CMS ANNOUNCES MEDICARE PREMIUMS, DEDUCTIBLES FOR 2008

The standard Medicare Part B monthly premium will be $96.40 in 2008, an increase of $2.90, or 3.1 percent, from the $93.50 Part B premium for 2007. The 2008 amount is the smallest percentage increase in the Part B premium since 2001 and is $2.10 less than the increase in the premium for 2007.

The 2008 Part B premium of $96.40 is equal to the amount projected in the 2007 Medicare Trustees Report issued in April. This monthly premium paid by beneficiaries enrolled in Medicare Part B covers physicians' services, outpatient hospital services, certain home health services, durable medical equipment, and other items. Several factors account for the 3.1 percent increase in the premium.
Growth in certain areas of Medicare’s fee-for-service program, including growth in home health services, physician-administered drugs, ambulatory surgical center services, durable medical equipment, independent lab and physician’s office lab services, as well as growth in the Medicare Advantage program and a rise in other Part B services contributed to the increase. In particular, increases attributed to the Medicare Advantage program reflect the increase in the average risk of enrolled beneficiaries as well as the impact of fee-for-service cost growth on Medicare Advantage county benchmarks.

In addition, a portion of the Part B premium increase resulted from a need to raise the contingency margin in the Part B trust fund to a more adequate level. Since 2003, statutory changes have resulted in higher than expected Part B expenditures. Accordingly, while Part B trust fund assets increased from 2005–2007, the asset level continues to remain lower than intended for contingency purposes.

The planned increase in contingency reserves for 2008 is intended to restore these reserves to a fully adequate level defined as the upper end of the asset range recommended by the Medicare Board of Trustees. If actual Part B expenditures are higher than estimated when the program financing is set, the assets in the contingency reserve can be drawn down to make up the shortfall. For example, current law requires reductions in physician fees of approximately 10 percent in 2008 and another 5 percent per year for approximately ten more years. In each of the last five years, Congress has acted to prevent physician fee reductions from occurring, and there is a strong possibility that this pattern will continue. In recognition of the higher probability of increases in Part B expenditures that result from such legislative intervention to override the statutorily mandated decreases in physician fees in 2008 or later years, it is appropriate to maintain a somewhat larger Part B contingency reserve than would otherwise be necessary. However, it should be noted that the Administration supports reforms in physician payments that do not increase costs for taxpayers or for Medicare and its beneficiaries.

The increase in contingency reserves is somewhat offset by the correction of an accounting error. Beginning in May 2005, expenditures for certain Part A hospice benefits were inadvertently drawn from the Part B account of the Supplementary Medical Insurance (SMI) trust fund, rather than from the Hospital Insurance (HI) trust fund. Correction of this error will reduce Part B outlays in 2008 and later years. It will also result in adjustments to the HI and SMI trust funds to account for the misallocated hospice expenditures during fiscal years 2005 through
As a result, Part B benefit costs estimated for 2008 are lower than previously projected, and Part B assets available for contingency purposes will be greater. Both factors serve to reduce the level of assets needed to ensure an adequate contingency reserve. Further, the lower anticipated level of Part B outlays in 2008 reduces the premium increase that, together with matching general fund transfers, is needed to finance Part B benefits and administrative expenses.

As required in the Medicare Modernization Act, beginning in 2007, the Part B premium a beneficiary pays each month is based on his or her annual income. Specifically, if a beneficiary’s “modified adjusted gross income” is greater than the legislated threshold amounts ($82,000 in 2008 for a beneficiary filing an individual income tax return or married and filing a separate return, and $164,000 for a beneficiary filing a joint tax return) the beneficiary is responsible for a larger portion of the estimated total cost of Part B benefit coverage. In addition to the standard 25 percent premium, these beneficiaries will now have to pay an income-related monthly adjustment amount.

An estimated 5 percent of current Part B enrollees are expected to be subject to the higher premium amounts.

The 2008 Part B monthly premium rates to be paid by beneficiaries who file an individual tax return (including those who are single, head of household, qualifying widow(er) with dependent child, or married filing separately who lived apart from their spouse for the entire taxable year), or who file a joint tax return are:

<table>
<thead>
<tr>
<th>Beneficiaries who file an individual tax return or married filing a separate return</th>
<th>Income-related monthly</th>
<th>Total monthly</th>
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In addition, the monthly premium rates to be paid by beneficiaries who are married, but file a separate return from their spouse and lived with their spouse at any time during the taxable year are:

<table>
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<tr>
<th>Income-related monthly adjustment amount</th>
<th>Total monthly premium amount</th>
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<tbody>
<tr>
<td>Less than or equal to $82,000</td>
<td>$0.00</td>
</tr>
<tr>
<td>Greater than $82,000 and less than or equal to $123,000</td>
<td>$103.30</td>
</tr>
<tr>
<td>Greater than $123,000</td>
<td>$142.00</td>
</tr>
</tbody>
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**Part B Deductible**

The Part B deductible was increased to $110 in 2005 and, as a result of the Medicare Modernization Act, is currently indexed to the annual percentage increase in the Part B actuarial adjustment amount.
rate for aged beneficiaries. In 2008, the Part B deductible will be $135, compared to $131 in 2007.

Part A Premium and Deductible

Today, CMS is also announcing the Part A deductible and premium for 2008. Medicare Part A pays for inpatient hospital, skilled nursing facility, hospice, and certain home health care services. The $1,024 deductible for 2008, paid by the beneficiary when admitted as a hospital inpatient, is an increase of $32 from $992 in 2007. The Part A deductible is the beneficiary’s only cost for up to 60 days of Medicare-covered inpatient hospital care in a benefit period. Beneficiaries must pay an additional $256 per day for days 61 through 90 in 2008, and $512 per day for hospital stays beyond the 90th day in a benefit period. This compares with $248 and $496 in 2007. Daily coinsurance for the 21st through 100th day in a skilled nursing facility will be $128 in 2008, up from $124 in 2007. The accounting error mentioned earlier has no impact on the 2008 Part A premium.

Approximately 99 percent of Medicare beneficiaries do not pay a premium for Part A services because they have at least 40 quarters of Medicare-covered employment. However, other seniors and certain people under age 65 with disabilities who have fewer than 30 quarters of coverage may obtain Part A coverage by paying a monthly premium set according to a statutory formula. This premium will be $423 per month for 2008, an increase of $13 from 2007. In addition, seniors with 30 to 39 quarters of coverage, and certain disabled persons with 30 or more quarters of coverage, will pay a premium of $233 in 2008, compared to $226 in 2007.

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