



Social Security

Medicare Premiums: Rules For Higher-Income Beneficiaries

www.socialsecurity.gov

Contact Social Security

Visit our website

Our website, www.socialsecurity.gov, is a valuable resource for information about all of Social Security's programs. At our website, you also can:

- Apply for certain kinds of benefits;
- Get the address of your local Social Security office;
- Request a *Social Security Statement*, or a replacement Medicare card; and
- Find copies of our publications.

Call our toll-free number

In addition to using our website, you can call us toll-free at **1-800-772-1213**. We treat all calls confidentially. We can answer specific questions from 7 a.m. to 7 p.m., Monday through Friday. We can provide information by automated phone service 24 hours a day. If you are deaf or hard of hearing, you may call our TTY number, **1-800-325-0778**.

We also want to make sure you receive accurate and courteous service. That is why we have a second Social Security representative monitor some telephone calls.

What's Inside

| | |
|--|-----------|
| Rules for higher-income beneficiaries..... | 4 |
| Does this affect me? | 4 |
| Which tax return will Social Security use?..... | 5 |
| What if my income has gone down?..... | 6 |
| Monthly Medicare premiums for 2011 | 7 |
| What if I disagree?..... | 10 |
| How can I get more information? | 11 |

Rules for higher-income beneficiaries

Changes in the law affect how we calculate monthly Medicare Part B (medical insurance) and Medicare prescription drug premiums if you have a higher income. Higher-income beneficiaries will pay higher premiums for Part B and prescription drug coverage. **Less than 5 percent of people with Medicare are affected, so most people will not pay a higher premium.**

Does this affect me?

The change will affect only a very small percentage of Medicare beneficiaries. To determine if you will pay higher premiums, Social Security will use your most recent federal tax return information. If you must pay higher premiums, we will use a sliding scale to make the adjustments. We will base the sliding scale on your modified adjusted gross income (MAGI). Your MAGI is the total of your adjusted gross income and tax-exempt interest income.

In 2011, if you file your taxes as “married, filing jointly” and your MAGI is greater than \$170,000, you will pay higher premiums for your Part B and Medicare prescription drug coverage. If you filed your taxes using a different status and your MAGI is greater than \$85,000, you also will pay higher premiums. (See the chart on pages 8-9 for an idea of what you can expect to pay.)

If income information from the *Internal Revenue Service* (IRS) shows you will need to pay higher premiums, we will send you a letter explaining the reasons for the increase and what your premiums will be. If you have Medicare Part B and a Medicare prescription drug plan, you will pay higher premiums for both. If you have only one—Medicare Part B or a Medicare prescription drug plan—you will pay an income-related monthly adjustment amount only on the benefit you have. If you decide to enroll in the other program later that year and you already are paying an income-related monthly adjustment amount, we will apply an adjustment automatically to the other program when you enroll. In this case, we will not send you another letter explaining how we made this determination. **Remember, if your income is not greater than the limits described above, this law does not apply to you.**

Which tax return will Social Security use?

To determine your 2011 income-related monthly adjustment amount, we will use your most recent federal tax return information. Generally, this information is from a tax return filed in 2010 (for tax year 2009). Sometimes, IRS only provides information from a return filed in 2009 (for tax year 2008). If we use tax year 2008 data and you filed a return for tax year 2009 or did not need to file a tax return for tax year 2009, call us or visit any local Social Security office. We will update our records.

If you amended your tax return and it changes the income we count to determine the income-related monthly adjustment amount, let us know. Social Security will need to see a copy of the amended tax return you filed and your acknowledgment receipt from IRS. We will update our records with the information you provide, and correct or remove your income-related monthly adjustment amount, as appropriate.

What if my income has gone down?

If your income has gone down due to any of the following situations and the change will make a difference in the income level we consider, contact us to explain you have new information and may need a new decision about your income-related monthly adjustment amount:

- You married, divorced, or became widowed;
- You or your spouse stopped working or reduced your work hours;
- You or your spouse lost income-producing property due to a disaster or other event beyond your control;
- You or your spouse experienced a scheduled cessation, termination, or reorganization of an employer's pension plan; or
- You or your spouse received a settlement from an employer or former employer because of the employer's closure, bankruptcy, or reorganization.

If any of the above applies to you, we will need to see documentation verifying the event and how it has reduced your income. The documentation you provide should be related to the event and may include a death certificate, a letter from your employer about your retirement, or something similar. If you filed a federal income tax return for the year in question, you will need to show us your signed copy of the return.

If you have a higher income, you will pay an additional premium amount for Medicare Part B and Medicare prescription drug coverage. We call the additional amount the income-related monthly adjustment amount. Here's how it works:

- Part B helps pay for doctors' services and outpatient care. It also covers other medical services, such as physical and occupational therapy, and some home health care. For most beneficiaries, the government pays a substantial portion—about 75 percent—of the Part B premium and the beneficiary pays the remaining 25 percent.

Since 2007, higher-income beneficiaries pay a larger percentage of the total cost of Part B based on income they report to the IRS. Higher-income beneficiaries pay a monthly Part B premium equal to 35, 50, 65 or 80 percent of the total cost, depending on what they report to the IRS.

- Medicare prescription drug coverage helps pay for your prescription drugs. The government pays a major portion of the total costs for this coverage and the beneficiary pays the rest. Plan costs vary depending on the plan, and whether you get Extra Help with your portion of the Medicare prescription drug costs.

Beginning January 1, 2011, higher-income beneficiaries with Medicare prescription drug coverage will pay monthly premiums plus an additional amount equal to 35, 50, 65 or 80 percent of the total cost depending on what they report to the IRS. The additional amount you pay will be tied to the base beneficiary premium, not your own premium amount. Because individual plan premiums vary, the law specifies that the amount is determined using one base premium. **We will deduct this amount from your monthly Social Security payments regardless of how you ordinarily pay your monthly Medicare prescription plan premiums.** If the amount is greater than your monthly payment from Social Security, or you do not get monthly payments, you will get a separate bill from another federal agency, such as the *Center for Medicare & Medicaid Services* or the *Railroad Retirement Board*. (See the chart on pages 8-9 for an idea of what you can expect to pay.)

Monthly Medicare premiums for 2011

The standard Part B premium for 2011 is \$115.40. However, there is no Social Security cost-of-living adjustment (COLA) in 2011. So, most people with Medicare already enrolled in Part B in 2010, with income below \$85,000 for an individual or \$170,000 for married couples, will pay the same premiums in 2011 they are paying in 2010.

If you are single and filed an individual tax return, or married and filed a joint tax return, the following chart will apply:

| Modified Adjusted Gross Income (MAGI) | Part B monthly premium amount | 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 | 2011 standard premium= \$115.40 | 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 | Standard premium + \$46.10 | Your plan premium + \$12.00 |
| Individuals with a MAGI above \$107,000 up to \$160,000 Married couples with a MAGI above \$214,000 up to \$320,000 | Standard premium + \$115.30 | Your plan premium + \$31.10 |
| Individuals with a MAGI above \$160,000 up to \$214,000 Married couples with a MAGI above \$320,000 up to \$428,000 | Standard premium + \$184.50 | Your plan premium + \$50.10 |
| Individuals with a MAGI above \$214,000 Married couples with a MAGI above \$428,000 | Standard premium + \$253.10 | Your plan premium + \$69.10 |

If you are married and lived with your spouse at some time during the taxable year, but filed a separate tax return, the following chart will apply:

| Modified Adjusted Gross Income (MAGI) | Part B monthly premium amount | Prescription drug coverage monthly premium amount |
|--|---|---|
| Individuals with a MAGI of \$85,000 or less | 2011 standard premium = \$115.40 | Your plan premium |
| Individuals with a MAGI above \$85,000 up to \$129,000 | Standard premium + \$184.50 | Your plan premium + \$50.10 |
| Individuals with a MAGI above \$129,000 | Standard premium + \$253.70 | Your plan premium + \$69.10 |

What if I disagree?

If you disagree with the decision regarding your new premium amount, you have the right to appeal. You may request an appeal in writing by completing a *Request for Reconsideration* (Form SSA-561-U2) or you may contact your local Social Security office to file your appeal. You can find the appeal form online at www.socialsecurity.gov/online or request a copy through our toll-free number at **1-800-772-1213** (TTY **1-800-325-0778**). You do not need to file an appeal if you are requesting a new decision because you experienced one of the events listed on page 6 and it made your income go down or if you have shown us the information we used is wrong.

If you disagree with the amount of MAGI we tell you we received from the IRS, you will have to correct that information with them. If we determine you must pay a higher amount for Medicare prescription drug coverage, and you do not have this coverage, you will have to call **1-800-MEDICARE (1-800-633-4227; TTY 1-877-486-2048)** to make a correction.

How can I get more information?

To find more information about the income-related monthly adjustment amount for Medicare Part B or a Medicare prescription drug plan; or to apply for Medicare Part A or B, please visit www.socialsecurity.gov/mediinfo.htm or call Social Security at **1-800-772-1213** (TTY **1-800-325-0778**).

To enroll in a Medicare prescription drug plan; to find detailed information about what Medicare covers; or to request a copy of the *Medicare & You* handbook (CMS Product No. 10050), please visit www.medicare.gov or call **1-800-MEDICARE (1-800-633-4227; TTY 1-877-486-2048)**. When you call or go online, you also can request information about how to contact your State Health Insurance Assistance Program (SHIP) who can advise you about your alternatives. In addition, you can find your local SHIP contact information in the back of your Medicare handbook or obtain the information online at www.medicare.gov/contacts/organization-search-criteria.aspx.

If you have limited resources and income, you may be eligible for Extra Help to pay for the costs—monthly premiums, annual deductibles, and prescription co-payments—related to a Medicare prescription drug plan. For more information about getting Extra Help, visit www.socialsecurity.gov/extrahelp or call Social Security at **1-800-772-1213** (TTY **1-800-325-0778**). Social Security representatives are available to help you complete an application for Extra Help.

www.socialsecurity.gov



Social Security Administration
SSA Publication No. 05-10536
ICN 470149
Unit of Issue-Package of 25
January 2011 (Recycle prior editions)