
AARP points out income-related variations in Medicare premiums

By Kerry Pechter *Thu, Mar 6, 2014*

The standard Medicare Part B premium is \$1,258.80 a year and covers about 25% percent of Part B program costs, according to a new AARP Fact Sheet. People with higher incomes pay \$1,762.80 to \$4,028.40 a year for part B.

High earners may get a bigger share of the federal government's tax expenditure on retirement savings incentives, but they also pay more for Medicare. The variations in Medicare premiums were documented recently in a [Fact Sheet](#) issued by the AARP Public Policy Institute.

Individuals on Medicare with incomes over \$85,000 (and couples earning over \$170,000) pay higher Medicare Part B and Part D premiums than those earning less, according to the Fact Sheet. Premiums vary according to income.

The standard Part B premium is \$1,258.80 a year (\$104.90 a month) and covers about 25% percent of Medicare Part B program costs. Those with higher incomes pay between \$1,762.80 and \$4,028.40 a year (\$146.90 to \$335.70 a month). Income-related premiums are calculated to cover at least 35% and as much as 80% of program costs.

Similarly, higher-income individuals pay higher Part D premiums, which increase at higher levels of income. They pay \$145.20 to \$831.60 (\$12.10 to \$69.30 a month) more per year in Part D premiums than the general population.

AARP cited "Medicare 2013 and 2014 Costs at a Glance" as its source. The data is available from the Centers for Medicare & Medicaid Services at <http://www.medicare.gov/your-medicare-costs/costs-at-a-glance/costs-at-glance.html>.

In 2013, only five percent (2.4 million) of people with Medicare Part B paid the higher income-related Part B premium, and four percent (1.5 million) of those with Medicare Part D paid the higher income-related Part D premium.

These proportions are expected to increase over the next few years, because the income thresholds for higher premiums are fixed at current levels through 2019, AARP said. By then, about 9.6% (5.4 million) of Medicare Part B enrollees will pay the higher income-related Part B premiums, and 9% (4 million) of Part D enrollees will pay the higher income-related Part D premiums.

Higher-income workers pay more in Medicare payroll taxes. Currently, individuals earning over \$200,000 a year, or couples earning over \$250,000 a year, pay an additional 0.9% payroll tax on their wages over the threshold amount.

For example, a person earning \$250,000 will pay \$7,250 in Medicare payroll tax, plus an additional \$450 for earnings over the \$200,000 threshold. This additional 0.9% tax is credited to the Medicare trust fund.

