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Fourth Quarter 2010 Newsletter

Welcome to the fourth quarter issue of **Social Security and Medicare News** for 2010. The featured article summarizes the recently released 2011 Social Security and Medicare figures. Included is a handy table comparing the 2011 Social Security and Medicare figures to 2010.

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Featured article

2011 Social Security Figures



On October 15, 2010, the Social Security Administration announced all of the 2011 figures. For the second consecutive year, about 53 million Social Security beneficiaries will **not receive a cost-of-living adjustment (COLA)** for monthly benefits payable in 2011. This is based on no increase in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W).

The Social Security taxable earnings base remains at \$106,800 in 2011. About 11 million people pay higher taxes based on the taxable maximum. So a person with wages at or above \$106,800 would pay \$6,621.60 and the employer would pay the same amount. There is no change in the 6.2% Social Security payroll tax rate for employees (12.4% for the self-employed), or the Medicare (Hospital Insurance) tax of 1.45% on all earnings (2.9% for the self-employed). There are about 156 million working people paying this combined 7.65% payroll tax, matched by their employers, to support these programs.

In 2011, the full retirement age (FRA) will be 66 for people born January 2, 1945, through January 1, 1946. (For Social Security and Medicare purposes you “reach an age” on the day before your birthday. So if you are born on January 1, you are considered to have been born in the previous year.) Some of the Social Security figures in the following table relate to when a person attains FRA.

Due to no COLA increase, the earnings limits are the same as last year. If you are under full retirement age throughout 2011, you can earn \$14,160. If you earn more than this, then \$1 of benefits is withheld for every \$2 earned above \$14,160.

If you reach your full retirement age (FRA) in 2011, you can earn \$37,680 in the time before the month you reach FRA with no reduction in benefits. If earnings exceed this, then \$1 in benefits is withheld for every \$3 earned above \$37,680. In the month FRA is attained, there is no earnings limit and benefits are payable beginning with that month.

2011 Medicare Figures

On November 4, 2010, the Centers for Medicare and Medicaid Services (CMS), an agency under the Department of Health and Human Services, released the 2011 Medicare premiums and deductibles.

The standard Part B monthly premium increases to \$115.40 in 2011 for new and high-income beneficiaries and people whose Medicare premium is paid by Medicaid. With no Social Security cost-of-living adjustment (COLA) in 2011, many Medicare beneficiaries will continue to pay **\$96.40** (the premium for new beneficiaries in 2008 and 2009) and **\$110.50** (the premium for new beneficiaries in 2010) because federal law states that premiums cannot go up more than the Social Security COLA. Beneficiaries with high incomes will pay additional income-related Part B premiums (affects about 5% of Part B enrollees) – see the following table.

If you enroll in Part D, the Medicare standard prescription drug plan, at your earliest opportunity, you pay premiums of about **\$30** per month. These premiums are adjusted every January. You can join a drug plan within three months of becoming eligible for Medicare. There are new dates in 2011 if you want to change plans or enroll for the first time; you can do this from October 15 to December 7 with coverage effective January 1. Also new in 2011 is high-income enrollees in Part D will pay a premium surcharge that operates like the Part B program (detailed below).

The following table includes a summary of the new 2011 Medicare figures. The three Part D figures at the end of the table were released on April 5, 2010.

2011 Social Security and Medicare Figures compared to 2010

Social Security	2010	2011 Just Released
Cost-of-living Adjustment (COLA) for December (payable in January)	0% (12/09)	0% (12/10)
FICA tax rate remains 7.65% for both employees and employers Social Security Medicare (Hospital Insurance)	6.20% 1.45%	6.20% 1.45%
Maximum Social Security earnings for tax contributions and benefits Medicare taxable earnings	\$106,800 no limit	\$106,800* no limit
Earnings required to earn one credit (maximum of four per year)	\$1,120	\$1,120*
Retirement Earnings Test exempt amounts under full retirement age (FRA) throughout year (currently age 66) reaches FRA in year (period before the month FRA is attained) month in which FRA is attained and later	\$14,160 \$37,680 no limit	\$14,160* \$37,680* no limit
Earnings threshold for a trial-work-period month for disability beneficiaries	\$720	\$720**
Monthly substantial gainful activity (SGA) amount for: non-blind disability beneficiaries blind disability beneficiaries	\$1,000 \$1,640	\$1,000** \$1,640*
Maximum monthly retirement benefit at FRA	\$2,346	\$2,366

*Since there is no COLA increase, by law these figures remain the same as 2010.

**Since there was a decrease in the 2009 national average wage index, these figures remain the same as 2010.

2011 Primary Insurance Amount (PIA) and Maximum Family Benefit (MFB) Formulas

The **PIA** formula for people who attain age 62 in 2011, or who become disabled or die before age 62 in 2011 is:

- 90% of the first \$749 of Average Indexed Monthly Earnings (AIME), plus
- 32% of the next \$3,768 of AIME, plus
- 15% of AIME in excess of \$4,517

The **MFB** formula for people who attain age 62 or who die before age 62 in 2011 is:

- 150% of the first \$957 of Primary Insurance Amount (PIA), plus
- 272% of the next \$425 of PIA, plus
- 134% of the next \$421 of PIA, plus
- 175% of PIA in excess of \$1,803

For people who become disabled before age 62 in 2011, the MFB is the smaller of (a) 150% of PIA, or (b) 85% of AIME, but not less than the PIA.

Medicare Part A (Hospital Insurance)	2010	2011 Just Released
Part A inpatient deductible per benefit period	\$1,100	\$1,132
Part A daily coinsurance 61st through 90th days	\$275	\$283
Part A daily coinsurance for up to 60 "lifetime reserve" days	\$550	\$566
Part A Skilled nursing facility daily coinsurance 21st through 100th days	\$137.50	\$141.50
Part A voluntary monthly premium if not eligible for premium-free Part A	\$461	\$450
Part A reduced monthly premium for people with 30-39 credits	\$254	\$248

Medicare Part B (Medical Insurance)	2010	2011 Just Released
Part B annual deductible	\$155	\$162
Part B standard monthly premium (about 27% of beneficiaries that includes new and high-income people)* File an Individual Tax Return File a Joint Tax Return 0 to \$85,000 annual income 0 to \$170,000 annual income \$85,001 to \$107,000 \$170,001 to \$214,000 \$107,001 to \$160,000 \$214,001 to \$320,000 \$160,001 to \$214,000 \$320,001 to \$428,000 over \$214,001 over \$428,001	\$110.50 \$154.70 \$221.00 \$287.30 \$353.60	\$115.40 \$161.50 \$230.70 \$299.90 \$369.10
*Income brackets based on beneficiaries' 2009 federal income tax return filing status and adjusted gross income in 2011.		
Part B standard monthly premium: new Medicare beneficiaries in 2008 and 2009 continue to pay the 2008 premium (~70% of beneficiaries)**	\$96.40	\$96.40
Part B standard monthly premium: new Medicare beneficiaries in 2010 continue to pay the 2010 premium (~3% of beneficiaries)**	\$110.50	\$110.50
**Due to no Social Security cost-of-living adjustment for two years, these beneficiaries will continue to pay the Part B premium for the year they became eligible for Medicare.		

Medicare Part D (Outpatient Prescription Drug Coverage)	2010	2011
Part D monthly premium (estimate)	\$31.94	\$30.00
Part D added monthly premium for high-income beneficiaries (deducted from the Social Security benefit)* File an Individual Tax Return File a Joint Tax Return 0 to \$85,000 annual income 0 to \$170,000 annual income \$85,001 to \$107,000 \$170,001 to \$214,000 \$107,001 to \$160,000 \$214,001 to \$320,000 \$160,001 to \$214,000 \$320,001 to \$428,000 over \$214,001 over \$428,001 *Income brackets based on beneficiaries' 2009 federal income tax return filing status and adjusted gross income for 2011	n/a n/a n/a n/a n/a	n/a Add \$12 Add \$31.10 Add \$50.10 Add \$69.10
Part D deductible	\$310	\$310**
Part D initial benefit limit	\$2,830	\$2,840
Part D out-of-pocket threshold	\$4,550	\$4,550**

**Medicare Part D benefits are the same as 2010 except for a \$10 increase in the initial benefit limit.

Publications

2011 Social Security and Medicare Publications



Mercer provides publications on Social Security and Medicare that are used by employers, insurance companies, banks, hospitals, and others in their marketing and communications programs. These include the popular **2011 Guide to Social Security** and the **2011 Medicare** booklet. Request your copies of either booklet today to hand out this easy-to-understand information!

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Mercer
462 South Fourth Street, Suite 1100
Louisville, Kentucky 40202
Telephone 800 333 3070
Fax 502 561 7858
E-mail social.security@mercer.com
Website www.imercer.com/socialsecurity