

Medicare Premiums Up — But Not As Much As Expected

Written by RICARDO ALONSO-ZALDIVAR, Associated Press
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WASHINGTON (AP) — Good news for seniors: The government says Medicare's basic monthly premium will rise less than expected next year, by \$3.50 for most.

It could be good, too, for President [Barack Obama](#) and Democrats struggling for older Americans' votes in a close election.

At \$99.90 per month, the 2012 Part B premium for outpatient care will be about \$7 less than projected as recently as May. The additional money that most seniors will pay works out to about 10 percent of the average Social Security cost-of-living increase they'll also be due.

Some recently enrolled younger retirees will actually pay less. They were charged \$115.40 a month this year, and they'll see that go down to \$99.90.

The main reason for lower-than-expected premiums seems to be the connection between [Social Security COLAs](#) and Medicare. Some also cite a moderation in health care costs.

But the Obama administration is hoping seniors will get a simpler takeaway message: Medicare is under sound management.

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Older voters went for Republicans in the 2010 elections, after Obama's health care overhaul law cut Medicare spending to help finance coverage for the uninsured. Since then, the administration has worked hard to reverse any perception that Obama is steering Medicare into decline.

Health and [Human Services](#) Secretary [Kathleen Sebelius](#) said it's "pretty remarkable" that premiums will stay in check. She reassured seniors that they have nothing to fear from the health care law.

"Thanks to the Affordable Care Act, Medicare is providing better benefits at lower cost," said Sebelius.

Republicans weren't buying it.

A spokeswoman for Sen. [Orrin Hatch](#) of Utah said the brunt of the health law's Medicare cuts are still to come. "More importantly," added [Antonia Ferrier](#), "lower Medicare premiums are being driven by lower than average Medicare spending due to the slow economy" — not the health care law. Hatch is the ranking Republican on the Senate panel overseeing Medicare.

A spokeswoman for [House Ways and Means](#) Chairman [Dave Camp](#), R-Mich., said premiums are more affordable because seniors on tight budgets are spending less on health care in a troubled economy.

Medicare's Part B annual deductible, the amount beneficiaries pay before their coverage begins, will also drop next year to \$140, a decrease of \$22. The hospital deductible, however, will increase by \$24, to \$1,156, for those admitted as inpatients. One doesn't cancel out the other since a minority of beneficiaries are hospitalized in any given year.

AARP, the seniors lobby, reacted warily to Thursday's announcement. Policy director [David Certner](#)

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said there's still a chance Congress could cut Medicare and Social Security as part of a budget deal. "These changes would far outweigh today's good news," he said.

For the average retiree, the Medicare news means they will have to fork over only a small part of a long-awaited Social Security increase next year for premiums.

Premiums have been frozen at the 2008 level of \$96.40 a month for about three-fourths of Medicare beneficiaries. That was due to the lack of a Social Security COLA during the depths of the economic downturn. But Social Security recently announced a raise averaging \$39 a month for 2012.

The Part B premium is one number that most of the 48 million people on Medicare can connect with. Average premiums for prescription coverage and for popular [Medicare Advantage](#) plans will stay flat or dip slightly for 2012, but fewer beneficiaries opt for those benefits.

A leading nonpartisan expert on Medicare said she doubted election-year politics were behind the lower-than-expected premiums for 2012.

"Changes in premiums are obviously important to seniors, but the numbers are based on what the law requires and determined by independent actuaries rather than politics," said [Tricia Neuman](#) of the [Kaiser Family Foundation](#).

Neuman said the explanation probably concerns the relationship between Medicare premiums and Social Security cost of living adjustments.

By law, the Part B premium is set to cover 25 percent of the cost of Medicare's outpatient care benefit.

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But premiums have been frozen for most beneficiaries because federal law also says that an individual's Medicare premium cannot go up more than his Social Security COLA, with some exceptions.

That left a relatively small share of beneficiaries, including recent enrollees, bearing the brunt of higher Medicare costs. Indeed, the "standard premium" for 2011 rose to \$115.40, and new enrollees were charged that amount. Upper-income retirees pay even more, but premiums for the poor are covered by Medicaid.

Back in May, government experts were forecasting a Medicare a premium of \$106.60 for 2012. At that time, they were also projecting a Social Security COLA of just 0.7 percent. But the final COLA increase turned out to be much bigger, a 3.6 percent raise. And that meant rising Medicare costs could be spread among many more people, resulting in smaller individual increases.

"More people are sharing the smaller-than-expected increase, so that is spread over a larger number of people," said Medicare chief [Don Berwick](#). Administration officials say they've also seen a slow-down in the use of health care services throughout the economy, not just among seniors.

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