Medicare's annual open enrollment season runs from October 15 to December 7 each year. Therefore, October is a good time to discuss this federal health insurance program. In particular, why do some enrollees pay the standard $164.90 per month for Medicare Part B in 2023 while others pay more — as much as $560.50 monthly — for the same coverage? The same inequality applies to Medicare Part D but the amounts involved are much lower.

The disparity in premiums can result from an income-related monthly adjusted amount, a pesky surcharge that applies to the standard Part B and D premiums for higher-income enrollees. This surcharge is commonly known as IRMAA, but I often like to call her “Aunt IRMAA” when referring to this unwelcome guest in certain enrollees' wallets. She reminds me of Aunt Edna from National Lampoon's Vacation: She is the aunt no one wants around but comes to visit when you least expect her!

Costly Changes

Aunt IRMAA has not always come to visit. For most of Medicare's history, premiums were the same for everyone, regardless of income. However, since 2007, because of the Medicare Modernization Act of 2003, individuals with income exceeding certain thresholds began to pay more for Part B, which covers medical insurance for doctors and other health care providers' services as well as outpatient care. The 2010 Affordable Care Act imposed similar rules on higher-income beneficiaries for Part D prescription drug coverage.

Doing the math, the federal government subsidizes roughly 75% of Part B and Part D services from ongoing revenue; most Medicare enrollees pay the remaining 25%. However, for those who exceed certain income thresholds, the share steadily increases from shouldering 25% of the cost to as must as 85%.

According to the Centers for Medicare and Medicaid Services (CMS), roughly 7% of all Medicare beneficiaries pay a surcharge in addition to their standard Part B premiums. The impact can be felt by individuals who have saved well for retirement. When retirement income strategies are being crafted, particularly beginning in the year someone turns age 63 (for those enrolling at age 65), being mindful of the impact of IRMAA should be part of the planning process.

Make More, Pay More

Whether IRMAA surcharges are due in addition to the standard premiums for Medicare Part B and Part D