

Medicare rates going up: What it means to you



Social Security benefits won't go up this year, but many on Medicare are going to have their biggest price increase in the history of the program.

The new higher Medicare rates will not be shared by all. If you're currently enrolled in Medicare but not claiming Social Security, or if you sign up for Medicare in 2016, you will pay more. The minimum premium of \$104.90 will become \$159.30 per month. That's a 52% increase.

And, if your income is above \$85,000 (single) or \$170,000 (married), Medicare prices will range from \$223 a month to as high as \$510 a month for singles whose income exceeds \$214,000 a year.

It's a perfect storm. The Medicare program requires the government to collect 25% of the total expected cost of Part B through premium payments. There's also a "hold harmless" clause in Social Security that exempts recipients from a pay decrease due to a rise in Medicare premiums in a year when there isn't a cost of living increase for Social Security.

Approximately 70% of Medicare recipients collect Social Security and fall under the income limitations. That leaves about 30% to foot the bill. People who have their Medicare premiums deducted from their social security check won't feel a thing.

Let's blame the way that inflation is measured using the "Consumer Price Index" or CPI. The Social Security administration uses the CPI-W and measures goods and services purchased by urban wage and clerical workers who worked at least 70% of the year. Energy prices declined enough to offset the price of food. Not fair. Retirees often eat more than they drive.

There have been proposals to change the CPI index to a version known as "Chained CPI" to avoid large spikes in prices by allowing substitutions. If chicken prices go up then substitute pork since it's the other white meat. That means that Social Security benefits would increase by an even smaller amount.

The last time Social Security benefits weren't increased (2010), there was a bill proposed to avoid this situation and it stalled in the Senate.

This is a temporary imbalance. When Social Security benefits increase again, the "hold-harmless" provision will no

longer apply. Premium costs will be the same based on income brackets and penalties will be removed for delaying Social Security.

For most of us, Medicare is less expensive than any other insurance. Please don't stress your financial plan by locking in lower Social Security benefits just to temporarily save on Medicare premiums.

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