

How Do I Lower My Medicare Premiums?

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It's no surprise that we frequently field questions revolving around Medicare premiums. Whether you're on the cusp of Medicare eligibility or have been enrolled for years, the thought of finding a way to reduce your premium may have crossed your mind. Good news – there are two strategies that can make this happen. However, before we dive into options to lower your Medicare premiums, it's important to understand exactly how premiums are calculated.

How Much Does Medicare Cost?

Yes, there is a cost. Medicare doesn't come with a one-size-fits-all price tag, and your premiums aren't set in stone. While most people are exempt from Medicare Part A premiums, Part B and D premiums can fluctuate based on your income from two years prior, known as the Income-Related Monthly Adjusted Amount (IRMAA).

2024 Medicare Part B and D Premium Rates

If Your 2022 Income Was...		You Pay	
Single	Married Couple	Premium	Part D Surcharge
\$103,000 or less	\$206,000 or less	\$174.70	
\$103,001 - \$129,000	\$206,001 - \$258,000	\$244.60	\$12.90
\$129,001 - \$161,000	\$258,001 - \$322,000	\$349.40	\$33.30
\$161,001 - \$193,000	\$322,001 - \$386,000	\$454.20	\$53.80
\$193,001 - \$500,000	\$386,001 - \$750,000	\$559.00	\$74.20
Above \$500,000	Above \$750,000	\$594.00	\$81.00

*** Medicare premiums will differ for those who are married and filing separately.

If your income was below \$206,000 for married couples filing jointly (or \$103,000 for single

filers), you're in the clear for some of the higher premiums. But cross that threshold even by a dollar, and the government will hike up your costs for an entire year.

How To Lower My Medicare Premiums

There are two ways to reduce your costs:

1. The Easiest Path Towards Lower Premiums: Submit Life-Changing Event Form

Yes, it might be as easy as asking the government to lower your premiums. However, they won't grant this request to everyone. You'll need to demonstrate you've undergone a significant life event that has led to a decrease in your income. These events include marriage, divorce, retirement, or loss of a spouse.

For instance, the 2024 IRMAA charges are based on your 2022 tax return. If you retired in 2023 resulting in the loss of your salary, you should appeal to Medicare so that premiums match your current financial situation.

If any of the above applies to you, here are your next steps:

1. Gather proof to show the government that your circumstances have changed. This can be either with a tax return reflecting your current income or evidence of the life-changing event that has impacted your income.
2. Once you have the proof, submit a Medicare IRMAA Life-Changing Event Form (Form SSA-44).
3. Or, if you prefer to do this in person, you can schedule an appointment with Social Security. (Believe it or not, this isn't a typo. Social Security and Medicare offices coordinate together).

2. The Second Work Around To Medicare Premiums: Long-term Financial Planning

If you haven't experienced a life-changing event, you have another path to lower your Medicare premiums. Since IRMAA is based on your income from two years prior, you can strategically plan your income around these thresholds to avoid surcharges.

For example, if your Medicare premiums seem high, this would have been caused by your 2022 tax return. Unfortunately, there is nothing you can do about it for the remainder of this year or next year (because 2023 is also over). But it may still be worth further looking into as a means to assist with 2026 and forward.

If you're looking into lowering premiums, review your 2022 tax return to see where income was coming from. Main sources include retirement account distributions, portfolio income, and Social Security/Pension payments. Sometimes, a spike in income can result from one-time events. For instance, selling a vacation home might trigger capital gains tax, temporarily increasing Medicare premiums. If this was the cause, your premiums may revert back to normal next year.

If one-time events aren't the cause, explore other methods to reduce income. Keep in mind, the goal in retirement isn't solely spending less to cut health insurance premiums. However, if you're close to a new threshold, simple adjustments may drop you to a lower IRMAA tier. For example, if you're married and filing jointly with \$208,000 taxable income in 2022, you're automatically charged IRMAA (being \$2,000 over the threshold). By trimming a few thousand from your taxable income the next year, you can avoid IRMAA altogether. This may be possible by reducing withdrawals from retirement accounts or limiting capital gains.

Yet, if you find yourself significantly past a threshold, the effort to save a little on health insurance might not be worth sacrificing your quality of life. Think about it this way – if you're \$20,000 past a threshold, is it worth cutting your expenses by \$20,000 just to save a few thousand in premiums? When Medicare premiums start dictating your daily spending, it's time to reconsider if you're truly enjoying your retirement to the fullest.

In some cases, you might not have enough flexibility to lower your premiums. Many overlook their minimum level of annual income—consider Social Security, RMDs, Pensions, Rental income, dividends, capital gains, and interest income. In such cases, reducing income may not be feasible. It's not about spending less; it's about what you receive. In some cases, Medicare premiums may be beyond your control.

The Bottom Line

While you should always keep an eye on your Medicare premiums and control expenses where possible, reducing these costs may not be worth the effort. If you have experienced a life-changing event that has impacted your income, it's certainly worth contacting Medicare and submitting an appeal. If that's not the case, only you can weigh the benefit of reducing premiums against what you may be sacrificing.

We frequently help our clients assess Medicare premiums and what's right for them. If you're curious about lowering your Medicare premiums or questioning if it's worth your time, it may be as easy as giving us a call.