



Advising the Congress on Medicare issues

Medicare Part B premium payment basics

Jennifer Druckman

March 3, 2026

Medicare Part B premium payment basics



MEDICARE PART B PREMIUM

paymentbasics

Revised:
March 2026

Background

Medicare Part B pays for a portion of the costs of clinician services, outpatient hospital services, drugs administered by clinicians, and other related services for individuals enrolled in the program. Individuals are eligible for Medicare either because they have turned 65; they are disabled and have received Social Security disability insurance payments for two years; they have been diagnosed with end-stage renal disease (ESRD); or they have just begun to receive disability insurance payments and have a diagnosis of amyotrophic lateral sclerosis (ALS). Medicare Part B is available to individuals entitled to Medicare Part A, which helps pay for inpatient hospital stays, post-acute care following those hospital stays, and hospice care. Part A is available to 99 percent of Medicare beneficiaries without a monthly Part A premium because they, their spouse, or parent, as applicable, paid Medicare payroll taxes for at least 10 years.

Part B is an optional program where eligible individuals enroll in the program and pay (or have paid on their behalf) monthly premiums. The Part B premium accounts for approximately 25 percent of Part B costs, with transfers from the general fund of the Treasury accounting for approximately 73 percent and other funding, such as interest, accounting for approximately two percent (Figure 1). The standard monthly premium amount for a year is to be published by CMS by the end of September of the previous year. The standard monthly Part B premium amount for 2026 is \$202.90.

Most enrollees have their Part B premium amount deducted automatically from their Social Security benefit payment.¹ Some enrollees are dually enrolled in Medicare and Medicaid and have their Part B premium paid by their state Medicaid program. The remaining enrollees receive a bill from Medicare and pay their Part B premium directly.

Most enrollees (or state Medicaid programs on behalf of dually eligible beneficiaries) pay the standard premium amount. However, beneficiaries with a modified adjusted gross income above a specified amount also pay an Income-Related Monthly Adjustment Amount (IRMAA).² In 2026, individuals with modified adjusted gross incomes greater than \$109,000 and couples with incomes greater than \$218,000 are required to pay an IRMAA.³ Also, a very small number of individuals who once qualified for Medicare coverage because of end-stage renal disease but who are no longer qualified after kidney transplant are eligible to continue their Medicare Part B coverage of their immunosuppressive drugs and pay a reduced Part B premium.⁴

Medicare Advantage (MA) plans can reduce the amount deducted from enrollees' Social Security benefit payments by "buying down" some or all of the standard Part B premium amount. In 2026, 29 percent of the beneficiaries enrolled in conventional MA plans are estimated to be in such premium-reduction plans, with a median premium reduction of \$61 per month.

In most cases, individuals who do not sign up for Part B when first eligible will be required to pay a late-enrollment penalty for as long as they maintain Part B coverage (see the illustrative example in the text box, p. 2).⁵ The late-enrollment penalty is equal to 10 percent of an individual's monthly premium for each full 12-month period for which the individual was eligible to enroll in Part B but did not. If the enrollment delay is under 12 months, there is no monetary penalty. The average Part B late enrollment penalty paid by enrollees is estimated at 27 percent of the standard monthly premium (about \$54 in 2026).

The late enrollment penalty does not apply to beneficiaries who are eligible for Medicare due to ESRD or are enrolled in Medicare Savings Programs, which are

The policies discussed in this document were current as of March 2026. This document does not reflect proposed legislation or regulatory actions.

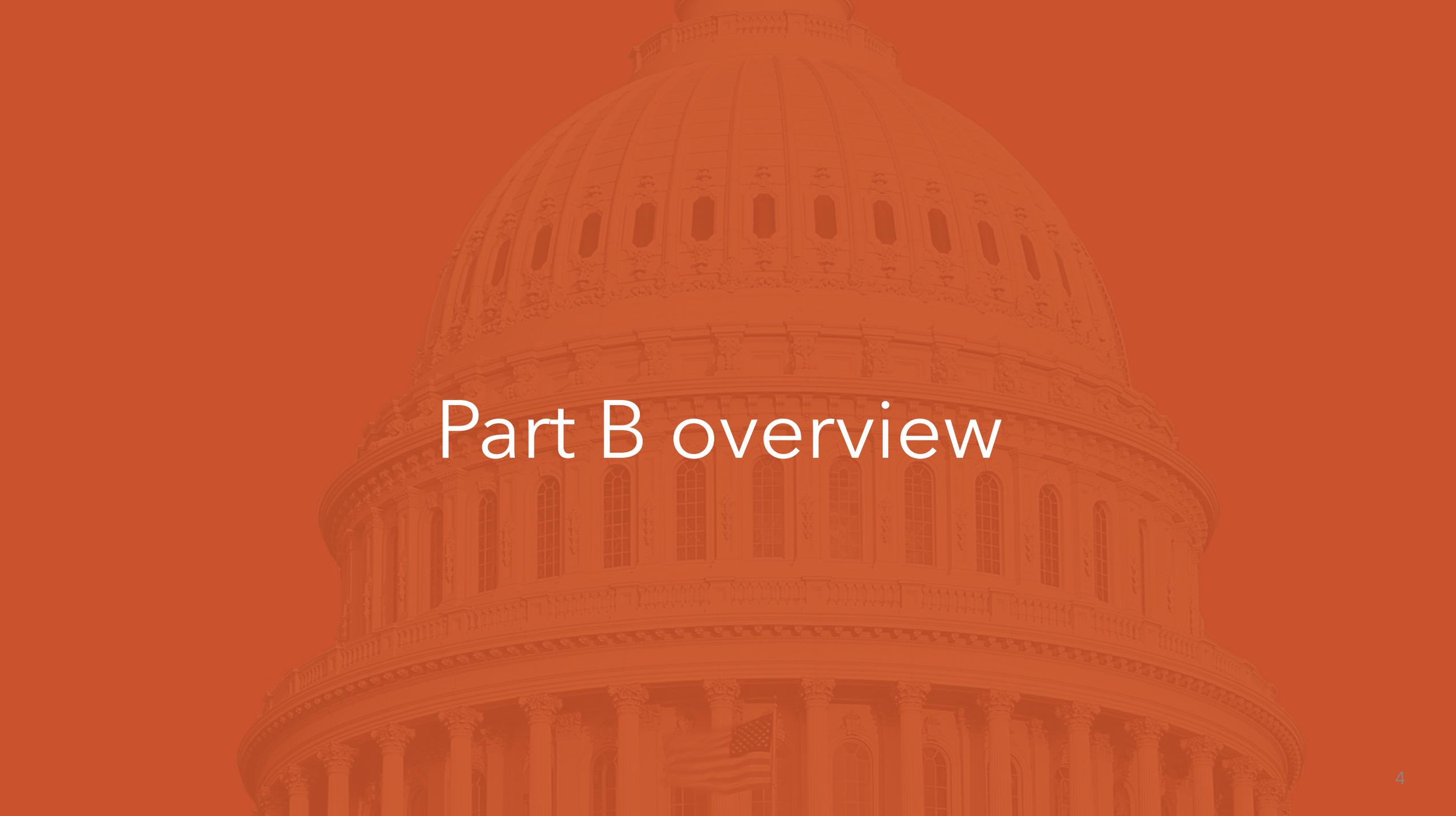
MedPAC
425 I Street, NW
Suite 701
Washington, DC 20001
ph: 202-220-3700
www.medpac.gov

- Each year, MedPAC posts brief overviews explaining how Medicare's various payment systems operate
- This year, we have prepared a new *Payment Basics* to explain how the Part B premium is calculated

Note: The *Payment Basics* series is available at <https://www.medpac.gov/document-type/payment-basic/>.

Presentation roadmap

- 1 Part B overview
- 2 Premium calculation
- 3 Holding beneficiaries harmless
- 4 Discussion



Part B overview

Eligibility for Medicare

- Generally, Medicare is available for people 65 or older and for certain people under 65 who are eligible if they have a disability (including ALS) or ESRD
- Eligibility based on age means that, in general, at age 65, individuals are:
 - Entitled to Part A if they meet:
 - Citizenship and residency requirements
 - Work requirements (10 years)
 - Eligible to enroll in and pay a premium for:
 - Part B
 - Part D

Note: ALS (amyotrophic lateral sclerosis), ESRD (end-stage renal disease).

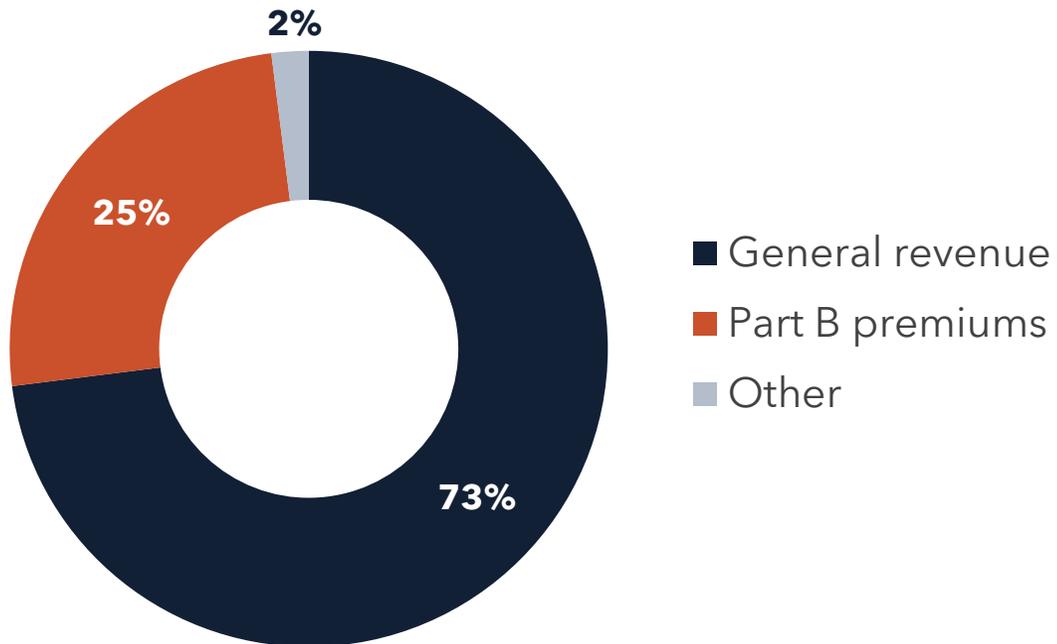
Medicare Part B items and services

- Medicare Part B spending includes payments for the following items and services:
 - Clinician services
 - Hospital outpatient departments
 - Physician-administered drugs
 - Other ambulatory items and services
- Part B spending also includes a portion of payments made to Medicare Advantage plans that are assumed to reflect Part B services
- Typically, FFS enrollees pay 20% coinsurance for Part B items and services

Note: FFS (fee-for-service).

Funding the Part B account

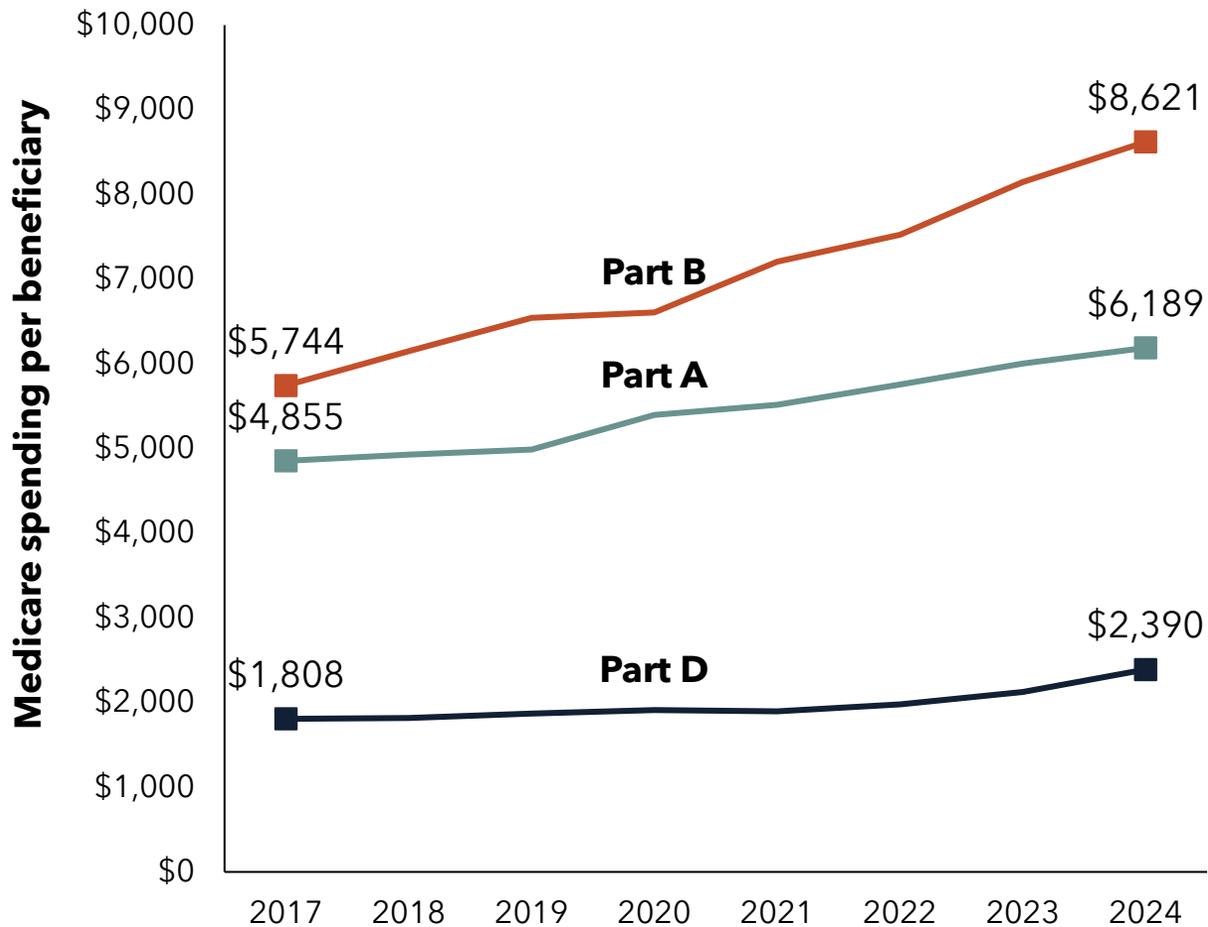
Sources of funding



- The Part B account in the Supplementary Medical Insurance Trust Fund pays for Part B items and services
- Income from premiums and government contributions are reset each year to cover expected spending
- Part B premiums increase at the same rate as expenditures

Source: Centers for Medicare & Medicaid Services, Department of Health and Human Services. 2025. Medicare program; Medicare Part B monthly actuarial rates, premium rates, and annual deductible beginning January 1, 2026. Notice. *Federal Register* 90, no. 221(November 19).

Since 2017, Part B spending has grown quickly

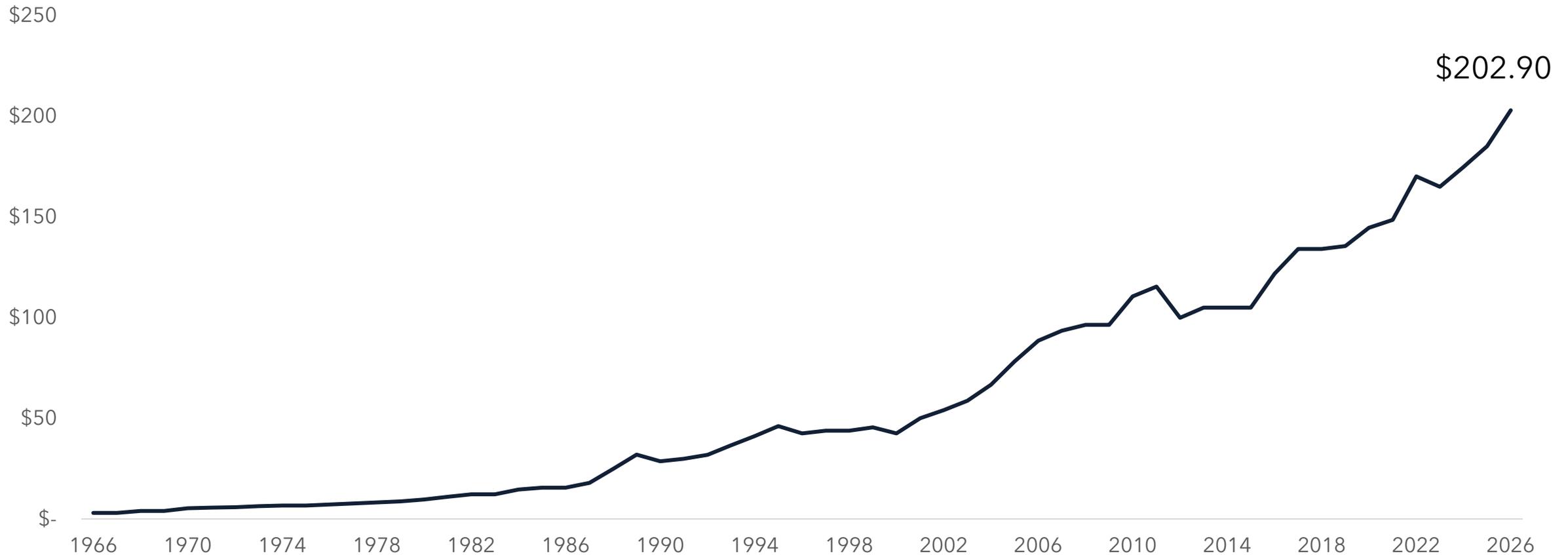


- In 2024, total Part B expenditures were \$535 billion for items and services furnished to 62 million enrollees
- Services shifting from Part A to Part B has reduced pressure on the Medicare payroll tax but increased pressure on general revenues

Note: Includes enrollees in Medicare Advantage and fee-for-service Medicare. Calculated as nominal spending (not adjusted for inflation) for each respective Medicare part divided by the number of beneficiaries enrolled in that part.

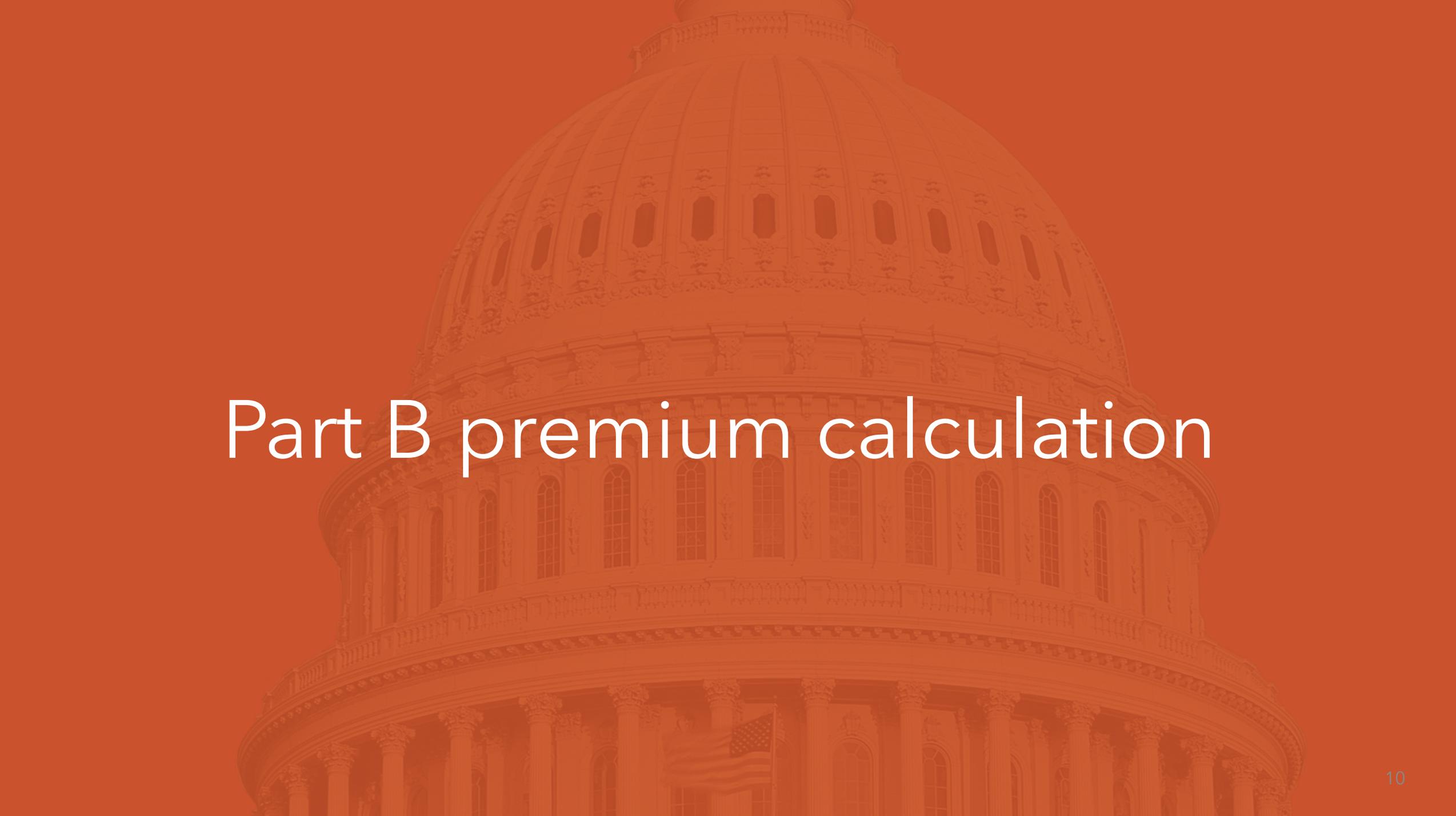
Source: MedPAC analysis of data from the 2025 annual report of the Boards of Trustees of the Medicare trust funds.

Part B standard monthly premium, 60-year trend



Note: Dollar amounts are nominal.

Source: Congressional Research Service. 2022. *Medicare Part B: Enrollment and premiums*. R40082. Washington, DC: CRS. May 19. Boards of Trustees, Federal Hospital Insurance and Federal Supplementary Medical Insurance Trust Funds. 2025. The 2025 annual report of the Boards of Trustees of the Federal Hospital Insurance and Federal Supplementary Medical Insurance Trust Funds. Washington, DC: Boards of Trustees. <https://www.cms.gov/oact/tr/2025>.

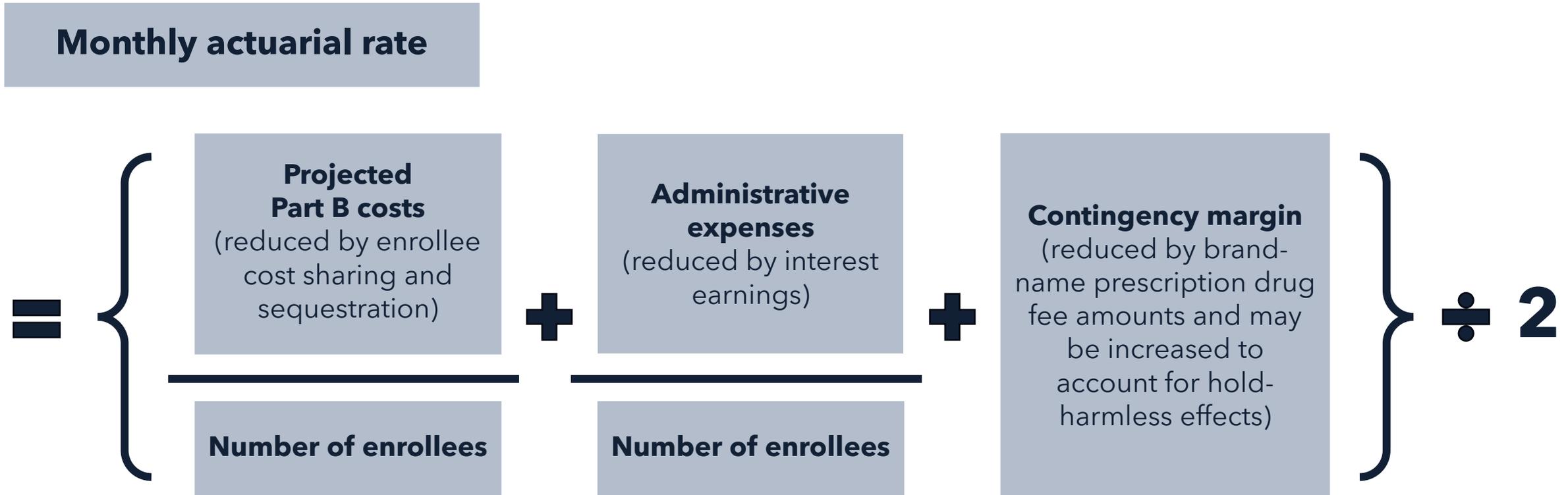


Part B premium calculation

Monthly actuarial rate

- All insurance companies estimate their expected future spending based on historical data when setting premiums to develop what is known as the actuarial rate
- For Medicare Part B, the monthly actuarial rate is the starting point for determining the premium and federal funding
- Each year, CMS must estimate Part B enrollment and the amount necessary to pay for Part B items and services in the following year
- In general, the enrollee premiums are intended to cover 25% of Part B spending

Monthly actuarial rate calculation



Source: Centers for Medicare & Medicaid Services, Department of Health and Human Services. 2025. Medicare program; Medicare Part B monthly actuarial rates, premium rates, and annual deductible beginning January 1, 2026. Notice. *Federal Register* 90, no. 221 (November 19).

Monthly Part B premium calculation

Standard monthly Part B premium

$$= \left\{ \text{Monthly actuarial rate} \div 2 \right\} + \text{Monthly repayment amount}$$

Source: Centers for Medicare & Medicaid Services, Department of Health and Human Services. 2025. Medicare program; Medicare Part B monthly actuarial rates, premium rates, and annual deductible beginning January 1, 2026. Notice. *Federal Register* 90, no. 221 (November 19).

Differing premium amounts

- Individuals with a modified adjusted gross income above a certain amount also pay an income-related monthly adjustment amount (IRMAA)
- Individuals who enroll in Part B a year or later after their initial enrollment period may also pay a late-enrollment penalty
- Medicare Advantage plans may buy down some or all of the standard Part B premium amount
- State Medicaid programs may pay Part B premiums for dually eligible enrollees



Holding beneficiaries harmless

Hold-harmless provision

- Each year the Social Security Administration announces the cost-of-living adjustment (COLA) percentage used to increase Social Security benefits
- The hold-harmless provision applies when the net Social Security payment (after taking out the Part B premium) would be less than the previous year's net Social Security payment
- This provision reduces the amount of the Part B premium to ensure that the dollar amount of the Social Security benefit does not decline from the previous year
- Because the hold-harmless provision reduces the amount of Part B premiums collected from certain enrollees, CMS may need to increase the standard premium amount to reflect forgone revenue by adjusting the contingency margin

Hold-harmless provision application

“Hold harmless” applies to Part B enrollees whose premium is deducted from their Social Security benefit

Hold-harmless provision does not apply to enrollees whose premium is not deducted from their Social Security benefit or who:

- pay an IRMAA,
- are dually eligible, or
- are new to Part B

Note: IRMAA (income-related monthly adjustment amount).

Illustrative example of how the hold-harmless provision can reduce a beneficiary's Part B premium

	Amount
First year's monthly Social Security payment	\$600
First year's monthly standard Part B premium	\$148
First year's net monthly Social Security payment after deducting the standard Part B premium	\$452
Second year's monthly Social Security payment (after 4% COLA)	\$624
Second year's monthly standard Part B premium (22% increase from last year)	\$180
The net monthly Social Security payment after deducting the standard Part B premium (before any hold-harmless provision is applied)	\$444
Does the hold-harmless provision apply?	Yes
Second year's Part B premium (after any variable premium adjustment is applied)	\$172

Note: These are illustrative examples using historical information. These examples do not describe actual Part B premiums anticipated in 2027.

Illustrative example of when the hold-harmless provision does not apply

	Amount
First year's monthly Social Security payment	\$2,000
First year's monthly standard Part B premium	\$148
First year's net monthly Social Security payment after deducting the standard Part B premium	\$1,852
Second year's monthly Social Security payment (after 4% COLA)	\$2,080
Second year's monthly standard Part B premium (22% increase from last year)	\$180
The net monthly Social Security payment after deducting the standard Part B premium (before any hold-harmless provision is applied)	\$1,900
Does the hold-harmless provision apply?	No
Second year's Part B premium (after any variable premium adjustment is applied)	\$180

Note: These are illustrative examples using historical information. These examples do not describe actual Part B premiums anticipated in 2027.

Discussion

- Questions about the material
- Feedback on the Part B premium payment basics
- Suggestions for future work



Advising the Congress on Medicare issues

Medicare Payment Advisory Commission

 www.medpac.gov

 [@medicarepayment](https://twitter.com/medicarepayment)