

No Social Security Cost-of-Living Adjustment (COLA) in 2016

On October 15, 2015, the Social Security Administration announced that there will be no cost-of-living adjustment for Social Security beneficiaries in 2016. This is the third time, since the enactment of the program in 1972, that seniors and disabled beneficiaries will not receive a COLA.

Hold Harmless Provision

When seniors don't receive a COLA, a provision known as "hold harmless" protects 70% of beneficiaries from higher Medicare Part B premiums. This was passed to ensure that seniors' Social Security checks do not go down from one year to the next. Those beneficiaries will continue to pay \$104.90 for their monthly premiums. Unfortunately, 30% of seniors and persons with disabilities are not protected.

Who will be affected?

More than 16 million beneficiaries will not be protected and will have to pay higher premiums, including:

- 2.8 million new beneficiaries
- 1.6 million public sector retirees not receiving Social Security (i.e., teachers, firefighters, police and federal retirees who worked under the old federal retirement system known as, Civil Service Retirement System)
- 3.1 million higher income beneficiaries (individuals with incomes above \$85,000 and couples with incomes above \$170,000)
- 9 million dual-eligibles (low-income beneficiaries who have both Medicare and Medicaid)

What will the premiums be?

The beneficiaries who are not protected will have to pick up the cost for all those who are held harmless, and the cost is a whopping 52% increase in their monthly Part B premiums. This is because Medicare law requires that beneficiaries pay 25% of the cost of the Part B program through monthly premiums. If there had been a COLA, all seniors



Medicare Part B Increases

Dramatic Increases for 2016

would have paid \$120.70, a 25% increase in their premiums. Since 70% of seniors will be held harmless in 2016, the Medicare trustees have projected that the other 30% will have to pay \$159.30.

What about the deductible?

While 70% of seniors and persons with disabilities will be protected from higher Part B premiums, **all** beneficiaries will be required to pay a higher Part B deductible. The Medicare trustees also projected that the Part B deductible will increase from \$147 this year to \$223 in 2016. The Part B deductible is tied to the calculation of the Part B premiums.

What is the solution?

There are two complementary bills pending in Congress – S. 2148 introduced by Senator Ron Wyden (D-OR) and H.R. 3696 introduced by Representative Dina Titus (D-NV) -- that would extend the “hold harmless” provision to all Medicare beneficiaries, protecting them against higher Part B premiums and deductibles.

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