

Congressional deal unlikely to avert Medicare premium spikes

Kate Randall
21 October 2015

The US Congress has only a few weeks to avert double-digit premium hikes that are set to hit 8 million Medicare enrollees next year, and a deal to do so seems increasingly unlikely. A 2016 freeze in Social Security benefits for 65 million Americans announced Thursday means that 8 million people will also see their Medicare premiums spike by 52 percent.

As the WSWWS reported Friday, for only the third time in 40 years Social Security and SSI disability recipients will not see a cost-of-living increase in their benefits next year. This is based on a formula adopted by Congress in 1975 that ties COLA increases to the Consumer Price Index (CPI).

The CPI fell by 0.4 percent this year, mainly due to a sharp drop in gasoline prices. Cheaper gas is of relatively limited benefit to the elderly and disabled, who generally drive less compared to the younger population. But it is Social Security and SSI beneficiaries—many of whom rely on their monthly benefits as their sole source of income—who will be hit by the benefit freeze.

Adding insult to the injury, due to a convoluted “hold harmless” provision in the law that addresses COLA for Social Security benefits, 8 million recipients will also be slapped with an increase in their Part B Medicare premiums, which will rise from \$109.90 a month to \$159.30 (\$318.60 for married couples). For individuals whose incomes exceed certain thresholds, premiums could rise to anywhere from \$223 per month up to \$590 (or \$446 to \$1,020 for married couples).

Medicare Part B covers vital medical services, such as lab tests, surgeries, doctor visits, wheelchairs, walkers and other supplies that are considered medically necessary.

According to the “hold harmless” provision, the dollar increase in Medicaid premiums is limited to the

dollar increase in an individual’s Social Security benefits—i.e., no COLA, no premium increase. However, this only holds true for about 70 percent of Medicare beneficiaries.

The remaining 30 percent must cover the difference to pay for the rising health care costs under Medicare. Included in this group are individuals who enroll in Part B for the first time in 2016, enrollees who do not receive Social Security benefits, those who are directly billed for their Part B premiums, and current enrollees who pay higher premiums due to income.

By far the largest group of beneficiaries falling into this 30 percent, however, are the poorest elderly, so-called dual-eligibles, who qualify for both Medicare and Medicaid, the program for the poor jointly administered by the federal government and the states. Medicaid pays the Medicare premiums for these individuals.

If the premium hikes go through, state budgets will be hard hit by the increases and be forced to cut other social programs and services to balance their budgets. In a letter sent last week to Congressional leaders, Matt Salo, executive director of the National Association of State Medicaid Directors, said the premium increases could raise states’ annual Medicaid costs in excess of \$2 billion.

“Shifting state resources to accommodate this unprecedented increase will put undue pressure on state Medicaid programs, as well as other state programs and priorities,” Salo wrote. “On a more fundamental level,” he concluded, “we question the policy reasoning for making the states, via their Medicaid programs, responsible for Medicare’s fiscal solvency.”

According to an October 18 report in *The Hill*, chances of Congress agreeing to legislation to halt the premium hikes are dwindling. Several sources familiar

with the issue told the newspaper that any progress on a fix has ground to a halt after some initial optimism for an agreement between House Speaker John Boehner and Minority Leader Nancy Pelosi.

Senator Ron Wyden, Democrat of Oregon, has put forward a bill to avert the premium hikes. The legislation has 22 Democratic sponsors and no Republican support. Congressional Republicans and many Democrats are balking at the price tag of the bill—\$7.5 billion by some estimates—and the fact that as yet it has no “pay-for.” In other words, both parties are in agreement that the Medicare premium increases can only be averted if cuts are made in other social programs to offset the cost.

According to *The Hill*, a House Republican aide said Boehner will not consider any package that is not fully paid for. As for Pelosi, she is apparently looking for spending offsets, but has kept quiet on the options. In the horse-trading surrounding the current Congress-wide debate on government spending, no one is willing to tip his or her hand on a “pay-for” that could be used as an offset for another provision.

Even if some provision is passed as part of a federal spending bill to avert the Medicare premium hikes, it could take up to a month for government health officials to process the change. White House press secretary Josh Earnest had little comment on how the Obama administration planned to address the issue, other than to say that the president was aware of and concerned about the “unintended policy consequence.”

The average monthly Social Security check is only \$1,224, or \$14,688 annually. Without a resolution to the Medicare premium issue, 8 million Americans, the majority of them poor, will see their monthly Social Security checks cut back even further to pay for the hike.



To contact the WSWS and the
Socialist Equality Party visit:

wsws.org/contact