



Congresswoman Carolyn Cheeks Kilpatrick, Michigan's 13th District

Hill News

News From The Office of Congresswoman Carolyn Cheeks Kilpatrick

Impact of Medicare Premium Increases In Wayne County

Dear Friend:

In September of 2004, the Bush Administration announced that Medicare premiums would increase by a record amount, more than \$139 per year per beneficiary. This 17% increase imposes substantial new costs on seniors and individuals with disabilities. The Medicare law signed by President Bush in November 2003 is responsible for the majority of this increase.

I have requested a report that analyzes the impact of these premium increases in Wayne County. It finds that the increase will force 240,000 Medicare beneficiaries in the region to pay \$34 million more in Medicare premiums next year. Approximately \$20 million of this increase is directly attributable to provisions contained in the new Medicare law. Because Medicare costs are rising six times faster than Social Security benefits, an estimated 101,000 Medicare beneficiaries in Wayne County will be forced to use most or all of their Social Security cost-of-living adjustments to pay for the increased Medicare premiums.

Next year, monthly premiums for Medicare beneficiaries will increase from \$66.60 monthly to \$78.20, an increase of \$11.60 per month or \$139.20 per year, a record level.

Under the new Medicare law, one provision increases payments to HMOs and insurance companies that offer private Medicare plans. HMOs and insurance companies are paid up to 23% more than traditional Medicare at a total cost of \$50 billion over the next ten years. All beneficiaries are forced to pay for the increased payments via increased premiums if they would like to continue receiving physicians' services through Medicare. For these individuals, states will pay the cost of enrollment in Medicare Part B.

There are a total of 1.44 million Medicare beneficiaries in the state of Michigan. Of these beneficiaries, 1.38 million received Medicare Part B benefits, and 1.22 million pay their own premiums. Next year, each of the 1.22 million Medicare beneficiaries in Michigan who pay their own premiums will be subject to the 17% premium increase. Each of the 240,000 Medicare beneficiaries in Wayne County who pay their own premiums will be subject to the 17% premium increase.

For many in the Medicare program, Social Security benefits are their primary source of income. The increased Medicare premiums are particularly burdensome for these beneficiaries because the rate of increase in Social Security benefits, which is tied to the inflation rate, is far lower than the rate of increase in Medicare premiums. In 2005, the increase in Social Security benefits will be approximately 3%, compared to the 17% rate of increase in Medicare premiums. In the past four years, Medicare premiums have increased six times faster than Social Security benefits. Including the 2.5% increase slated for 2005, Social Security benefits have increased by 9% since 2001, compared to a 56% increase in Medicare benefits.

In Wayne County, an estimated 17,000 beneficiaries will use the entire amount of their Social Security cost-of-living adjustment to pay the increased premiums, and an estimated 101,000 beneficiaries will use at least half of their Social Security cost-of-living adjustment.

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