

Medicare Part B Premiums: New Rules For Beneficiaries With Higher Incomes Frequently Asked Questions



The Medicare Modernization Act of 2003 changed how Part B premiums are calculated for some higher income beneficiaries. Currently, the government pays a substantial portion—75 percent—of the costs for the vast majority of beneficiaries and the beneficiary pays the remaining 25 percent. In 2007, the government portion was reduced for higher income beneficiaries who began paying a larger percentage of the premium. The law affects only about 4 to 5 percent of Medicare beneficiaries, so **most people will continue to pay the standard premium**, without an income-related adjustment.

If you are affected by the new law, the information provided below should answer most questions you may have.

Which tax year will you use to determine my Income-Related Part B premium?

To determine your Part B premium, we use the most recent tax return information provided by the Internal Revenue Service (IRS). In most cases, this information is for two years prior to the year for which you must pay an income-related premium. For 2009, we generally would use your 2007 tax return information.

What if my income has gone down because I got married, divorced or my spouse died?

If your income has gone down due to any of these circumstances and the change will make a difference in the income level we consider, contact us as soon as possible to explain that you have new information and want a new decision about your Income-Related Part B premium. You will need to show us evidence of the event and provide proof or an estimate of your reduced income. Evidence of the event could be an original or certified marriage certificate, death certificate or divorce decree. For example, proof of a change in your 2008 income could be a copy of your return for tax year 2008 or an estimate if you have not yet filed your 2008 taxes. If your income will not change until the following year, you can give us an estimate of what you think your income will be.

What if my income has gone down because I retired, stopped working, reduced my work hours or my insured pension plan went down?

If your income has gone down because you or your spouse retired, stopped working or reduced your work hours, or your insured pension plan stopped or went down, and the change will make a difference in the income level we consider, contact us as soon as possible. Tell us you have new information and want a new decision about your Income-Related Part B premium. You will need to show us evidence of the event and provide proof or an estimate of your reduced income. Evidence of the event could be a letter from your employer about your retirement or something similar. Proof of the change in your income could be a copy of your return for that tax year or an estimate if you have not yet filed your taxes for that year. If your income will not change until the following year, you can give us an estimate of what you think your income will be.

Will a one-time increase in my income due to property sales or capital gains be considered when you determine my Income-Related Part B premium?

We generally consider your income from property sales or capital gains to determine your premium. To determine your Part B premium, we use the most recent tax information provided by the Internal Revenue Service (IRS). In most cases, this information is for two years prior to the year in question. For example, we generally would have used your 2007 tax return information for your 2009 premium. We use your modified adjusted gross income (MAGI) from your tax return to make this determination. Your MAGI is a combination of your adjusted gross income and tax exempt interest income. Each calendar year, we recomputed your premium based on the most recent tax information provided by IRS.

(over)

Will a one-time increase in my income (for example, due to property sales or capital gains) affect my Part B premium forever?

No. **Each year** we request your most recent tax return information from the Internal Revenue Service (IRS) to determine your current Part B premium. IRS generally provides information for two years prior to the year in question. For 2009, we generally would use your 2007 tax return information. We use your modified adjusted gross income (MAGI) from your income tax return to determine your premium for one year. Your MAGI is a combination of your adjusted gross income and tax exempt interest income.

In the example, your 2007 tax return will reflect only your income for that year. So, if your premium increased in 2009 because you sold a property in 2007, it could decrease in 2010.

If I cashed in an IRA, will it be reflected in my Income-Related Part B premium?

It possibly will. If you cashed in an IRA two years ago, it could affect your premium for this year. To determine your current Part B premium, we use the most recent tax return information provided by the Internal Revenue Service (IRS). Generally, this information is for two years prior to the year in question. For example, we generally would use your 2007 tax return information for your 2009 premium. We use your modified adjusted gross income (MAGI) from your tax return to determine your premium for one year. Your MAGI is a combination of your adjusted gross income and tax exempt interest income.

So, if your premium increased in 2009 because you cashed in an IRA in 2007, it could decrease in 2010.

Can I ask for a new decision about my Income-Related Part B premium?

You can request a new decision and ask that we use more recent tax return information if:

- We used three year old tax data to determine your current premium and you have a signed copy of your tax return from two years ago;

- We used three year old tax data to determine your current premium and you sign a statement indicating that you were not required to file a tax return two years ago;
- One of the following happened and the change will make a difference in the income level we consider:
 - You married;
 - You divorced or your marriage was annulled;
 - You became a widow/widower;
 - You or your spouse stopped working or reduced work hours;
 - You or your spouse lost income from income-producing property due to a disaster or other event beyond your control; or
 - Your or your spouse's benefits from an insured pension plan stopped or were reduced.

Once you show us evidence of the event and provide proof or an estimate of your reduced income, we will update our records and correct your Part B premiums back to the earliest time in the year you had Part B.

You can request a new decision and ask that we use more accurate tax return information if:

- You amended your tax return for the year we used to determine your premium and it changes the income we count;
- You provide proof from IRS of an error in the tax return information we used to make our decision; or
- Your tax filing status for the year we used to determine your premium was "married filing separately" and you did not live with your spouse at any time during that year.

Contacting Social Security

For more information, visit our website at www.socialsecurity.gov/mediinfo.htm, call us toll-free at **1-800-772-1213** (TTY **1-800-325-0778**) or visit your local Social Security office.

To learn more about Medicare Part B coverage, visit www.medicare.gov or call **1-800-MEDICARE** (**1-800-633-4227**; TTY **1-877-486-2048**).