

The impact of inflation on Medicare premiums

In addition to estimating your out-of-pocket costs – and understanding how they’re calculated – it’s important to also consider the effect of inflation. Medicare Part B premiums have been increasing at a faster rate than the average Social Security benefit, for example.

The average annual Social Security cost-of-living adjustment (COLA) over the last 30 years was 2.6%.¹

The average annual Medicare Part B premium increase over the last 30 years was 6.2%.²

Over time, this disparity could significantly impact your standard of living in retirement. For retirees who are paying more than the standard Medicare premiums, the impact of inflation can be even greater due to the compounding on higher premium amounts.

How will health care costs impact your retirement?

Talk to your financial professional about creating retirement income strategies that offer the potential for your income to increase over time to assist with the impact of rising health care costs.

¹ Social Security Administration, Cost-of-living Adjustments, January 1987 – January 2017.

² Centers for Medicare and Medicaid Services, Part B Premiums, January 1987 – January 2017.

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Will health care costs impact your retirement?



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Will health care costs impact your retirement?

Planning for retirement can be difficult because there are so many variables to consider. Of these, health care is often one of the most concerning, because the costs can be hard to predict – especially when you consider inflation.

In this brochure we'll outline some common Medicare expenses and how inflation may affect them. This will help you to become better prepared to address one factor that can have a significant impact on your retirement.



Calculating your Medicare expenses

Medicare Part B and Part D premiums are an ongoing expense during retirement, so it's important to consider these out-of-pocket costs. Your Medicare Part B and D premiums are based on your modified adjusted gross income (MAGI) from two years prior. Therefore, your MAGI in 2015 will determine your Medicare Part B and D premiums in 2017, while your MAGI in 2017 impacts your 2019 premiums, and so on. This can have a large impact on out-of-pocket costs – especially for retirees with higher incomes.

The chart below shows the applicable 2017 Medicare Part B and Part D premiums based on your 2015 MAGI.

Modified adjusted gross income (MAGI) 2015	2017 PART B monthly premium	2017 PART D monthly premium
Individual ≤\$85,000 Married, filing jointly ≤\$170,000	\$134.00 standard premium \$109 (average) if hold harmless rule applies ¹	Plan premium
Individual >\$85,000 up to \$107,000 Married, filing jointly >\$170,000 up to \$214,000	\$187.50	\$13.30 + plan premium
Individual >\$107,000 up to \$160,000 Married, filing jointly >\$214,000 up to \$320,000	\$267.90	\$34.20 + plan premium
Individual >\$160,000 up to \$214,000 Married, filing jointly >\$320,000 up to \$428,000	\$348.30	\$55.20 + plan premium
Individual >\$214,000 Married, filing jointly >\$428,000	\$428.60	\$76.20 + plan premium

For a healthy 65-year-old couple retiring in 2016 with a MAGI under \$170,000, their average lifetime health care premium expenses (Medicare Parts B and D and supplemental insurance policy) are estimated to be \$288,400 in today's dollars. Total health care expenses including dental, vision, and all out-of-pocket costs are estimated to be \$377,412.²

¹ Hold harmless rule applies to most but not all Social Security recipients. See the Medicare Administration Office for more information about the hold harmless rule.

² Healthview Insights: 2016 Retirement Health Care Costs Data Report.