

MEDICARE FACT SHEET

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CMS Announces Medicare Premiums, Deductibles for 2009

The standard Medicare Part B monthly premium will be \$96.40 in 2009, the same as the Part B premium for 2008. This is the first year since 2000 that there was no increase in the standard premium over the prior year.

The 2009 Part B premium of \$96.40 is the same as the amount projected in the 2008 Medicare Trustees Report issued in March. This monthly premium paid by beneficiaries enrolled in Medicare Part B covers a portion of the cost of physicians' services, outpatient hospital services, certain home health services, durable medical equipment, and other items.

By law, the standard premium is set to cover approximately one-fourth of the average cost of Part B services incurred by beneficiaries aged 65 and over. The remaining Part B costs are financed by Federal general revenues. The income to the program from premiums and general revenues are paid into the Part B account of the Supplementary Medical Insurance trust fund, and Part B expenditures are drawn from this account.

Normally, the Part B premium increases at the same rate as average Part B expenditures from year to year. A number of factors explain why the premium can be kept level for 2009.

Growth is expected in 2009 for most areas of the Medicare Part B program, including growth in the cost and use of physician and outpatient hospital care, home health services, physician-administered drugs, ambulatory surgical center services, durable medical equipment, independent lab and physician's office lab services, as well as growth in the Medicare Advantage program. In most years, this would result in the need for an increase in the Part B premium and general revenue financing.

The effect of higher expected Part B costs in 2009, however, is offset by a substantial reduction in the premium "margin" needed to maintain an adequate contingency reserve in the Part B trust fund account. If needed, a portion of the Part B premium can be used to adjust the account's asset level so that it can make up any shortfall in financing due to higher-than-expected expenditures. Due to legislative changes that increased Part B spending for a year after the financing had been

determined for that year,^[1] the assets in the Part B account of the Supplementary Medical Insurance trust fund were below the level considered adequate for the four years 2003-2006. Consequently, Part B premiums and general revenue financing in recent years have been set at somewhat higher levels than would otherwise have been required in order to restore the contingency reserve to an appropriate level.

By the end of 2008, the assets in the Part B account of the SMI trust fund are expected to be somewhat above an adequate level. For 2008, the financing goal was for the difference between Part B assets and liabilities at the end of the year to represent about 20 percent of the following year's expenditures; the actual percentage is currently estimated to be 24 percent. This level is the result of (1) the planned increases in the contingency margin built into the Part B premium for several years, including 2008, and (2) the restoration of the Part B account assets for certain Part A hospice benefits that were inadvertently drawn from the Part B account. (This latter adjustment resulted in an increase in Part B assets of \$9.3 billion as of June 30, 2008.) Because of the more-than-adequate asset level expected at the end of 2008, no increase is needed in the Part B premium to maintain an adequate asset level for 2009, and the margin included in prior years for this purpose can be eliminated.

If actual Part B expenditures are higher than estimated when the program financing is set, the Part B assets will be drawn down to make up the shortfall. The formula specified in current law will result in a reduction in physician fees of approximately 20 percent in 2010 and is projected to cause additional reductions in subsequent years. For each year from 2003 through 2009, Congress has acted to prevent physician fee reductions from occurring. In recognition of the strong possibility of increases in Part B expenditures that would result from similar legislative intervention to override the decreases in physician fees in 2010 or later years, it is appropriate to maintain a somewhat larger Part B contingency reserve than would otherwise be necessary. The asset level projected for the end of 2009 (equivalent to a reserve ratio of 25 percent of 2010 expenditures) is adequate to temporarily accommodate this contingency. Such legislation, however, would raise the future cost of Part B compared

^[1] These changes include the Consolidated Appropriations Resolution (2003), Medicare Modernization Act (2003), and the Deficit Reduction Act (2006). More recently, the Tax Relief and Health Care Act (2006), the Medicare, Medicaid, and SCHIP Extension Act (2007), and the Medicare Improvements for Patients and Providers Act (2008) also increased Part B expenditures after the program's financing had been set.

to current law and would necessitate additional increases in the premium and general revenue financing after 2009.

As noted, from year to year the monthly Part B premium and general revenue financing are adjusted to match increases in program costs and to maintain an appropriate contingency reserve in the trust fund. When assets exceed a normal, adequate level, the ^[1]premium increase for the following year can be somewhat lower than would otherwise be necessary. Since the enactment of Medicare, there have been five prior years for which no Part B premium increase was required because the contingency reserve was more than adequate.

As required in the Medicare Prescription Drug, Improvement, and Modernization Act of 2003, beginning in 2007 the Part B premium a beneficiary pays each month is based on his or her annual income. Specifically, if a beneficiary's "modified adjusted gross income" is greater than the legislated threshold amounts (\$85,000 in 2009 for a beneficiary filing an individual income tax return or married and filing a separate return, and \$170,000 for a beneficiary filing a joint tax return) the beneficiary is responsible for a larger portion of the estimated total cost of Part B benefit coverage. In addition to the standard 25 percent premium, such beneficiaries now have to pay an income-related monthly adjustment amount. These income-related Part B premiums have been phased-in over three years, beginning in 2007. 2009 is the first year in which affected Part B enrollees will pay the full amount of the income-related premiums. About 5 percent of current Part B enrollees are expected to be subject to the higher premium amounts

The 2009 Part B monthly premium rates to be paid by beneficiaries who file an individual tax return (including those who are single, head of household, qualifying widow[er] with dependent child, or married filing separately who lived apart from their spouse for the entire taxable year), or who file a joint tax return are:

Beneficiaries who file an individual tax return with income:	Beneficiaries who file a joint tax return with income:	Income-related monthly adjustment amount	Total monthly premium amount
Less than or equal to \$85,000	Less than or equal to \$170,000	\$0.00	\$96.40
Greater than \$85,000 and less than or equal to \$107,000	Greater than \$170,000 and less than or equal to \$214,000	\$38.50	\$134.90

Greater than \$107,000 and less than or equal to \$160,000	Greater than \$214,000 and less than or equal to \$320,000	\$96.30	\$192.70
Greater than \$160,000 and less than or equal to \$213,000	Greater than \$320,000 and less than or equal to \$426,000	\$154.10	\$250.50
Greater than \$213,000	Greater than \$426,000	\$211.90	\$308.30

In addition, the monthly premium rates to be paid by beneficiaries who are married, but file a separate return from their spouse and lived with their spouse at any time during the taxable year are:

Beneficiaries who are married but file a separate tax return from their spouse:	Income-related monthly adjustment amount	Total monthly premium amount
Less than or equal to \$85,000	\$0.00	\$96.40
Greater than \$85,000 and less than or equal to \$128,000	\$154.10	\$250.50
Greater than \$128,000	\$211.90	\$308.30

Part B Deductible

The Part B deductible was increased to \$110 in 2005 and, as a result of the Medicare Modernization Act, is currently indexed to the annual percentage increase in the Part B actuarial rate for aged beneficiaries. In 2009, the Part B deductible will be \$135, the same as it was in 2008.

Part A Premium and Deductible

Today, CMS is also announcing the Part A deductible and premium for 2009. Medicare Part A pays for inpatient hospital, skilled nursing facility, hospice, and certain home health care services. The \$1,068 deductible for 2009, paid by the beneficiary when admitted as a hospital inpatient, is an increase of \$44 from \$1024 in 2008. The Part A deductible is the beneficiary's only cost for up to 60 days of Medicare-covered inpatient hospital care in a benefit period. Beneficiaries must pay an additional \$267 per day for days 61 through 90 in 2009, and \$534 per day for "lifetime reserve days" that can be used for hospital stays beyond the 90th day in a benefit period. The corresponding amounts for calendar year 2008 are \$256 and \$512, respectively. Daily coinsurance for the 21st

through 100th day in a skilled nursing facility will be \$133.50 in 2009, up from \$128 in 2008.

Approximately 99 percent of Medicare beneficiaries do not have to pay a premium for Part A services because they have at least 40 quarters of Medicare-covered employment (or are the spouse or widow[er] of such a person). However, other seniors and certain people under age 65 with disabilities who have fewer than 30 quarters of coverage may obtain Part A coverage by paying a monthly premium set according to a statutory formula. This premium will be \$443 per month for 2009, an increase of \$20 from 2008. In addition, seniors with 30 to 39 quarters of coverage, and certain disabled persons with 30 or more quarters of coverage, will pay a premium of \$244 in 2009, compared to \$233 in 2008.

^[1] These changes include the Consolidated Appropriations Resolution (2003), Medicare Modernization Act (2003), and the Deficit Reduction Act (2006). More recently, the Tax Relief and Health Care Act (2006), the Medicare, Medicaid, and SCHIP Extension Act (2007), and the Medicare Improvements for Patients and Providers Act (2008) also increased Part B expenditures after the program's financing had been set.