

# **H.R. 3631, the “Medicare Premium Fairness Act”**

## ***Protects All Seniors***

### ***From Medicare Part B Premium Increases***

#### **Background**

Currently, 42 million seniors and disabled individuals are enrolled in Medicare Part B. The standard Part B premium for 2009 is \$96.40 per month and for most beneficiaries is deducted from their Social Security checks. (The premium is higher for individuals with incomes over \$85,000 or \$170,000 for couples.) By law, the premium is calculated each year to cover approximately 25 percent of the cost of the Medicare Part B program.

Premiums would normally increase to roughly \$103 next year to cover 25 percent of the program’s cost. However, a current law “hold harmless” policy ensures that Part B increases are not larger than Social Security COLA increases, so enrollees’ Social Security checks do not decrease. Because of the recession, next year’s Social Security cost-of-living increase (COLA) is projected to be zero and checks will not increase; the hold harmless means that Part B premiums would not increase in 2010 for 73 percent of seniors.

However, about 27 percent of enrollees are not currently held harmless, including low-income dual eligibles (18%), higher-income Medicare beneficiaries (5%), new Medicare enrollees (3%) and enrollees whose Medicare premiums are not deducted from Social Security checks (2%). Because of the way the law is written, premiums for the enrollees who are not currently held harmless would be disproportionately increased to \$110-\$120 per month to make up for those enrollees who are held harmless, absent legislative action. This is the first time that such an interaction has occurred.

#### **H.R. 3631**

This legislation would extend the current hold harmless policy equally to all Medicare enrollees, meaning that 2010 Part B premiums would remain at \$96.40, and no seniors would see a decrease in their Social Security checks as a result of an increase in the standard Part B premium. H.R. 3631 passed the House of Representatives on September 24, 2009 by a vote of 406-18.

CBO estimates the cost of the bill at \$2.8 billion for 2010. It is fully paid for and meets PAY-GO requirements using financing from the Medicare Improvement Fund.