



**HealthView**  
SERVICES

# 2024 MEDICARE PART D PREMIUMS: INTERIM DATA REPORT

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WHITE PAPER

# Introduction

In July 2023, the Centers for Medicare & Medicaid Services (CMS) released its 2024 Projected Medicare Part D Premiums for the 51 million Americans enrolled in Medicare prescription drug coverage. It announced that the average total monthly basic premium for Medicare Part D was projected to be approximately \$55.50 in 2024, a 1.8% decline from 2023<sup>i</sup>.

At the time, CMS stated that “Stable premiums for Medicare prescription drug coverage in 2024 are supported by improvements to the Part D program in the Inflation Reduction Act that allow people with Medicare to benefit from reduced costs.” Since Medicare Part D premiums vary by state and plan selection, cost increases tend to receive less attention than Part B premiums, which are federal.

For the millions of Americans preparing for and entering retirement each year, addressing healthcare expenses is among their top priorities. As awareness has grown around the importance of building healthcare into retirement plans – and that these costs will rise faster than inflation – clients are looking to advisors to ensure this fundamental need is met.

There are five providers who offer Part D plans in each of the five states with the highest age 65-plus population. Premiums for high-end, mid-level, and low-end plans from Aetna, Cigna, and Humana are included in this data. To maintain a consistent analysis, two providers are not included: Blue Cross Blue Shield (because – according to Anthem Blue Cross Blue Shield’s website – no Part D Plans are available in New York in 2024) and United Healthcare (because some of their plans will change in 2024 so a year-to-year pricing comparison is not possible).

**Table A:** 2023 to 2024 Cost Inflation - Average Medicare Part D premiums by coverage for three leading providers in the top five states by total 65+ population

	2023	2024	\$ Difference	% Difference
<b>High-End Plan</b>	\$911.84	\$1,292.80	\$380.96	42%
<b>Mid-Level Plan</b>	\$451.44	\$655.04	\$203.60	46%
<b>Low-End Plan</b>	\$203.60	\$351.84	\$128.32	57%

It is important to note that the upcoming increase in Medicare Part B premiums of 5.9% for 2024<sup>ii</sup> underscores the long-term trend of Medicare costs rising faster than the consumer prices. The outsized jump in actual Part D premiums detailed in this paper will further contribute to this trend.

For the growing number of Americans on Medicare Advantage plans that include drug coverage, the rate of increase in premiums is lower than standalone Part D insurance, reflecting a broader combination of plan components and varying levels of drug coverage provided by these plans. Medicare Advantage with prescription drug coverage will also be subject to some of the same forces that are driving Part D costs higher.

## Retirement Healthcare Costs: Part D in Context

For many, retirement healthcare costs will include a combination of Medicare Parts B, D and supplemental insurance premiums, and related out-of-pocket costs such as co-pays, as well as expenses for dental, vision and hearing. With millions of retirees enrolled, Medicare Part D insurance is provided by private companies that follow Medicare guidelines for coverage, but charge different rates by provider, plan, and state.

The following table draws on our 2023 actuarial data to reveal the distribution of healthcare spending by cost category.

**Table B:** Percent of Retirement Healthcare Spending by Category - 65-year-old couple retiring in 2023, living to 87 (male) and 89 (female), national average

	Premiums	OOP	Total
Hospital/Doc/Test (Parts A & B)	25.3%	2.7%	28.0%
Prescriptions (Part D)	8.7%	20.9%	29.6%
Supplemental (Medigap)	27.1%	N/A	27.1%
Dental	6.0%	5.7%	11.7%
Hearing / Vision	N/A	3.6%	3.6%
All Categories	67.1%	32.9%	100%

*This assumes that the couple does not exceed the new catastrophic coverage limit and does not experience any decrease in prescription drug co-pays.*






The data in Table B does not reflect the significant increases in Part D premiums that will take effect in 2024. Since other components of healthcare budgets are rising at rates consistent with historical trends, 2024 Part D premiums will account for a greater portion of expenses in the coming year.

With key provisions of the Inflation Reduction Act being enacted in 2025, it is possible that the increase in Part D premiums may continue for another year. **Assuming a two-year 42% per annum cost increase for higher-end plans (consistent with data in Table A) – with a return to normalized inflation rates thereafter – Medicare Part D premiums would increase from 8.7% to 14.7% of lifetime healthcare spend for this couple (or \$52,951).** Since approximately 25% of retirees are expected to exceed the \$2,000 limit, around 75% will face higher premiums with no reduction in co-pays due to the lower catastrophic limit. (Though they may experience relief through capped insulin prices or drugs that are negotiated by the federal government through different components of the Inflation Reduction Act.)

## 2024 Medicare Part D Premiums Costs by State

HealthView's analysis of publicly available Part D premium data from three large plan providers serving California, Florida, Texas, New York, and Pennsylvania shows increases in plan costs across the board. The tables reveals that average Part D premiums will rise by 30% in Texas and 53% in New York, with a range of growth in plan prices across the five states between 21% and 77%, with an average of 42% in high-end plans (which are popular among advisor-clients and represent the smallest increase in 2024 costs by percentage growth). The tables below list annual premium costs in 2023 and 2024 for the highest-coverage Medicare Part D plans.

**Tables C1-C5:** 2023 to 2024 Cost Inflation - Highest-cost Medicare Part D premiums for three leading providers in top five states by 65+ population

	2023	2024	\$ Difference	% Difference	
 <b>California</b>	Provider A	\$829.20	\$1,392.00	\$562.80	68%
	Provider B	\$812.40	\$1,270.80	\$458.40	56%
	Provider C	\$1,124.40	\$1,550.40	\$426.00	38%
	Average	<b>\$922.00</b>	<b>\$1,404.40</b>	<b>\$482.40</b>	<b>52%</b>
 <b>Florida</b>	Provider A	\$844.80	\$1,221.60	\$376.80	45%
	Provider B	\$846.00	\$1,137.60	\$291.60	34%
	Provider C	\$1,000.80	\$1,381.20	\$380.40	38%
	Average	<b>\$897.20</b>	<b>\$1,246.80</b>	<b>\$349.60</b>	<b>39%</b>
 <b>Texas</b>	Provider A	\$925.20	\$1,180.80	\$255.60	28%
	Provider B	\$788.40	\$981.60	\$193.20	25%
	Provider C	\$940.80	\$1,299.60	\$358.80	38%
	Average	<b>\$884.80</b>	<b>\$1,154.00</b>	<b>\$269.20</b>	<b>30%</b>
 <b>New York</b>	Provider A	\$814.80	\$1,444.80	\$630.00	77%
	Provider B	\$906.00	\$1,339.20	\$433.20	48%
	Provider C	\$1,156.80	\$1,624.80	\$468.00	40%
	Average	<b>\$959.20</b>	<b>\$1,469.60</b>	<b>\$510.40</b>	<b>53%</b>
 <b>Pennsylvania</b>	Provider A	\$933.60	\$1,195.20	\$261.60	28%
	Provider B	\$693.60	\$1,092.00	\$398.40	57%
	Provider C	\$1,060.80	\$1,280.40	\$219.60	21%
	Average	<b>\$896.00</b>	<b>\$1,189.20</b>	<b>\$293.20</b>	<b>33%</b>

In dollar terms, retirees choosing these plans will be paying anywhere from \$190 to \$630 more each year in these states for their prescription drug coverage.

# What is Driving Medicare Part D Cost Increases?

The Inflation Reduction Act, which was signed into law in August of 2022, will enact sweeping changes to prescription drug costs delivered through Medicare and Medicare Advantage plans. Perhaps the most impactful provision on Medicare Part D is the reduction in maximum annual out-of-pocket spending on prescription drugs. Retirees will benefit from a significant decrease to the “catastrophic coverage” cap for out-of-pocket costs for covered medications, which in 2023 is \$7,050. In 2025, the cap will be reduced to \$2,000, with about one-quarter of current Medicare Part D beneficiaries expected to benefit from this lower limit.<sup>iii</sup>

These changes will reduce co-pays for some retirees – especially those with chronic health conditions – but shift more responsibility for catastrophic coverage onto Part D plan providers, as anticipated by industry experts including the Kaiser Family Foundation (KFF). Although the goal of The Inflation Reduction Act – which does not address premiums – is to reduce costs for retirees, it would appear to be driving higher Part D premiums in 2024 (and potentially in 2025).

*In addition to the lower limit leading to more costs incurred beyond the catastrophic coverage maximum, Part D plan providers will be responsible for a higher portion of those expenses. Presently, plans must cover around 20% of drug costs members incur above the catastrophic cap. But, beginning in 2025, carriers will be responsible for 60% or 80% of such costs, depending on whether the drug is rebate-eligible.*

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## Implications for Advisors and Clients

If the government is successful at negotiating the cost of drugs (a new ability granted by another provision of the Inflation Reduction Act) higher Part D Premiums may over time be counter-balanced for some by lower out-of-pocket costs for prescription drugs.

Since negotiations around price reductions of drugs covered under Medicare will continue over the remainder of the decade, it’s too early to draw any firm conclusions about their long-term impact. New high-price drugs and treatments developed in the coming years may have the potential to significantly alter the trajectory of costs and Part D premiums.

The most realistic planning scenario is for a return to historical average increases in 2026, once new Inflation Reduction Act rules have taken effect. We are in the process of developing updated data sets to be integrated into HealthView Services cost projection, planning and portfolio management tools.

Retirees have a range of choices when it comes to prescription drug coverage. In most states, several Part D plans are available to choose from, as well as Medicare Advantage options, with monthly premiums at different price points and levels of prescription coverage. Online tools are available where users can enter their current prescriptions and view which plans cover those drugs. Subscribers can change their coverage every year, so as medical needs evolve, they can subscribe to plans that meet their growing needs. This approach can help mitigate costs – especially early in retirement when higher-end plans might not be needed – but a detailed approach to plan selection is always warranted regardless of age.

# Conclusion

Medicare prescription drug coverage is selected by tens of millions of Americans. Early indicators from the five states with the highest 65-plus population show that Part D coverage will be significantly more expensive for many Americans in 2024.

An increase of several hundred dollars a year may not seem that much until it is put in the context of this year's Social Security COLA increases. The added cost for high-end Part D premiums (among the plans detailed in this report) will on its own account for 54% of the average cost-of-living increase that retirees will receive in federal benefits. Add in Part B premiums increases, and that number jumps to 70%.

Advisors and clients need to be clear about what this means in practice. Over the course of retirement, our data continues to show healthcare costs continuing to rise faster than CPI, driven by premium inflation, out-of-pocket cost inflation, age rating for supplemental insurance, and the greater utilization of services. This means that healthcare costs will be far higher at the end of retirement than at the beginning. Greater Part D premiums are a part of this overall picture and may add an additional \$53,000 in lifetime premiums based on a two-year inflation rate of 42%.

Ensuring funds will be available to address medical needs through retirement is a planning, investment and decumulation challenge. Our planning and portfolio management tools help advisors work with clients to determine projected retirement healthcare costs and ensure that retirement funds will be available to address all components of healthcare, of which Part D premiums are an increasingly expensive component.

[i] <https://www.cms.gov/newsroom/news-alert/cms-releases-2024-projected-medicare-part-d-premium-and-bid-information>

[ii] <https://www.cms.gov/newsroom/fact-sheets/2024-medicare-parts-b-premiums-and-deductibles>

[iii] <https://www.barrons.com/articles/medicare-drug-costs-to-be-capped-at-2-000-a-year-in-inflation-reduction-act-51659879091>

[iv] <https://www.kff.org/medicare/fact-sheet/an-overview-of-the-medicare-part-d-prescription-drug-benefit/>

[v] <https://www.milliman.com/en/insight/part-d-redesign-under-ira-potential-financial-ramifications>



## About HealthView Services

HealthView Services (HVS), founded by a team of financial professionals, healthcare industry executives, and physicians, is a leading provider of healthcare cost projection software. Our portfolio of retirement healthcare planning applications – which creates comprehensive and reliable cost projections for around 40 million users annually – is utilized by advisors, financial institutions, employees and consumers.

Drawing on actuarial and government data, as well as 530 million medical claims, HVS applications rely on a patented data process that utilizes simple user inputs (age, gender, health conditions, income, and state) to create personalized estimates of retirement healthcare costs.

HealthView Services' HealthPlanner Plus decumulation and retirement planning software provides a new option for advisors to manage portfolios that address annual healthcare spending and other expense needs.

The data also incorporates inflation projections for each component of retirement healthcare: Medicare premiums, supplemental insurance, and out-of-pocket spending. With more than a decade of use across the financial services industry, these solutions have proven to be a powerful driver of savings and retirement planning. HVS has numerous software applications which include healthcare cost projections, long-term care costs, Medicare premiums and surcharges, Social Security optimization, and more.



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