

MEDICARE SURCHARGE THRESHOLDS TO DROP

High-income retirees socked with premium surcharges for Medicare Part B and Part D may have to pony up even more in 2018. The income thresholds for the highest surcharge tiers drop next year, hitting more beneficiaries with higher premiums.

Resetting the trigger points was part of the Medicare Access and CHIP Reauthorization Act of 2015, known as the “doc fix” law. That law put an end to the annual battles over fee schedules for doctors’ Medicare payments. To help pay for the permanent fix, lawmakers put high-income beneficiaries on the hook.

There will still be four surcharge tiers for 2018. There is no surcharge for beneficiaries whose modified adjusted gross income (AGI plus tax-exempt interest) is less than \$85,000 for single filers or \$170,000 for married taxpayers filing jointly.

But the tops of the other tiers are compressed so that some income levels that have been in tier two will be in tier three and some beneficiaries previously in tier three will find themselves in the most expensive tier four. The highest surcharges used to kick in when MAGI passed \$214,000 for singles and \$428,000 for married couples. Those trigger points drop 25% in 2018, to \$60,000 and \$320,000 respectively. (The standard premium and surcharge amounts will be released later this year.)

Because 2016 tax returns are used to determine 2018 Medicare premiums, and those returns have already been filed, you could be stuck with higher premiums unless you qualify for a waiver because of a life-changing event, such as retirement or death of a spouse (see “Medicare Surcharges Have Costly Effects”)

But if your income is likely to be at similar levels in 2017, you still have time to try to lower your MAGI for this tax year with the aim of reining in your 2019 Medicare premiums. If you might cross a tier threshold, look to tap sources of income that are exempt from MAGI. That includes Roth account distributions, health savings account distributions, loans from cash-value life insurance, a portion of nonqualified immediate annuity payments and reverse mortgage proceeds.

If you are subject to required minimum distributions from retirement accounts, consider making a direct charitable contribution from your IRA. Such qualified charitable distributions don’t count toward your MAGI.

RACHEL L. SHEEDY

Change in Income Thresholds

	2017 Tiers*	2018 Tiers*
Single	\$85,001-\$107,000	\$85,001-\$107,000
Married	\$170,001-\$214,000	\$170,001-\$214,000
Single	\$107,001-\$160,000	\$107,001-\$133,500
Married	\$214,001-\$320,000	\$214,001-\$267,000
Single	\$160,001-\$214,000	\$133,501-\$160,000
Married	\$320,001-\$428,000	\$267,001-\$320,000
Single	More than \$214,000	More than \$160,000
Married	More than \$428,000	More than \$320,000

*Surcharges based on adjusted gross income, plus tax-exempt interest, from two years prior