



Weekly Checkup

Medicare Premiums and Deductibles for 2017

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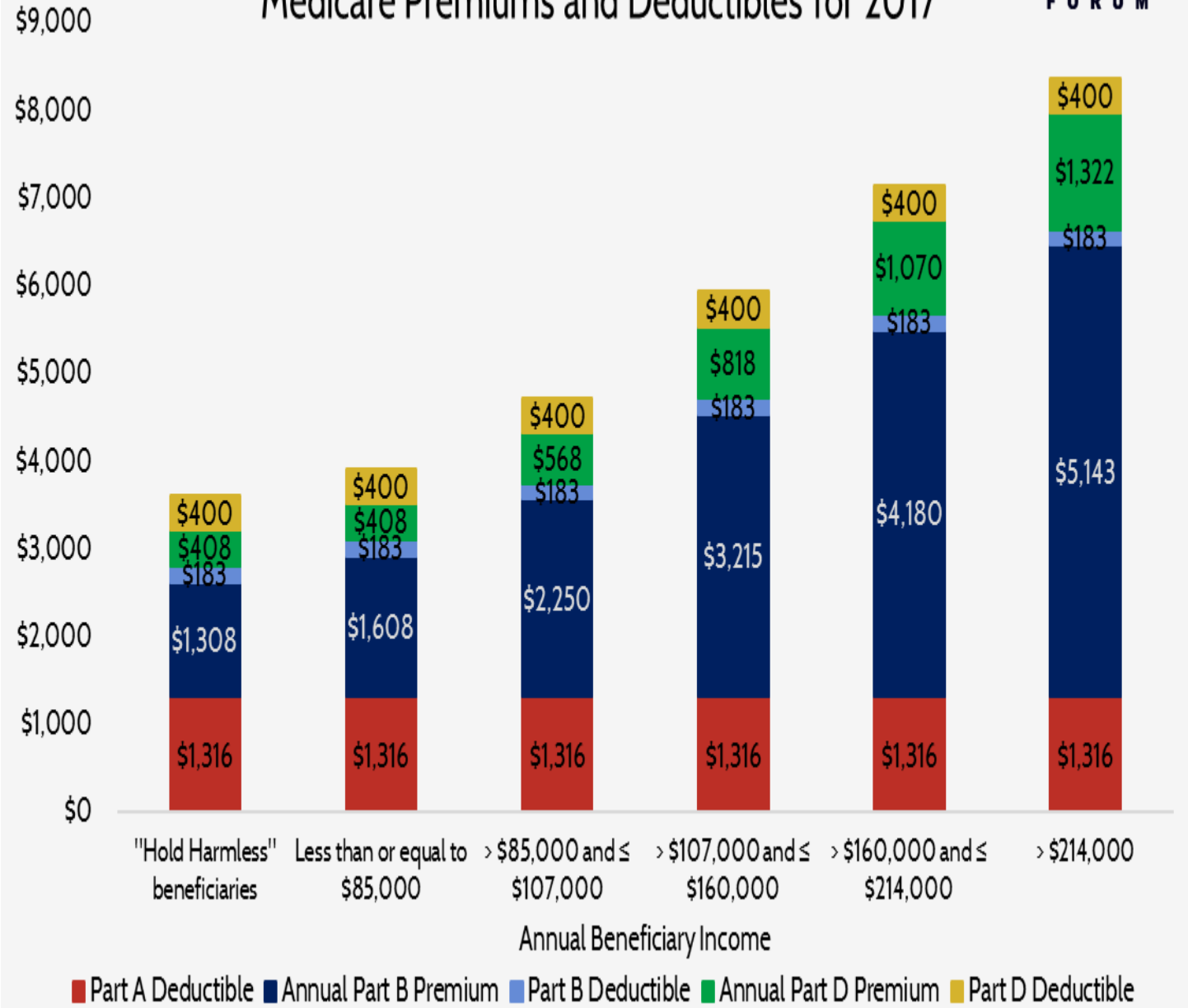
Medicare beneficiaries are required to pay monthly premiums and annual deductibles like most individuals enrolled in other health insurance plans. Medicare coverage is separated into four “parts”, each covering different health care products and services. **Medicare Part A** covers inpatient hospital services, as well as skilled nursing facility stays and some home health care services. Most beneficiaries qualify to receive Part A coverage without paying a monthly premium if they have paid Medicare taxes on their earned income for 10 or more years. There is a deductible, though, of \$1,316 in 2017 for inpatient hospital services (compared with \$1,288 in 2016), as well as co-payments required for long-term hospital and skilled nursing facility stays.^[i]

Part B covers outpatient hospital services, physician services including physician-administered medications, durable medical equipment, and certain home health services. Part B coverage requires monthly **premium payments** as well as an annual deductible. For 2017, the premium for most re-enrolling beneficiaries subject to the “**hold harmless**” provision is \$109 per month.^[ii] For new enrollees, beneficiaries not receiving Social Security benefits, dual-eligible beneficiaries, and higher-income beneficiaries, the base monthly premium will be \$134, up from \$122 in 2016.^[iii] The Part B deductible for all enrollees is \$183 next year, and increase of \$17. After meeting the deductible, most Part B services require the beneficiary to pay 20 percent coinsurance.

Medicare Part D covers outpatient prescription drugs and is solely offered by private insurance companies who contract with Medicare. Each insurer can design plans with varying benefits and costs provided that each plan is determined to be at least as good as the standard benefit design as regulated by Medicare. The average basic premium for Part D plans in 2017 is estimated to be \$34 per month, an increase of 4.6 percent from 2016; however, like Part B, individuals are subject to income-related premium adjustments.^[iv] The maximum deductible allowed in 2017 for Part D is \$400, an 11 percent increase from 2016.^[v] Upon reaching the deductible, beneficiaries enter the initial coverage period in which they pay 25 percent of their costs. Once overall costs exceed \$3,700, the beneficiary enters the coverage gap, known as the “donut hole”. In the coverage gap, beneficiaries pay 51 percent of drug costs for generics and 40 percent for brand-name drugs. The True Out-of-Pocket (TrOOP) limit for Part D in 2017 is \$4,950. Upon reaching this limit, beneficiaries enter catastrophic coverage and have limited cost-sharing for any remaining drug expenses for the year.

The chart below shows the estimated annual premium and deductible amounts Medicare beneficiaries can expect to pay in 2017, based on individual annual income levels.^[vi] Expected cost-sharing amounts are not included.

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[i] <https://www.cms.gov/Newsroom/MediaReleaseDatabase/Press-releases/2016-Press-releases-items/2016-11-10-2.html>

[ii] Seventy percent of beneficiaries are subject to the “hold harmless” provision which prevents Medicare Part B premiums from increasing more than the annual increase in Social Security benefits.

[iii] Individuals not subject to the hold harmless provisions must cover the program expense not being covered by those who are. Beneficiaries with annual taxable incomes more than \$85,000 are subject to higher premiums as shown in the chart.

[iv] <https://www.cms.gov/Medicare/Health-Plans/MedicareAdvtgSpecRateStats/Downloads/PartDandMABenchmarks2017.pdf>

[v] <https://www.medicare.gov/part-d/costs/deductible/drug-plan-deductibles.html>

[vi] Income levels double for married beneficiaries filing a joint tax return.