

Planning For Medicare Part B IRMAA Surcharges

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Millions of Americans turn 65 every year and sign up for Medicare, and beneficiaries should be aware of strategies that can help save money on premiums. From 1966 when the Part B premium was \$3 per month, until 2006, when it was \$88.50 per month, all beneficiaries paid the same premium, which covered about 25% of the total cost. Starting in 2007, higher-income beneficiaries began paying Income Related Monthly Adjusted Amount (IRMAA) surcharges designed to cover 35%-80% of the Part B cost.

A significant factor impacting these numbers is that there is a two-year lookback on determining income. If you sign up for Medicare at 65 in 2023, the Social Security Administration will look back to your 2021 tax return to select your Medicare Part B and Part D premiums, even if your income is much lower. Below are the income brackets for IRMAA surcharges:

2021 Income		2023 Monthly Premium
Single	Married Filing Jointly	Part B
\$97,000 or less	\$194,000 or less	\$164.90
\$97,000 to \$123,000	\$194,000 to \$246,000	\$230.80
\$123,000 to \$153,000	\$246,000 to \$306,000	\$329.70
\$153,000 to \$183,000	\$306,000 to \$366,000	\$428.60
\$183,000 to \$500,000	\$366,000 to \$750,000	\$527.50
\$500,000 +	\$750,000 or above	\$560.50

Source: <https://www.medicare.gov/basics/costs/medicare-costs>

Best Practices to Reduce Surcharges:

- Request New Determination:** The Social Security Administration will send you a notice explaining what information they used to determine if IRMAA applies and if you are able to request a new initial determination. If you have had a life-changing event such as the death of a spouse, a divorce, have stopped or reduced work, a loss of income-producing property, or loss of employer pension, you can request a new determination. [View the determination form here.](#)
- Be Aware of Income Thresholds:** Being just \$1 over an income bracket can raise the cost of your premium for an entire year.
- Timing Income:** Large taxable events such as Roth IRA conversions and realizing capital gains can impact your premiums if they are in the two-year lookback window. It is

important to note that you are not able to request a new determination based on these types of income. If possible, try to time these three years before you start Medicare and work with your tax advisor to keep your income under the applicable thresholds.

4. **Reducing Income:** If you are over 70.5, have pre-tax IRAs, and are charitably minded, Qualified Charitable Distributions (QCDs) allow you to gift up to \$100,000 from your IRA and reduce your income by that amount each year. If you are eligible, consider contributing to a Health Savings Account (HSA). Qualified distributions for medical expenses are tax-free, so you can use these funds in retirement v. withdrawing from an IRA and increasing your taxable income.
5. **Timing of Enrollment:** If you are covered by an employer group plan for a company with more than 20 employees, you can delay signing up for Part B when you turn 65 without incurring a penalty. Once you are no longer covered by the plan you will have a special enrollment period. If you receive Social Security at 65 you will automatically be enrolled in Part B, but you can suspend this coverage if necessary.

Review with your tax and financial advisor to understand how these surcharges apply to you and if there is any way they can be reduced. Used appropriately, these strategies can help save tens of thousands of dollars in premiums paid over the span of retirement.

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