State of California—Health and Human Services Agency
Department of Health Care Services

TOBY DOUGLAS
Director

EDMUND G. BROWN JR.
Governor

February 2, 2011

To: ALL COUNTY WELFARE DIRECTORS Letter No: 11-04
ALL COUNTY ADMINISTRATIVE OFFICERS
ALL COUNTY MEDI-CAL PROGRAM SPECIALISTS/LIAISONS
ALL COUNTY PUBLIC HEALTH DIRECTORS
ALL COUNTY MENTAL HEALTH DIRECTORS

SUBJECT: 2011 MEDICARE PREMIUMS AND SUPPLEMENTAL SECURITY INCOME STANDARD AND PARENT ALLOCATIONS AND PROPERTY LIMITS FOR THE MEDICARE SAVINGS PROGRAMS AND OTHER PROGRAMS
Reference: All County Welfare Directors Letter (ACWDL) Nos. 99-73, 00-65, 01-66, 02-56, 03-57, 04-39, 05-38, 06-35, 06-35E, 07-25, 08-57, 09-51, 09-52

The purpose of this letter is to inform counties of the 2011 Supplemental Security Income Standard Allocation, Parent Allocation, property limits for the Medicare Savings Programs (MSP), which include Qualified Medicare Beneficiary/Specified Low Income Medicare Beneficiary/Qualifying Individual 1, and Medicare premium amounts to be used in determining eligibility and the cost of Medicare premiums. These allocations are based on the annual federal benefit rate, which is based on the annual Cost of Living Adjustment (COLA). Social Security's benefit increases have been based on increases in the cost of living, as measured by the Consumer Price Index (CPI). While CPI increased between September 2009, and September 2010, by 1.1 percent, this increase was not enough to offset the decline that occurred last year (-1.3 percent). Therefore, there will be no COLA in 2011. Since there was an increase in CPI, MSP 2011 property limits slightly increased.

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Standard/Parent Allocation Amounts

The parent allocation amounts will remain the same for 2011 and are determined as follows:

When there is earned, unearned income, or a combination of income:

The parent allocation (if one ineligible parent lives with a child) is $674 (for an individual); and

The parent allocation (if both ineligible parents live with a child) is $1,011 (for a couple).

Medicare Part A and B Premiums

The 2011 Medicare Part A premium will decrease to $450 for persons who do not receive free Medicare Part A. The reduced Medicare Part A premium will decrease to $248 for persons with 30-39 quarters of Medicare covered employment. Both have a ten percent penalty for late enrollment.

The 2011 Part A deductible will be $1,132, for the first 60 days of inpatient care, and $283 per day, for days 61 through 90. For days 91 through 150, the deductible will be $566 per day. The skilled nursing facility deductible will be $141.50 per day, for days 21 through day 100, (there is no deductible for day one through 20).

Because there is no COLA in 2010, and as a result of a "hold harmless" provision in current law, most Medicare individuals will not see an increase in their 2011 Medicare Part B premium and will continue to pay $96.40. The annual deductible will be $162; however, the approximately 27 percent of Medicare beneficiaries, who are not subject to the "hold harmless" provision, will pay $115.40 in 2011. Please see the enclosed Fact Sheet, "CMS Announces Medicare Premiums, Deductibles for 2011," for details regarding Medicare Part A and B premiums.

MSP 2011 Property Limits

Effective January 1, 2011, there will be an increase in the property limits used to determine MSP eligibility. The new limits are $6,680 for an individual and $10,020 for a couple. Federal law sets the MSP property limits at three times the Supplemental Security Income property limit, plus an annual percentage increase equal to the increase in CPI.

Title II COLAs and Federal Poverty Levels

Counties normally disregard the Title II COLAs for all programs, where eligibility is based on the federal poverty level (FPL), until the new FPLs are effective for the particular program. Since there are no COLA increases this year, counties should continue to use the Title II amount in determining income eligibility. A separate All County Welfare Directors Letter will be issued to address the FPLs.

If you have questions regarding this letter, please contact Tammy Kaylor at (916) 552-9496 or by email at tammy.kaylor@dhcs.ca.gov; or Debra Hader at (916) 449-5280 or by email at debra.hader@dhcs.ca.gov.

Sincerely,

Original signed by:

René Mollow, MSN, RN, Chief
Medi-Cal Eligibility Division

Fact Sheets

Details for: MEDICARE PREMIUMS, DEDUCTIBLES FOR 2011

Return to List

For Immediate Release:	Thursday, November 04, 2010
Contact:	CMS Office of Public Affairs 202-690-6145

MEDICARE PREMIUMS, DEDUCTIBLES FOR 2011

The Centers for Medicare and Medicaid Services (CMS) has set the Medicare premiums, deductibles and coinsurance amounts to be paid by Medicare beneficiaries in 2011.

For Medicare Part A, which pays for inpatient hospital, skilled nursing facility, and some home health care, the deductible paid by the beneficiary when admitted as a hospital inpatient will be $1,132 in 2011, an increase of $32 from this year's $1,100 deductible. The Part A deductible is the beneficiary's cost for up to 60 days of Medicare-covered inpatient hospital care in a benefit period. Beneficiaries must pay an additional $283 per day for days 61 through 90 in 2011, and $566 per day for hospital stays beyond the 90th day in a benefit period. For 2010, the per-day payment for days 61 through 90 was $275, and $550 for beyond 90 days. For beneficiaries in skilled nursing facilities, the daily co-insurance for days 21 through 100 in a benefit period will be $141.50 in 2011, compared to $137.50 in 2010. Those who enroll in Medicare Advantage plans may have different cost-sharing arrangements. All of these Part A program payment changes are determined in accordance with a statutory formula.

About 99 percent of Medicare beneficiaries do not pay a premium for Medicare Part A services since they have at least 40 quarters of Medicare-covered employment. However, some enrollees age 65 and over and certain persons with disabilities who have fewer than 30 quarters of coverage obtain Part A coverage by paying a monthly premium established according to a statutory formula. This premium will be $450 for 2011, a decrease of $11 from 2010. Individuals who have between 30 and 39 “quarters of coverage” may buy into Part A at a reduced monthly premium rate of $248 in 2011.

The monthly premium paid by beneficiaries enrolled in Medicare Part B covers a portion of the cost of physicians’ services, outpatient hospital services, certain home health services, durable medical equipment, and other items. The standard Medicare Part B monthly premium will be $115.40 in 2011, a $4.90 increase (or 4.4-percent) over the 2010 premium. However, the majority of Medicare beneficiaries will continue to pay the same $96.40 premium amount they have paid since 2008.

Part A premiums are decreasing because spending in 2010 was lower than expected and the Affordable Care Act implemented policies that lower Part A spending due to payment efficiencies and efforts related to waste, fraud and abuse. Part B premiums are increasing because of growth in the use of services like outpatient hospital care, home health and physician-administered drugs. In addition, the premium accounts for a likely Congressional action to avert a precipitous decrease in physician payments, which the Administration supports, and has occurred every year since 2003. The Administration is committed to permanent reform of the physician payment formula.

By law, the standard premium is set to cover one-fourth of the average cost of Part B services incurred by beneficiaries aged 65 and over, plus a contingency margin. The contingency margin is an amount appropriate to (i) cover incurred-but-unpaid claims costs, (ii) provide for possible variation between actual and projected costs, and (iii) amortize any surplus assets or unfunded liabilities. The remaining Part B costs are financed by Federal general revenues. (In 2011, $2.5 billion in Part B expenditures will be financed by the new fees on manufacturers and importers of brand-name prescription drugs under the Affordable Care Act. The revenue from these fees reduces the standard Part B premium by $0.90.)

Based on current estimates, Part B assets are not sufficient to cover the amount of incurred-but-unpaid expenses and to provide for a significant degree of variation between actual and projected costs. Thus, a large positive contingency margin is needed to increase assets to a more appropriate level.

The size of the contingency margin for 2011 is affected by two additional factors. First, the current law formula for physician fees will result in a payment reduction of 23 percent in December 2010 and, in this analysis, is projected to cause an additional reduction of about 6.5 percent starting January 2011. (The actual reduction in physician fees under current law for January 2011 is now known to be 2.5 percent. As is typical, the final adjustment was not available in time to include in the premium determination.) There is a strong likelihood that these reductions will be overridden by legislation enacted after Part B premiums are established for 2011. For each year from 2003 through November 2010, Congress has acted to prevent smaller physician fee reductions from occurring.

In recognition of this strong possibility of higher Part B expenditures resulting from similar legislation to override the decreases in physician fees in December 2010 and January 2011, it is appropriate to maintain a significantly larger Part B contingency reserve than would otherwise be necessary. The asset level projected for the end of 2010 would otherwise not be adequate to accommodate this contingency.

Second, for most Part B beneficiaries a “hold-harmless” provision prevents their net Social Security benefit from decreasing as a result of an increase in the Part B premium. There was no increase in Social Security benefits for 2010, and, as a result of slow growth in the CPI, this result will occur again for 2011. Consequently, the increase in the Part B premium for 2011 will be paid by only a small percentage of Part B enrollees. Approximately 27 percent of beneficiaries are not protected by the hold-harmless provision because they are subject to the income-related additional premium amount (5 percent), they are new enrollees during the year (3 percent), or they do not have their Part

B premiums withheld from Social Security benefit payments (19 percent, 17 percentage points of whom qualify for both Medicare and Medicaid and have their Part B premiums paid by Medicaid).

Although Part B premiums will remain flat in 2011 for the great majority of beneficiaries, program costs will still increase significantly. In order for Part B to be adequately funded in 2011, the 2011 contingency margin has been increased to account for this situation. However, this adjustment results in a larger-than-usual premium paid by or on behalf of a minority of Part B enrollees. No other means is available under current law to prevent a substantial decrease in account assets, which would jeopardize the ability to pay Part B benefits.

As required in the Medicare Prescription Drug, Improvement, and Modernization Act of 2003, 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 ($85,000 in 2011 for a beneficiary filing an individual income tax return or married and filing a separate return, and $170,000 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, affected beneficiaries must pay an income-related monthly adjustment amount. About 5 percent of current Part B enrollees are expected to be subject to the higher premium amounts.

The 2011 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 shown in the following table:

Beneficiaries who file an individual tax return with income:	Beneficiaries who file a joint tax return with income:	Part B income-related monthly adjustment amount	Total monthly Part B premium amount
Less than or equal to $85,000	Less than or equal to $170,000	$0.00	$115.40
Greater than $85,000 and less than or equal to $107,000	Greater than $170,000 and less than or equal to $214,000	$46.10	$161.50
Greater than $107,000 and less than or equal to $160,000	Greater than $214,000 and less than or equal to $320,000	$115.30	$230.70
Greater than $160,000 and less than or equal to $214,000	Greater than $320,000 and less than or equal to $428,000	$184.50	$299.90
Greater than $214,000	Greater than $428,000	$253.70	$369.10

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 as follows:

Beneficiaries who are married but file a separate tax return from their spouse:	Part B income-related monthly adjustment amount	Total monthly Part B premium amount
Less than or equal to $85,000	$0.00	$115.40
Greater than $85,000 and less than or equal to $129,000	$184.50	$299.90
Greater than $129,000	$253.70	$369.10

As a result of the Medicare Modernization Act, the Part B deductible was increased to $110 in 2005 and is indexed by the annual percentage increase in the Part B actuarial rate for aged beneficiaries. In 2011, the Part B deductible will be $162. (The actuarial rate is set by law at one-half of the total estimated per-enrollee cost of Part B benefits and administrative expenses, adjusted as necessary to maintain an adequate contingency reserve.)

Enrollees in Medicare Part D prescription drug plans pay premiums that vary from plan to plan depending on each plan's efficiency and scope of benefits. Beginning in 2011, the Affordable Care Act requires Part D enrollees whose incomes exceed the same thresholds that apply to higher income Part B enrollees to pay a monthly adjustment amount. These enrollees will pay the regular plan premium to their Part D plan and will pay the income-related adjustment to Medicare. The 2011 Part D income-related monthly adjustment amounts 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 shown in the following table:

Beneficiaries who file an individual tax return with income:	Beneficiaries who file a joint tax return with income:	Income-related monthly adjustment amount
Less than or equal to $85,000	Less than or equal to $170,000	$0.00
Greater than $85,000 and less than or equal to $107,000	Greater than $170,000 and less than or equal to $214,000	$12.00
Greater than $107,000 and less than or equal to $160,000	Greater than $214,000 and less than or equal to $320,000	$31.10
Greater than $160,000 and less than or equal to $214,000	Greater than $320,000 and less than or equal to $428,000	$50.10
Greater than $214,000	Greater than $428,000	$69.10

In addition, the income-related monthly adjustment amounts to be paid by Part D 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 as follows:

Beneficiaries who are married and lived with their spouse at any time during the year, but file a separate tax return from their spouse:	Income-related monthly adjustment amount
Less than or equal to $85,000	$0.00
Greater than $85,000 and less than or equal to $129,000	$50.10
Greater than $129,000	$69.10

As noted above, states have programs that pay some or all of beneficiaries' Part A and Part B premiums and coinsurance for certain people who have Medicare and a limited income. Similarly, Part D beneficiaries with limited income and assets are eligible for Federal subsidies to reduce their premiums and coinsurance. Information is available at 1-800-MEDICARE (1-800-633-4227) and, for hearing and speech impaired, at TTY/TDD: 1-877-486-2048.