



AFT Research and Strategic Initiatives Departmental Benefits Bulletin No. 58

## 2018 Changes Announced for Social Security and Medicare

The Social Security Administration and the Centers for Medicare & Medicaid Services recently announced changes in Social Security and Medicare benefits effective Jan. 1. This bulletin provides some of the key changes. More detailed information can be found at [www.ssa.gov](http://www.ssa.gov).

### Social Security Changes

#### Cost-of-Living Adjustment

Based on the increase in the CPI-W (the Consumer Price Index for Urban Wage Earners and Clerical Workers) from the third quarter of 2016 to the third quarter of 2017, Social Security beneficiaries will receive a 2 percent COLA adjustment on Jan. 1. The CPI increase in 2017 was 0.3 percent.

#### Maximum Taxable Earnings

The amount of earnings subject to Social Security taxes (6.2 percent) has always been capped based on the national average wage index, while all earnings are subject to the Medicare Part A tax of 1.45 percent. In 2015 and 2016, the taxable earnings cap was unchanged at \$118,500, but jumped up to \$127,200 in 2017. Social Security has set the 2018 mark at \$128,700.

<u>Maximum Taxable Earnings</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Social Security	\$118,500	\$127,200	\$128,700
Medicare	No limit	No limit	No limit

### Social Security and Medicare Tax Rates for Employers and Employees

	<u>2016</u>	<u>2017</u>	<u>2018</u>
Social Security (OASDI only)	6.20%	6.20%	6.20%
Medicare (HI only)	1.45%	1.45%	1.45%
Total	7.65%	7.65%	7.65%

## Estimates of 2018 Payroll Taxes

Annual Salary	Social Security Tax (6.2%)	Medicare Part A Tax (1.45%)	Employee-Paid Payroll Tax	Employer-Paid Payroll Tax	Total Payroll Tax
\$25,000	\$1,550	\$363	\$1,913	\$1,913	\$3,826
\$40,000	\$2,480	\$580	\$3,060	\$3,060	\$6,120
\$65,000	\$4,030	\$943	\$4,973	\$4,973	\$9,946
\$90,000	\$5,580	\$1,305	\$6,885	\$6,885	\$13,770
\$120,000	\$7,440	\$1,740	\$9,180	\$9,180	\$18,360

## Age to Receive Full Social Security Benefits

<u>Year of Birth</u>	<u>Full Retirement Age (FRA)</u>
1937 and earlier	65
1938	65 and 2 months
1939	65 and 4 months
1940	65 and 6 months
1941	65 and 8 months
1942	65 and 10 months
1943-1954	66
1955	66 and 2 months
1956	66 and 4 months
1957	66 and 6 months
1958	66 and 8 months
1959	66 and 10 months
1960 and later	67

## Additional Social Security Information

- In 2018, the full retirement age for normal benefits is 66. The normal benefit is reduced by 25 percent for early retirements at age 62.
- If you turn 66 in 2018 but delay receiving Social Security, the delayed retirement credit will increase your benefit by 8 percent for each full year that you do not receive a benefit, up to age 70. This benefit is not compounded.
- You can get Social Security retirement benefits and work at the same time. But if you're younger than your FRA (age 66 for those born from 1943 to 1954) and earn more than certain amounts, your benefit will be withheld while you continue to work. Earnings above two breakpoints will lessen your Social Security benefit: \$1 in benefits for every \$2 in earnings above \$17,040 for recipients ages 62 to 65, and \$1 in benefits for every \$3 in earnings above \$45,360 for those turning 66 in 2018.<sup>1</sup>
- Once you reach full retirement age, your Social Security benefit will not be diminished if you continue to work at your current job or another job.

<sup>1</sup> Example: A worker files for her monthly \$1,000 (\$12,000 per year) Social Security benefit at age 62 in January 2018. She continues to work and earns \$27,040 for the year, or \$10,000 above the early retirement income limit. Social Security would take \$5,000 of her benefit by canceling the monthly payments for January through May. Beginning in June, she would receive her \$1,000-per-month benefit. In the year she turns 66, there would be no benefit reduction unless she earned more than \$45,360.

## Medicare Changes

Part A premium (hospital services)	Most people don't pay a monthly premium for Part A. However, if you buy Part A, you'll pay up to \$422 each month. This amount is \$9 higher than the 2017 premium of \$413. The premium chart on the next page provides premium breakpoints based on quarters of coverage.
Part A deductible and copay for inpatient hospital services	Deductible: \$1,340 (\$1,316 in 2017) Days 1-60: \$0 copay (same as 2017) Days 61-90: \$335 copay per day (\$329 in 2017) Days 91-150: \$670 copay per day (\$658 in 2017) Beyond 150 days: all costs (same as 2017)
Part A skilled nursing facility	Days 1-20: \$0 copay (same as 2017) Days 21-100: \$167.50 copay per day (\$164.50 in 2017) Beyond 100 days: all costs (same as 2017)
Part B premium (physician services)	Members of the following groups <sup>2</sup> will pay \$134/month for the Part B premium, the same amount as in 2017: <ul style="list-style-type: none"> <li>▪ New Part B enrollees in 2018;</li> <li>▪ Medicare enrollees who do not get Social Security benefits;</li> <li>▪ Enrollees who are directly billed for their Part B premium; and</li> <li>▪ Individuals who qualify for both Medicare and Medicaid (so-called dual-eligible beneficiaries), and Medicaid pays the Medicare premium.</li> <li>▪ High-income enrollees whose modified adjusted gross income as reported to the IRS from two years ago is above \$85,000 (for single taxpayers) and above \$170,000 (for married joint filers) will pay more than \$134 (see the chart on the next page).</li> </ul>
Part B deductible	\$183 in 2018 (\$183 in 2017)
Part B co-insurance	Once the deductible is met, you pay 20 percent of approved costs and Medicare pays 80 percent.

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<sup>2</sup>About 70 percent of Medicare enrollees (35 million people) are protected by a “hold harmless” provision in the law that caps increases in Part B premiums to the increase in the Social Security COLA. This convention prevents a net decline in the Social Security benefit from one year to the next. Because of low inflation over the last two years, most beneficiaries profited from this provision. In 2018, the 2 percent COLA adjustment cited above will boost the average Social Security benefit by \$27/month to \$1,404. This increase is enough to adjust the premiums for those enrolled in Part B before 2018 from \$109 to \$134/month or \$25. However, enrollees who receive less than the average Social Security benefit will pay less, because the increase in their Social Security benefit will not be large enough to cover the full Part B premium increase.

## Medicare Part A Premiums Based in Quarters of Coverage

<u>Medicare Part A Monthly Premium</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
40 quarters of Medicare-covered employment	\$0	\$0	\$0
30-39 quarters of Medicare-covered employment	\$226	\$227	\$232
Less than 30 quarters of Medicare-covered employment	\$411	\$413	\$422
Note: People who pay for Part A hospital insurance must enroll in Part B medical insurance.			

## Medicare Part B Premiums Are Wage-Related

If you are in one of the five groups cited above and your modified adjusted gross income in 2016 was:		Monthly Part B Premium for 2018
<u>For Single Taxpayers</u>	<u>For Married Couples Filing Jointly</u>	
\$85,000 or less	\$170,000 or less	\$134
\$85,001-\$107,000	\$170,001-\$214,000	\$187.50
\$107,001-\$133,500	\$214,001-\$267,000	\$267.90
<b>\$133,501-\$160,000</b>	<b>\$267,001-\$320,000</b>	<b>\$348.30</b>
<b>Above \$160,000</b>	<b>Above \$320,000</b>	<b>\$428.60</b>

### Sources:

- Social Security Administration, fact sheet on the 2018 Social Security changes, <https://www.ssa.gov/news/press/factsheets/colafacts2018.pdf>.
- Centers for Medicare & Medicaid Services, “2018 Medicare Parts A & B Premiums and Deductibles,” <https://www.cms.gov/Newsroom/MediaReleaseDatabase/Fact-sheets/2017-Fact-Sheet-items/2017-11-17.html>.
- Medicare.gov, “Medicare 2017 & 2018 Costs at a Glance,” [www.medicare.gov/your-Medicare-costs/costs-at-a-glance/costs-at-a-glance.html](http://www.medicare.gov/your-Medicare-costs/costs-at-a-glance/costs-at-a-glance.html).

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