



## OFFICE OF THE ACTUARY

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**DATE:** November 6, 2020

**TO:** All Medicare Advantage Organizations and Medicare Prescription Drug Plan Sponsors

**SUBJECT:** 2021 Part D Income-Related Monthly Premium Adjustment

Today we are releasing information on the income-related monthly adjustment amounts for enrollees in Part D prescription drug plans who have incomes above specified threshold amounts.

On July 29, 2020, CMS released the 2021 Part D national average monthly bid amount, the Medicare Part D base beneficiary premium, the Part D regional low-income premium subsidy amounts, the Medicare Advantage regional PPO benchmarks, and the Medicare Advantage employer group waiver plan (EGWP) regional payment rates. This information is available on the CMS website at: <https://www.cms.gov/medicarehealth-plansmedicareadvtspecratestatsratebooks-and-supporting-data/2021>.

### Income-Related Monthly Premium Adjustment Amounts

Before consideration of premium adjustments based on income, Part D enrollee premiums vary from plan to plan and are calculated by comparing each plan's approved Part D bid to the national average monthly bid amount. A plan's basic Part D premium is equal to the base beneficiary premium plus the difference between the plan's bid and the national average monthly bid amount and may be reduced by MA rebates. (For Part D plans with enhanced alternative coverage, the plan-specific total premium amount includes the premium for supplemental benefits in addition to the basic premium.)

Income-related monthly adjustments took effect beginning January 1, 2011, as required by section 1860D-13(a)(7) of the Social Security Act.<sup>1</sup> Per section 1860D-13(a)(7), if a beneficiary's "modified adjusted gross income" is greater than the specified threshold amounts (\$88,000 in 2021 for a beneficiary filing an individual income tax return or married and filing a separate return, and \$176,000 for a beneficiary filing a joint tax return), then the beneficiary is responsible for a larger portion of the total cost of Part D benefit coverage. In addition to the normal Part D premium paid to a plan, such beneficiaries must pay an income-related monthly adjustment amount. Unlike normal Part D premium amounts, beneficiaries will not pay the

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<sup>1</sup> This provision was added by section 3308 of the Patient Protection and Affordable Care Act (P.L. 111-148), as amended by the Health Care and Education Reconciliation Act of 2010 (P.L. 111-152).

Part D income-related monthly adjustment amounts to Part D plans. Instead, the Part D income-related monthly adjustment amounts are collected by the federal government.

Shown in the following table are the 2021 Part D income-related monthly adjustment amounts to be paid by beneficiaries who file individual tax returns (including those who are single, heads of households, qualifying widows or widowers with dependent children, or married individuals filing separately who lived apart from their spouses for the entire taxable year), or who file joint tax returns:

<b>Beneficiaries who file individual tax returns with income:</b>	<b>Beneficiaries who file joint tax returns with income:</b>	<b>Applicable percentage</b>	<b>Part D income-related monthly adjustment amount</b>
Less than or equal to \$88,000	Less than or equal to \$176,000	N/A	\$0.00
Greater than \$88,000 and less than or equal to \$111,000	Greater than \$176,000 and less than or equal to \$222,000	35%	\$12.30
Greater than \$111,000 and less than or equal to \$138,000	Greater than \$222,000 and less than or equal to \$276,000	50%	\$31.80
Greater than \$138,000 and less than or equal to \$165,000	Greater than \$276,000 and less than or equal to \$330,000	65%	\$51.20
Greater than \$165,000 and less than \$500,000	Greater than \$330,000 and less than \$750,000	80%	\$70.70
Greater than or equal to \$500,000	Greater than or equal to \$750,000	85%	\$77.10

Section 1839(i)(5) of the Act requires all but the highest income threshold established for 2019 to be indexed, beginning in 2020, to the amount by which the average Consumer Price Index (CPI) for the 12-month period ending in August of the preceding year exceeds such average for the 12-month period ending in August 2018. For 2021 this methodology results in an index of 3.4% that is applied to the 2019 thresholds, representing 2-year growth (2019-2020 of 1.9%, 2020-2021 of 1.5%). These results are then rounded to the nearest multiple of \$1,000.

As specified in section 1860D-13(a)(7), the Part D income-related monthly adjustment amounts are determined by multiplying the standard base beneficiary premium, which for 2021 is \$33.06, by the following ratios:  $(35\% - 25.5\%)/25.5\%$ ,  $(50\% - 25.5\%)/25.5\%$ ,  $(65\% - 25.5\%)/25.5\%$ ,  $(80\% - 25.5\%)/25.5\%$ , or  $(85\% - 25.5\%)/25.5\%$ .

For example:

$$\text{IRMAA}_{50\%} = \$33.06 \times \frac{50\% - 25.5\%}{25.5\%} = \$31.764 \text{ (rounded to \$31.80).}$$

In addition, the 2021 Part D income-related monthly adjustment amounts to be paid by beneficiaries who are married but file separate returns from their spouses and live with their spouses at any time during the taxable year, are as follows:

<b>Beneficiaries who are married and lived with their spouse at any time during the year, but file a separate tax return from their spouse:</b>	<b>Applicable percentage</b>	<b>Part D income-related monthly adjustment amount</b>
Less than or equal to \$88,000	N/A	\$0.00
Greater than \$88,000 and less than \$412,000	80%	\$70.70
Greater than or equal to \$412,000	85%	\$77.10

/s/

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