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HealthView Insights

2022 Medicare Part B Announcement



Highest premium increase in Medicare History

On November 12th, the Centers for Medicare & Medicaid Services (CMS) announced that the monthly premium for Medicare Part B in 2022 will be \$170.10 – a stark increase from this year’s \$148.50. The growth of nearly 15% is among the largest in Medicare’s history, adding nearly \$260 in costs throughout the coming year. In contrast to the encouraging news for retirees last month when the Social Security Administration announced a 5.9% Cost-of-Living Adjustment (COLA) to all benefits beginning in January 2022, this CMS update is a reminder to current and future retirees that even if their income is growing, so too are their expenses.

Healthcare costs are a top concern of Americans when it comes to their retirement, and premium increases like this will do nothing to ease those worries. But taking these changes in context, understanding their true impact on clients, and applying them to their retirement plans are all ways to better prepare clients for this critical retirement roadblock.

Highlights

2022 Medicare Part B
premiums set at \$170.10

Highest dollar amount
increase in Medicare history

Cost inflation and utilization
trends are key factors

Counter-acts recent news of
substantial Social Security
COLA



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Takeaway 1: The highest dollar-amount premium increase in Medicare history is a reaction to medical costs and utilization

The fallout from the COVID-19 pandemic is still impacting Medicare on two fronts. First, the inflation on goods and services that is impacting the country as it recovers from the pandemic has had its effect on healthcare, as medical services are growing in costs at a higher rate than usual. Additionally, CMS cites “anticipated increases in the intensity of care provided”, as beneficiaries are expected to receive certain care that may have been postponed during the pandemic. Fortunately, when looking at future Part B premiums expectations, neither of these factors are likely to last long-term, so comparably large premium increases should not be expected in 2023 and beyond.

Takeaway 2: This announcement aligns with the historical trend of healthcare inflation exceeding general U.S. inflation



Regardless of whether the economy is in recession or showing strong growth, historically, healthcare cost inflation is 1.5 to 2 times that of U.S. inflation – a reflection of the strong demand and inelasticity of healthcare goods and services. With historically high inflation, it may be no surprise that Part B premiums are also set to grow at a historically rate. Other health insurance premiums and out-of-pocket costs may follow suit, and HealthView Services continues to monitor these trends as well as the short- and long-term implications of health cost inflation.

Takeaway 3: “Hold Harmless” will provide essentially no relief for most Americans

A Medicare rule aimed at protecting retirees against rising health expenses impacting their budgets, “Hold Harmless” is a provision which prevents most retirees from experiencing a Medicare Part B premium increase that exceeds the amount of their Social Security benefits on a year-to-year basis. Within the past decade, when zero or near-zero COLAs have been instituted, Americans have felt temporary relief from increased Part B premiums due to “Hold Harmless”. Unfortunately, with high COLAs and high Part B premium increases, the math doesn’t play into most retirees’ favor: For a beneficiary to have a monthly Social Security check increase by less than the \$21.60 Part B boost, their 2021 benefit would have to be as low as \$350 – an amount that is rare to see even with low-earners. Thus, very few retirees will benefit from “Hold Harmless”.

Of course, HealthView will update all of its retirement planning software, solutions, and educational content with the latest projection data.