office, the congressional auditing agency, reported that between

2006 and 2010 alone, the administrative costs of implementing "means-testing" will be an additional $200 million over the current administrative budget of the SSA. This is because, in addition to the increased workload arising from the need to recalculate premiums for 40 million people, hundreds of thousands of enrollees are expected to appeal the higher rates.

The SSA, already operating under a hiring freeze, will be placed under additional strain. The *Washington Post* reported on November 22 that, as a result of proposed budget cuts, the SSA could be forced in 2007 to send its employees home for as long as 10 days without pay.

Also, many Medicare enrollees report that they were unaware in 2005 that their actions could result in higher premiums since they received no notice from the SSA that their premiums could change so drastically. "Means-testing" has the additional effect of hitting seniors with a "second tax"—after paying income tax on a sold home or cashed IRA, seniors who have budgeted carefully for their retirement are suddenly taxed again a year later in the form of a higher Medicare premium.

Tom Cooney, a spokesman for the Washington-based Senior Citizens League, an advocacy group with 1.2 million members, told the WSWS, "The issue is, these are people who would not fall into the category of wealthy. These are people that, simply because they sold a property on which they paid taxes, or saved money over the years and then cashed in the money from their IRA, they are being hit with higher premiums. They were not wealthy, but because they made these financial decisions in 2005, they are seeing increased costs."

"Additional seniors will be caught in this as the years go on," he added, "Anyone who sells a property or cashes in an IRA can now see increased Medicare costs." A study by the Senior Citizens League found that Medicare premiums for the poorest enrollees would rise from $88.50 per month in 2006 to 162.10 per month in 2009. In 2003, the premium was $58.70 a month.

The "means-testing" provisions also have the added effect of driving the wealthiest beneficiaries out of the program, since enrollment in Part B is voluntary. Peter Ashekanaz, the spokesperson for the Center for Medicare and Medicaid Services when the new provisions were announced, estimated that some 50,000 people will opt out of the program as a result of the new costs. Since premiums are calculated as a percentage of the total Medicare costs of the previous year, the result of the departure of the wealthier enrollees, who would otherwise pay the higher premiums, will be increased premiums for everyone else.