

## **Opposing Medicare Means Testing – Talking Points**

### **MEDICARE PREMIUMS ARE ALREADY INCOME RELATED**

- Deliberations about how to address the nation's long-term deficit, as well as how to pay for preventing a reduction in payments to physicians, include proposals for means testing Medicare - that is, requiring higher-income beneficiaries to pay more of Medicare's costs.
  - ✓ These proposals fail to recognize that Medicare beneficiaries with incomes above \$85,000/individual and \$170,000/couple already pay higher premiums for Medicare Part B, which covers physician and outpatient services, and for the Medicare Part D prescription drug benefit.

### **INCREASING MEANS TESTING REACHES FAR DOWN INTO THE MIDDLE CLASS**

- Under current law, the number of beneficiaries subject to Part B means-tested premiums is expected to increase from 2.4 million in 2011 to 5.5 million in 2019, an increase from 5 percent to 10 percent of Part B enrollees. Proposals to expand Medicare means testing include increasing income-related premiums under Medicare Parts B and D until 25 percent of beneficiaries are subject to these premiums.
  - ✓ A study from the Kaiser Family Foundation found that this would affect individuals with incomes equivalent to \$47,000 for an individual and \$94,000 for a couple today – meaning it would reach many middle-income Americans.

### **WEALTHY INDIVIDUALS ALREADY PAY MORE**

- Higher-income beneficiaries pay more into Medicare during their working years because there is no wage cap on the Medicare payroll tax.
  - ✓ Medicare Part A is funded by payroll taxes of 1.45 percent on employees, matched by employers, with self-employed individuals paying the full 2.9 percent. Since 1994, this payroll tax has been levied on all covered wages and self-employment without a limit. Therefore, the higher an individual's earnings, the more he or she will contribute to Medicare Part A during their working years.
- Beginning in 2013, higher-income individuals are paying even more to support Medicare.
  - ✓ The Part A payroll tax increased by an additional 0.9 percent on taxpayers earning above \$200,000 for an individual and \$250,000 for a couple. These same income thresholds will also trigger a 3.8 percent surtax on unearned income, such as interest, dividends and capital gains, which will be applied to Medicare.

### **MEANS TESTING UNDERMINES MEDICARE**

- Additional means testing would undermine the social insurance nature of Medicare and ultimately raise costs for middle and lower-income seniors who depend on it.
- If mean testing results in Medicare becoming increasingly unfair to higher-income beneficiaries, they may opt out and purchase their own policy on the private market. The departure of higher-income beneficiaries, who tend to be younger and healthier, would increase overall costs and reduce public support for the program.