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DATE: May 27, 2011

TO: Part D Plan Sponsors

FROM: Anthony Culotta, Director
Medicare Enrollment & Appeals Group

SUBJECT: Part D-Income Related Monthly Adjustment Amount Updates

The purpose of this memorandum is to provide Part D plan sponsors an update regarding the ongoing implementation of the Part D-Income Related Monthly Adjustment Amount (Part D-IRMAA). Although Part D plan sponsors are not billing or collecting the Part D-IRMAA, the Centers for Medicare & Medicaid Services (CMS) recognizes the need for plan sponsors to be prepared to provide Medicare beneficiaries with consistent and accurate information on the Part D-IRMAA, as well as to effectuate disenrollments in situations where individuals fail to pay the income-related adjustment.

Background

As a reminder, section 3308 of the Affordable Care Act amended §1860D-13(a)(7) of the Social Security Act by establishing the Part D-IRMAA. The Part D-IRMAA is an amount added to the monthly Part D premium for individuals whose modified adjusted gross income exceeds certain threshold amounts. In 2011, these thresholds were \$85,000 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. In accordance with section 3308 of the Affordable Care Act, these threshold levels will remain the same through 2019 (although the Part D-IRMAA dollar amount associated with each threshold will be adjusted annually based on the Consumer Price Index). Part D-IRMAA provisions were included in our recent final rule, “Changes to the Medicare Advantage and the Medicare Prescription Drug Benefit Programs for Contract Year 2012 and Other Changes,” published on April 15, 2011 (76 FR 21453).

Part D-IRMAA and Employer Plans

As we have implemented the Part D-IRMAA requirements, it has come to our attention that there appears to be some confusion regarding the applicability of the Part D-IRMAA to beneficiaries enrolled in employer group health plans (EGHPs) that offer drug coverage. Some employer groups are under the mistaken impression that beneficiaries enrolled in EGHPs do not have to pay the Part D-IRMAA and may be discouraging members from paying any assessed amounts.

We want to clarify that the Part D-IRMAA is assessed to all beneficiaries with Part D coverage whose incomes exceed the above stated threshold amounts. This includes individuals in stand-alone prescription drug plans, Medicare Advantage plans with prescription drug coverage, as well as EGHPs providing Part D coverage. Failure to pay the Part D-IRMAA will result in the individual's involuntary disenrollment from their plan and, thus, the loss of drug and health coverage through their Medicare Advantage plan or employer group. Please note that while the Retiree Drug Subsidy (RDS) is considered creditable coverage, it is not Medicare Part D coverage; therefore, individuals with RDS are not subject to the Part D-IRMAA.

An employer group may make arrangements to cover its enrollees' Part D-IRMAA, but CMS is not able to facilitate such arrangements. In all cases, affected individuals will either have the income-related adjustment deducted from their Social Security (or Railroad Retirement) check or be billed directly by CMS. Thus, even if an employer group chooses to cover the Part D-IRMAA, for example, by reimbursing members for any amounts paid, the enrollee continues to be legally responsible for ensuring that premiums are paid each month.

We understand that some beneficiaries, particularly those in EGHPs, may not understand that they have Medicare prescription drug coverage, and thus may question the linkage between their health coverage and the Part D-IRMAA. Therefore, we are encouraging Part D sponsors to work directly with employers to make sure they are giving their enrollees correct information. To assist in this endeavor, CMS has developed Questions & Answers that can be used in member communication materials (see attachment). In addition, there is also a fact sheet regarding general Part D-IRMAA information available at <http://www.medicare.gov/Publications/Pubs/pdf/11469.pdf>. We encourage plans and employers to use all available avenues to ensure that their members understand the Part D-IRMAA and the ramifications of non-payment.

Point of Contact

Further questions regarding the Part D Income Related Monthly Adjustment Amount should be directed to PDPEenrollment@cms.hhs.gov.

How are Medicare prescription drug coverage premiums changing?

Your monthly premium for Medicare prescription drug coverage (Part D) could be higher based on your income. This includes Part D coverage you get from a Medicare prescription drug plan, a Medicare Advantage Plan with prescription drug coverage (like an HMO or PPO), a Medicare Cost Plan, or employer health plan that includes Medicare prescription drug coverage.

If your modified adjusted gross income as reported on your IRS tax return from 2 years ago (the most recent tax return information provided to Social Security by the IRS) is more than \$85,000 (individuals and married individuals filing separately) and \$170,000 (married individuals filing jointly), you will have to pay an extra amount for your Medicare prescription drug coverage. This extra amount is called the income-related monthly adjustment amount. **You will have to pay this extra amount in addition to your monthly Part D plan premium, each month in order to keep Medicare prescription drug coverage. If you do not pay the extra amount, you will lose your drug and health coverage.**

Who will have to pay the extra amount?

Most people will continue to pay the Part D premium their plan charges. If you have to pay the extra amount in addition to the Part D plan premium, Social Security will use your reported IRS income to determine how much extra you have to pay. You will get a letter from Social Security if you have to pay an extra amount in addition to your monthly Part D plan premium.

How will the extra amount be collected?

It will be deducted from your monthly Social Security, Railroad Retirement, or Office of Personnel Management check, no matter how you usually pay your plan premium. If that amount is more than the amount of your check, you will get a bill from Medicare each month.

What should I do if I disagree with the amount or my income has changed?

Toward the end of the year, Social Security will send you a letter if your Medicare prescription drug plan premium will change based on your income. This letter will tell you what to do if you disagree. For more information, call Social Security at 1-800-772-1213. TTY users should call 1-800-325-0778.

Questions about your Medicare prescription drug coverage or how much you have to pay?

Call <your plan>, call your benefits coordinator, visit [medicare.gov](https://www.medicare.gov), or call 1-800-MEDICARE (1-800-633-4227). TTY users should call 1-877-486-2048.

Questions about the extra amount you are being charged based on your income?

Visit <http://ssa.gov/pubs/10536.html#rules> or call Social Security at 1-800-772-1213. TTY users should call 1-800-325-0778.