

2012 Changes in Social Security and Medicare
by Jacques Chambers
November, 2011

Congress passed statutes some years back that automatically provided for changes in costs and benefits to Social Security and Medicare beneficiaries, affecting everything from Cost of Living Adjustments (COLA) to setting the premiums and co-payment levels for the various parts of Medicare. The law automatically ties these changes to increases in the Consumer Price Index (CPI) which effectively takes political issues out of the rate setting process.

Because inflation has been so low over the past several years, there has been no increase in benefits and few changes elsewhere. This year, however, is different.

As most of you have probably heard, people receiving Social Security benefits, whether it is retirement, disability, survivors, or dependents, are receiving a 3.6% increase in their benefits. The change is effective December 1 so that the changes will be first seen in the payments sent out in January 2012. This will result in a monthly increase of \$43 for the average retired worker, \$39 for the average disability beneficiary, and \$64 for the average disabled worker with a spouse and one or more children.

The adjustment will affect more than benefits. For example: the maximum earnings subject to FICA payroll taxes increases from \$106,800 to \$110,100; the amount of earnings needed to earn one Social Security credit (formerly called quarters) goes from \$1,120 to \$1,130; Substantial Gainful Activity (the amount a person on disability can earn without affecting his or her benefits) goes from \$1,000 to \$1,010 per year. Other changes can be found at www.ssa.gov .

Medicare Changes for 2012

In addition to changes caused by the 3.6% inflation adjustment, the implementation of provisions of the 2010 Affordable Care Act are affecting Medicare in 2012 as well.

The first change is moving the open enrollment period earlier and making it longer to provide extra time to process the changes made. Lasting from October 15 to December 7, 2011, a person may:

- Change Part D drug plans;
- Add Part D coverage;
- Move from original Medicare to a Medicare Advantage plan;
- Move from a Medicare Advantage plan to original Medicare or another Medicare Advantage plan.

All changes will take effect on January 2012.

Additionally, the Medicare Advantage Change period formerly from January 1 through March 31 is now The Medicare Advantage Disenrollment Period. It only lasts from January 1 through February 14, and only permits persons in a Medicare Advantage Plan to switch to original fee-for-service Medicare, and add Part D coverage if they had drug coverage prior.

The Medicare premiums, deductibles, and many co-pays will change January 1, 2012 as well.

Part A – Hospital Coverage

Most Medicare beneficiaries paid into the Medicare system while working enough to receive Part A coverage without having to pay any premium. Others, however, who haven't worked the full 40 quarters/credits necessary for no premium, must pay all or a portion of the Part A premium. Persons who earned at least 30 quarters/credits will pay \$248, and for those with less the Part A premium will be \$451 per month.

Services	You Pay
Blood	In most cases, the hospital gets blood from a blood bank at no charge, and you won't have to pay for it or replace it. If the hospital has to buy blood for you, you must either pay the hospital costs for the first 3 units of blood you get in a calendar year or have the blood donated.
Home Health Care	You pay: <ul style="list-style-type: none"> • \$0 for home health care services • 20% of the Medicare-approved amount for durable medical equipment
Hospice Care	You pay: <ul style="list-style-type: none"> • \$0 for hospice care • A copayment of up to \$5 per prescription for outpatient prescription drugs for pain and symptom management • 5% of the Medicare-approved amount for inpatient respite care (short-term care given by another caregiver, so the usual caregiver can rest) Medicare doesn't cover room and board when you get hospice care in your home or another facility where you live (like a nursing home).
Hospital Inpatient Stay	You pay: <ul style="list-style-type: none"> • \$1,156 deductible per benefit period • \$0 for the first 60 days of each benefit period • \$289 per day for days 61-90 of each benefit period • \$578 per "lifetime reserve day" after day 90 of each benefit



	period (up to a maximum of 60 days over your lifetime)
Skilled Nursing Facility Stay	You pay: <ul style="list-style-type: none"> • \$0 for the first 20 days each benefit period • \$144.50 per day for days 21-100 each benefit period • All costs for each day after day 100 in a benefit period

Part B – Medical Coverage

The monthly premium for Part B coverage varies according to the beneficiary’s income. Also, those beneficiaries whose coverage started within the past few years may see their premiums reduce. The rate you pay will be based on your modified adjusted gross income as reported on your IRS tax return from 2 years ago:

If Your Yearly Income in 2010 was		You pay
File Individual Tax Return	File Joint Tax Return	
\$85,000 or less	\$170,000 or less	\$99.90
above \$85,001 up to \$107,000	above \$170,001 up to \$214,000	\$139.90
above \$107,001 up to \$160,000	above \$214,001 up to \$320,000	\$199.80
above \$160,001 up to \$214,000	above \$320,001 up to \$428,000	\$259.70
above \$214,000	above \$428,000	\$319.70

The benefits under Part B will be:

Services	You pay
Deductible	You pay \$140 per year.
Blood	In most cases, the provider gets blood from a blood bank at no charge, and you won't have to pay for it or replace it. However, you will pay a copayment for the blood processing and handling services for every unit of blood you get, and the Part B deductible applies. If the provider has to buy blood for you, you must either pay the provider costs for the first 3 units of blood you get in a calendar year or have the blood donated by you or someone else. You pay a copayment for additional units of blood you get as an outpatient (after the first 3), and the Part B deductible applies.
Clinical Laboratory Services	You pay: \$0 for Medicare-approved services.
Home Health Services	You pay: \$0 for Medicare-approved services. You pay 20% of the Medicare-approved amount for durable medical equipment.

Medical and Other Services	You pay: 20% of the Medicare-approved amount for most doctor services (including most doctor services while you're a hospital inpatient), outpatient therapy*, and durable medical equipment.
Mental Health Services	You pay: 40% of the Medicare-Allowable Amount* for most outpatient mental health care.
Other Covered Services	You pay: copayment or coinsurance amounts.
Outpatient Hospital Services	You pay: a coinsurance (for doctor services) or a copayment amount for most outpatient hospital services. The copayment for a single service can't be more than the amount of the inpatient hospital deductible.

***NOTE:** Remember that if your physician accepts “Medicare Assignment” you are only liable for 20% of the Medicare-approved Amount regardless of what the doctor normally charges or bills you.

NOTE: All Medicare Advantage Plans must cover the services listed above. Costs vary by plan and may be either higher or lower than those noted above. Review the Evidence of Coverage from your plan.

Part D – Prescription Medications

For the first time, persons with higher incomes will pay higher premiums for Part D plans as they do for Part B. This may be confusing for persons who pay directly without having the premium taken out of their Social Security payments. This is because the surcharge over and above the plan’s “normal” premium, must make two payments each month, the normal premium to the insurance company and the surcharged cost to Social Security.

If Your Yearly Income in 2010 was		You pay
File Individual Tax Return	File Joint Tax Return	
\$85,000 or less	\$170,000 or less	Your Plan Premium
above \$85,001 up to \$107,000	above \$170,001 up to \$214,000	\$11.60 + Your Plan Premium
above \$107,001 up to \$160,000	above \$214,001 up to \$320,000	\$29.90 + Your Plan Premium
above \$160,001 up to \$214,000	above \$320,001 up to \$428,000	\$48.10 + Your Plan Premium
above \$214,000	above \$428,000	\$66.40 + Your Plan Premium

Everyone who is covered under a stand-alone drug plan with original or fee-for-service Medicare should review their drug plan by comparing the drug plans based on the medications they are currently taking at www.medicare.gov to make sure the plan they are on is still the best program for them.