

## How Income Affects Your Medicare Premiums

In mid-to-late October each year the federal government announces the cost for Medicare premiums for the coming year. Part A, hospital insurance, is free for most people. While the premiums for Part B, medical insurance for doctor visits, procedures and diagnostic tests, and Part D, prescription drug coverage, are the responsibility of the insured. If you currently receive Social Security, the premiums are automatically taken out of your Social Security check. If you are not currently receiving Social Security, you will receive a “Notice of Medicare Premium Payment Due” from Medicare around the 10<sup>th</sup> of the month for which it is due. The premium amount on the “Notice” is due by the 25<sup>th</sup> of the month.

The amount of premium you pay is based on your income tax return from two years ago. So the premium you will pay for 2017 will be based on your 2015 income tax return, 2018 premiums will be based on your 2016 income tax return, and so on.

Taxpayers with a modified adjusted gross income (MAGI) over certain income brackets pay a higher Medicare premium than others. This is known as income-related monthly adjustment amount or IRMAA. MAGI for Medicare purposes is adjusted gross income (line 37, Form 1040) plus tax-exempt interest; therefore most forms of income are included for determining Medicare premiums. Higher income taxpayers have paid higher IRMAA Medicare premiums on their Part B coverage since 2007 and their Part D since 2011.

There are five income brackets on which IRMAA premiums are calculated, Levels 1 – 5 (refer to chart below). The standard Part B premium is paid on Level 1 income with increasing premiums paid on each subsequent Level 2 – 5. The income brackets have remained unchanged since 2009.

In April 2015, legislation was passed to reduce the income brackets for Levels 3 - 5 starting in 2018, with inflation adjustments in subsequent years. This means that more taxpayers will be subject to the higher IRMAA Medicare premiums beginning in 2018.

Level	SINGLE TAX TAXPAYER		MARRIED FILING JOINT TAXPAYER	
	2017 IRMAA based on 2015 tax return	2018 IRMAA based on 2016 tax return	2017 IRMAA based on 2015 tax return	2018 IRMAA based on 2016 tax return
1	\$85,000 or less	\$85,000 or less	\$170,000 or less	\$170,000 or less
2	\$85,001 - \$107,000	\$85,001 - \$107,000	\$170,001 - \$214,000	\$170,001 - \$214,000
3	\$107,001 - \$160,000	\$107,001 - <b>\$133,500</b>	\$214,001 - \$320,000	\$214,001 - <b>\$267,000</b>
4	\$160,001 – \$214,000	<b>\$133,501 – \$160,000</b>	\$320,001 - \$428,000	<b>\$267,001 - \$320,000</b>
5	Greater than \$214,000	<b>Greater than \$160,000</b>	Greater than \$428,000	<b>Greater than \$320,000</b>

Medicare premiums are unavoidable --- just like death and taxes, it affects all of us. Now it appears more and more retirees will be subject to IRMAA as well.

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