



Office of the Actuary

DATE: November 4, 2010

SUBJECT: Addendum to Annual Release of Medicare Part D National Average Bid Amount and Other Parts C and D Bid-Related Information

On August 18, 2010, CMS announced the 2011 Medicare Part D national average monthly bid amount of \$87.05, the 2011 Part D base beneficiary premium of \$32.34, and other amounts determined by statutory formulae. The document is available on the CMS website at <http://www.cms.gov/MedicareAdvtgSpecRateStats/Downloads/PartDandMABenchmarks2011.pdf>.

This memorandum supplements the August 18 announcement with information on the income-related, monthly adjustment amounts for enrollees in Part D prescription drug plans who have incomes above certain threshold amounts. These adjustments are first effective January 1, 2011, as required by section 1860D-13(a)(7) of the Social Security Act.¹

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 equals 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 includes premium amounts for supplemental benefits in addition to the basic premium.)

Under section 1860D-13(a)(7), if a beneficiary's "modified adjusted gross income" is greater than the specified 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), 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 the normal Part D premium, beneficiaries will not pay the Part D income-related monthly adjustment amounts to Part D plans. Instead, the Part D income-related monthly adjustment amounts will be collected by the federal government.

Shown in the following table are the 2011 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:

¹ 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).

Beneficiaries who file individual tax returns with income:	Beneficiaries who file joint tax returns with income:	Applicable percentage	Part D income-related monthly adjustment amount
Less than or equal to \$85,000	Less than or equal to \$170,000	N/A	\$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	35%	\$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	50%	\$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	65%	\$50.10
Greater than \$214,000	Greater than \$428,000	80%	\$69.10

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 by the following ratios: $(35\% - 25.5\%)/25.5\%$, $(50\% - 25.5\%)/25.5\%$, $(65\% - 25.5\%)/25.5\%$, or $(80\% - 25.5\%)/25.5\%$. For example:

$$\text{IRMAA}_{35\%} = \$32.34 \times \frac{(35\% - 25.5\%)}{25.5\%} = \$12.048 \text{ (rounded to } \$12.00\text{)}$$

In addition, the monthly premium rates to be paid by beneficiaries who are married, but file separate returns from their spouses and lived with their spouses at any time during the taxable year, are as follows:

Beneficiaries who are married but file separate tax returns from their spouses, with income:	Part D 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

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