

MEDICARE PART B PREMIUM

payment**basics**

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Medicare covers items and services through two distinct parts of the program: Part A (which pays for inpatient hospital stays, post-acute care following those hospital stays, and hospice care) and Part B (which pays for clinician services, outpatient hospital services, drugs administered by clinicians, and other ambulatory services). 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). Individuals 65 and older are eligible to enroll in Part B if they are entitled to Part A or if they are a resident of the U.S. and either a citizen or a qualified noncitizen. 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. Other individuals who are U.S. citizens or meet certain other residency requirements are eligible to enroll in Part A for a monthly premium.¹

Part B premiums are established to account for approximately 25 percent of expected Part B spending, with transfers from the general fund of the Treasury accounting for approximately 73 percent and other funding, such as interest generated on the Supplementary Medical Insurance (SMI) Trust Fund Part B account, accounting for approximately 2 percent (Figure 1). The standard monthly Part B premium amount for 2026 is \$202.90. The standard monthly premium amount for the year is to be published in September of the previous year. Unlike in Part A, most Medicare beneficiaries pay a monthly premium to enroll in Part B.

Part B premium amounts paid by beneficiaries

Most enrollees have their Part B premium deducted automatically from their Social Security benefit payment.² Some enrollees are dually enrolled in Medicare and Medicaid and have their Part B premium paid by their state Medicaid program through Medicare Savings Programs. Medicare Savings Programs are programs for dually eligible beneficiaries that pay for Medicare premiums and, in some cases, Medicare cost sharing. 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).³ Instead of the standard premium that reflects 25 percent of Part B costs, a beneficiary subject to IRMAA is responsible for 35 percent, 50 percent, 65 percent, 80 percent, or 85 percent instead (Table 1). 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 their enrollees' Part B premiums 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 many cases, individuals who do not sign up for Part B when first eligible may be required to pay a late-enrollment penalty

The policies discussed in this document were current as of September 30, 2026. This document does not reflect proposed legislation or regulatory actions.

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Illustrative example of a Part B late-enrollment penalty

A person turns 65 on October 10, 2019, and their Part B initial enrollment period concludes on January 31, 2020. They wait to enroll in Part B until February 15, 2022, two full years after the end of their initial enrollment period. They are not eligible for a special enrollment period that would permit late enrollment without penalty. In this example, in March 2022, they would pay the standard monthly premium amount (\$170.10) plus 20 percent of the premium (10 percent for each year of delayed enrollment) (\$34) for a total of \$204.10. ■

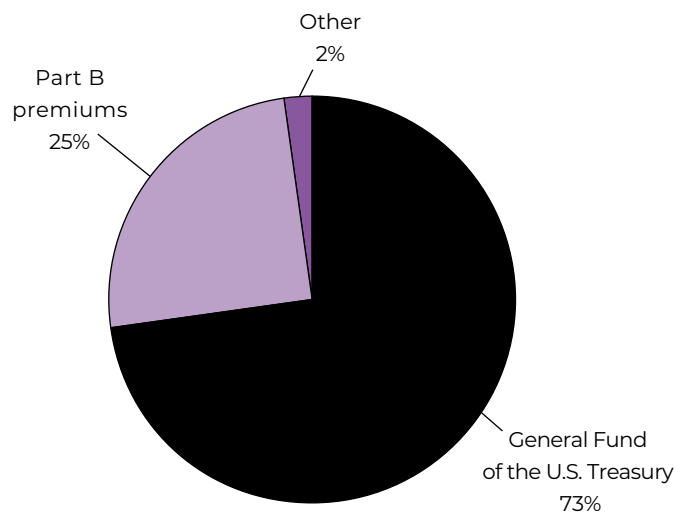
for as long as they maintain Part B coverage (see the illustrative example in the text box, p. 2).⁵ The late-enrollment penalty is equal to 10 percent of an individual's monthly premium for each full 12-month period for which the individual was eligible to enroll in Part B but did not. If the enrollment delay is under 12 months, there is no monetary penalty. Among enrollees who pay a Part B late-enrollment penalty, the average penalty is estimated at 27 percent of the standard monthly premium (about \$55 in 2026).

The late-enrollment penalty does not apply to beneficiaries who are enrolled in Medicare Savings Programs.

How the Part B premium is calculated

Each year, CMS must estimate the amount that is necessary to pay for Part B items and services for the following year for beneficiaries in fee-for-service Medicare and MA. To do this, CMS calculates a per enrollee monthly actuarial rate. The

Figure 1 Sources of funding of Part B



Source: Boards of Trustees, Federal Hospital Insurance and Federal Supplementary Medical Insurance Trust Funds. 2026. *The 2026 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/2026>.

Table 1 Part B income-related monthly adjustment amount, 2026

Beneficiaries who file individual tax returns with modified adjusted gross income of . . .	Beneficiaries who file joint tax returns with modified adjusted gross income of . . .	Income-related monthly adjustment amount	Total monthly premium amount	Estimated share of total cost of Part B coverage per enrollee
Less than or equal to \$109,000	Less than or equal to \$218,000	\$0.00	\$202.90	25%
Greater than \$109,000 and less than or equal to \$137,000	Greater than \$218,000 and less than or equal to \$274,000	\$81.20	\$284.10	35%
Greater than \$137,000 and less than or equal to \$171,000	Greater than \$274,000 and less than or equal to \$342,000	\$202.90	\$405.80	50%
Greater than \$171,000 and less than or equal to \$205,000	Greater than \$342,000 and less than or equal to \$410,000	\$324.60	\$527.50	65%
Greater than \$205,000 and less than \$500,000	Greater than \$410,000 and less than \$750,000	\$446.30	\$649.20	80%
Greater than or equal to \$500,000	Greater than or equal to \$750,000	\$487.00	\$689.90	85%

Note: The modified adjusted gross income is an individual's total (gross) income from all sources with certain adjustments from the most recent federal tax return, generally two years prior.

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 actuarial rate is the starting point for determining the amount of the Part B premium and the federal matching rate from the general fund of the Treasury.

The monthly actuarial rate is set at one-half of the sum of monthly amounts for (1) the projected spending on Part B benefits, (2) administrative expenses, and (3) an adequate contingency margin (Figure 2). Separate monthly actuarial rates are calculated for aged and disabled enrollees and used for the federal matching rates. The federal matching rate is roughly equal to twice the applicable monthly actuarial rate (aged or disabled) minus the standard monthly Part B premium.⁶

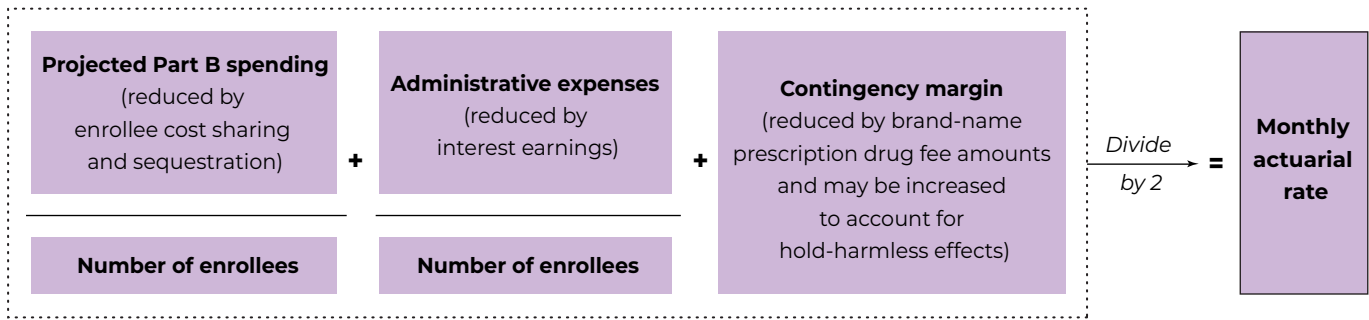
CMS calculates the monthly actuarial rate by first establishing the baseline Medicare Part B costs incurred per enrollee for a recent year, dividing Medicare Part B spending by the number of Part B enrollees (including enrollees in fee-for-service Medicare and MA). CMS then projects

per enrollee costs using historical trends in enrollment and Part B spending on an incurred basis.⁷

CMS then reduces the projected per enrollee spending by (1) beneficiary cost sharing (the deductible and coinsurance that would be expected to be applied to the items and services), and (2) a 2 percent sequestration, when applicable, to convert the per enrollee cost to reflect what Medicare would expect to actually pay.⁸ Administrative costs are also added to the per enrollee spending after being reduced by interest received on investments held by the Part B account.⁹ The projected Part B spending and administrative expenses are divided by 12 to obtain a monthly amount.

CMS then determines the contingency margin, which is the amount that provides for variation between actual and projected costs.¹⁰ CMS subtracts annual fees assessed on manufacturers and importers of brand-name prescription drugs that provide

Figure 2 How the monthly actuarial rate is calculated



Note: The projected Part B spending and the administrative expenses are monthly amounts.

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).

income to the Part B account to reduce the contingency margin.¹¹ CMS may increase the contingency margin due to the effects of the hold-harmless provision described below.

Starting in 2016, the Part B premium has also included a repayment amount because Congress has enacted laws to lower the premium amount in certain years by transferring funds from the U.S. Treasury to the Part B account.¹² To repay the Treasury for the transfer, the monthly Part B premium has been increased in the past by \$3.00, but in 2026 the premium is increased only by \$0.20.

In summary, CMS combines the projected cost of benefit payments (reduced by cost sharing and sequestration) with administrative costs (reduced by interest income) and the contingency margin (reduced by the prescription drug fees and potentially increased by the effects of the hold-harmless provision). CMS divides this amount in half to determine the monthly actuarial rate. The standard Part B premium amount is one-half of the monthly actuarial rate (25 percent of the total amount) plus any applicable repayment amount (Figure 3).

Holding beneficiaries harmless when yearly increases in the Part B premium exceed increases in Social Security payments

For enrollees who have their Part B premium deducted from their Social Security payment, a hold-harmless provision applies when the dollar increase in the monthly Part B premium exceeds the dollar increase in an individual's Social Security monthly benefit payment that will be paid in that same year. When held harmless, an individual's Part B premium is reduced to ensure that the dollar amount of the individual's Social Security benefit payment does not decline because of the Part B premium increase.

The Social Security Administration annually announces the cost-of-living adjustment (COLA) percentage used to increase Social Security payments. The amount of the COLA is based on inflation as typically measured by the Consumer Price Index–Urban Wage Earners and Clerical Workers (CPI-W).¹³ If the CPI-W increases, a COLA increases Social Security payments. If the CPI-W is flat or decreases, then the COLA is 0 percent and the Social Security payments stay the same, as payments are not reduced during periods of deflation.

Figure 3 How the standard monthly Part B premium is calculated



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).

Roughly 70 percent of Part B enrollees have their premiums deducted from their Social Security benefits (the Old-Age and Survivors Insurance benefit or the Disability Insurance benefit) and could be subject to this provision. The hold-harmless provision does not apply to enrollees who do not receive a Social Security benefit; pay an IRMAA; are dually eligible beneficiaries for whom the state Medicaid program pays the Part B premium; or are new to the Part B program that year. Enrollees not held harmless pay the standard premium (and an IRMAA and late-enrollment penalty, if applicable).

The impact of the hold-harmless provision varies by enrollee, depending on the amount of their Social Security payment and the COLA. An enrollee may be fully held harmless from the premium's increase, in which case the enrollee pays the same premium amount as the previous year. Alternatively, the enrollee may pay what is known as a "variable premium," in which the amount of the Part B premium is reduced to avoid causing a decrease in the enrollee's net monthly Social Security payment after deducting the standard Part B premium. The hold-harmless provision has a greater likelihood of affecting enrollees receiving lower Social Security benefit payments because the COLA percentage will produce a smaller increase in monthly benefit payments (in dollars) when applied to a smaller benefit amount—

thus increasing the likelihood that the amount in dollars of a Part B premium increase will exceed the amount in dollars of a COLA increase (Table 2).

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 due to the hold-harmless provision and keep the Part B account of the SMI Trust Fund in balance. This is accomplished by increasing the contingency margin. ■

- 1 Noncitizens must reside in the U.S. for five continuous years before the month of filing an application for Medicare Part A (with a premium) and Part B. Before July 2025, noncitizens included aliens lawfully present in the U.S.; however, after July 2025, new noncitizen applications are only accepted from lawful permanent residents (green card holders), certain Cuban and Haitian immigrants, and people residing under the Compact of Free Association (Marshall Islands, Micronesia, and the Republic of Palau).
- 2 Some enrollees may have their premium deducted from their Railroad Retirement Board benefit payment. To simplify, this document refers only to the Social Security payments.
- 3 The modified adjusted gross income is an individual's total (gross) income from all sources with certain adjustments obtained from the federal tax return two years prior. In general, the income threshold levels are adjusted by inflation using the Consumer Price Index for All Urban Consumers (CPI-U). However, the fifth IRMAA bracket will not be adjusted for inflation until at least 2028.

Table 2 Illustrative examples of how the “hold-harmless” provision can reduce beneficiaries’ Part B premiums

	Enrollee 1	Enrollee 2
Last year’s monthly Social Security payment	\$600	\$2,000
Last year’s monthly standard Part B premium	\$148	\$148
Last year’s net monthly Social Security payment after deducting the standard Part B premium	\$452	\$1,852
Current year’s monthly Social Security payment (after 4 percent COLA)	\$624	\$2,080
Current year’s monthly standard Part B premium (22 percent increase from last year)	\$180	\$180
Current year’s net monthly Social Security payment after deducting the standard Part B premium (before any hold-harmless provision is applied)	\$444	\$1,900
Does the hold-harmless provision apply?	Yes (because \$444 is less than \$452)	No (because \$1,900 is more than \$1,852)
Current year’s Part B premium (after any variable premium adjustment is applied)	\$172 (after an \$8 reduction)	\$180

Note: COLA (cost-of-living adjustment). These are illustrative examples using historical information. These examples do not describe actual Part B premiums anticipated in 2027.

- 4 Individuals who are under 65, are not currently enrolled in other health coverage, and had a kidney transplant more than three years ago and therefore no longer qualify for Medicare due to having ESRD can qualify for Medicare coverage of their immunosuppressive drugs under the Part B Immunosuppressive Drug Benefit (Part B-ID). Enrollees in Part B-ID who have higher incomes are required to pay higher premiums, based on the same thresholds used for Part B premiums. The Medicare Trustees reported that approximately 155 immunosuppressive drug-coverage enrollees received roughly \$90,000 in Part B benefits in 2023.
- 5 Special enrollment periods may apply to avoid application of the penalties. For example, aged individuals who are covered under insurance provided by their current employer are eligible for a special enrollment period and may not pay a late-enrollment penalty.
- 6 The standard Part B premium for all enrollees, aged and disabled, is calculated from the aged actuarial rate.
- 7 This amount of income that would be sufficient to pay for Part B services furnished during the year even though payment for some of these services will not be made until after the close of the year. Providers of services and suppliers have one year from the date of service to submit a claim to Medicare. The Part B account must be maintained at a level that is adequate to cover an appropriate degree of variation between

actual and projected costs and the amount of incurred, but unpaid, expenses. Because the premium rates are established prospectively, they are subject to projection error.

- 8 Sequestration, which is a reduction of certain federal spending by a uniform percentage, reduces Medicare payments to providers of services and suppliers by 2 percent through August 31, 2023.
- 9 The administrative costs are the expenses incurred in administering Part B, including paying benefits, addressing fraud and abuse, and constructing, renting, or purchasing office buildings. Projections of administrative costs are based on estimates of changes in average annual wages and fee-for-service enrollment. Administrative costs are subject to an estimated 5 percent to 7 percent reduction in expenditures due to sequestration.
- 10 To protect against unforeseen contingencies, CMS historically has set the Part B reserve ratio (the ratio of reserves to anticipated claims) such that projected assets minus liabilities at year end represent between 15 percent and 20 percent of the following year’s projected total incurred expenditures. To accomplish this goal, CMS normally uses a 17 percent reserve ratio to calculate the Part B premium. When the reserve ratio is higher than 20 percent, CMS’s typical approach in the premium determination is to target a gradual reduction in the reserve ratio over several years until 20 percent is reached.

- 11 The law imposes an annual fee on each covered entity engaged in the business of manufacturing or importing branded prescription drugs, to be paid not later than September 30th of each year. In general, the fee is imposed on each covered entity with aggregated branded prescription drug sales of over \$5 million to specified government programs or pursuant to coverage under such programs, including the Medicare Part B and Part D programs.
- 12 Repayments are included in the 2026 Part B premium for transfers made in the Bipartisan Budget Act of 2015 and the Continuing Appropriations Act, 2021 and Other Extensions Act. The repayment balance due is expected to be zero by the end of 2026. The repayment amounts (excluding those for high-income enrollees) are also subject to the hold-harmless provision. High-income enrollees pay an additional premium amount, the IRMAA. The transfer of funds from the general fund of the Treasury due to the Bipartisan Budget Act of 2015 and the Continuing Appropriations Act, 2021 and Other Extensions Act did not include the forgone income-related premium revenue due to the lower premiums. To replace the forgone income-related premium revenue to the Part B account, high-income enrollees pay the repayment amount plus an additional amount as part of the IRMAA.
- 13 The law limits the COLA to the increase in the national average wage index if the Old-Age, Survivors, and Disability Insurance Trust Funds (OASDI) ratio is below 20 percent. The OASDI ratio is the ratio of asset reserves at the beginning of the year to the cost of the programs during that year. For 2025, the ratio is 169 percent.