

How are Medicare benefits changing for 2021?

<https://www.medicareresources.org/faqs/what-kind-of-medicare-benefit-changes-can-i-expect-this-year/>

Louise Norris October 1, 2020

2021 Medicare changes: Key takeaways

- The [standard Part B premium](#) increase for 2021 has been limited by a federal spending bill.
- The [Part B deductible](#) will likely increase above the current \$198, and will be a little higher in 2021.
- [Part A premiums, deductible, and coinsurance](#) will also be higher in 2021.
- [Medigap Plans C and F](#) are no longer available for purchase by newly-eligible Medicare beneficiaries.
- The income brackets for [high-income premium adjustments](#) for Medicare Part B and D are projected to start at \$88,000 for a single person, and the high-income surcharges for Part D and Part B will increase in 2021.
- [Medicare Advantage enrollment](#) is expected to continue to increase to a projected 26 million.
- [Medicare Advantage plans](#) are available for people with ESRD as of 2021.
- The maximum out-of-pocket limit for Medicare Advantage plans is [increasing to \\$7,550 for 2021](#).
- [Part D donut hole](#) no longer exists, but a standard plan's maximum deductible is increasing to \$445 in 2021, and the threshold for entering the catastrophic coverage phase (where out-of-pocket spending decreases significantly) is increasing to \$6,550.

Q: What are the changes to Medicare benefits for 2021?

A: There are several changes for Medicare enrollees in 2021. Some of them apply to Medicare Advantage and Medicare Part D, which are the plans that beneficiaries can change during the annual fall enrollment period that runs from October 15 to December 7. ([Here's our overview of everything you need to know about the annual enrollment period.](#))

But there are also changes to Original Medicare cost-sharing and premiums, the high-income brackets, and more.

Will the Part B premiums increase for 2021?

The standard premium for [Medicare Part B](#) is \$144.60/month in 2020, and it had been [projected](#) to increase to \$153.30/month in 2021. But in October 2020, the federal government enacted a [short-term spending bill](#) that includes a provision to limit the

Part B premium increase for 2021. Under the terms of the spending bill, the increase for 2021 will be limited to 25 percent of what it would otherwise have been.

And as is always the case, Part B premiums for the majority of Medicare beneficiaries will also depend on the size of the Social Security cost of living adjustment (COLA) for 2021. In some years, small COLAs have limited the amount of most enrollees' Part B premium increases, although experts are projecting a COLA of about 1.3 percent for 2021, which would be sufficient to allow for even the full projected Part B increase (ie, before the spending bill imposed a smaller cap) for most beneficiaries. (If a Social Security recipient's COLA isn't enough to cover the full premium increase for Part B, [that person's Part B premium can only increase by the amount of the COLA](#). That's because Part B premiums are withheld from Social Security checks, and net checks can't decline from one year to the next.)

How much will the Part B deductible increase for 2021?

The Part B deductible is [\\$198 in 2020](#) (up from \$185 in 2019, and \$183 in 2017 and 2018). The federal government has not yet announced the Part B deductible for 2021, but the numbers from previous years give us a good idea of the general ballpark range.

Some enrollees have supplemental coverage that pays their Part B deductible. This includes Medicaid, employer-sponsored plans, and [Medigap](#) plans C and F. But Medigap plans C and F can no longer be sold to newly-eligible enrollees as of 2020 (people can keep them if they already have them, and people who were already eligible for Medicare prior to 2020 can continue to purchase them). The ban on the sale of Medigap plans that cover the Part B deductible for new enrollees was part of the [Medicare Access and CHIP Reauthorization Act of 2015](#) (MACRA). It's an effort to curb utilization by ensuring that enrollees incur some out-of-pocket costs when they receive medical care. Many [Medicare Advantage](#) plans have low copays and deductibles that don't necessarily increase in lockstep with the Part B deductible, so their benefits designs have had different fluctuations over the last few years. [Medicare Advantage enrollees pay the Part B premium plus the Advantage plan premium if the plan has a separate premium. Medicare Advantage plans wrap Part A, Part B, usually Part D, and various supplemental coverage together into one plan, with out-of-pocket costs that are different from Original Medicare.]

Part A premiums, deductible, and coinsurance

[Medicare Part A](#) covers hospitalization costs. Part A has out-of-pocket costs when enrollees need hospital care, although most enrollees do not pay a premium for Part A. But you'll have to pay a premium for Part A if you don't have 40 quarters of work history (or a spouse with 40 quarters of work history).

Are Part A premiums increasing in 2021?

Roughly 1 percent of Medicare Part A enrollees pay premiums; the rest get it for free based on their work history or a spouse's work history. Part A premiums have trended upwards over time and they increased again for 2020 — although they are actually [lower in 2020 than they were in 2010](#).

For 2021, the Part A premium for people with 30+ (but less than 40) quarters of work history is [projected to be \\$263/month](#), up from [\\$252/month](#) in 2020. And for people with fewer than 30 quarters of work history, the premium for Part A is projected to be \$478/month in 2021, up from \$458/month in 2020. The exact amounts will be finalized by CMS in late 2020.

Is the Medicare Part A deductible increasing for 2021?

Part A has a deductible that applies to each [benefit period](#) (rather than a calendar year deductible like Part B or private insurance plans). The deductible generally increases each year. In 2019 it was [\\$1,364](#), but it increased to [\\$1,408 in 2020](#). And it's [projected to be \\$1,452](#) in 2021, although the exact amount will be finalized by CMS later in 2020. The deductible increase will apply to all enrollees, although many enrollees have supplemental coverage that pays all or part of the Part A deductible.

How much is the Medicare Part A coinsurance for 2021?

The Part A deductible covers the enrollee's first 60 inpatient days during a benefit period. If the person needs additional inpatient coverage during that same benefit period, there's a daily coinsurance charge. In 2020, it's \$352 per day for the 61st through 90th day of inpatient care, and that's [projected to increase to \\$363 per day](#) in 2021. The coinsurance for [lifetime reserve days](#) is \$704 per day in 2020, and is projected to increase to \$726 per day in 2021 (the exact amounts will be finalized by CMS later in 2020).

For care received in skilled nursing facilities, the first 20 days are covered with the Part A deductible that was paid for the inpatient hospital stay that preceded the stay in the skilled nursing facility. [Medicare only covers skilled nursing facility care if the patient had [an inpatient hospital stay](#) of at least three days before being transferred to a skilled nursing facility.] But there's a coinsurance that applies to days 21 through 100 in a skilled nursing facility. In 2020, it's \$176 per day, and for 2021 it's projected to be \$181.50 per day.

Can I still buy Medigap Plans C and F?

As a result of the Medicare Access and CHIP Reauthorization Act of 2015 (MACRA), [Medigap](#) plans C and F (including the high-deductible Plan F) are no longer available for purchase by people who become newly-eligible for Medicare on or after January 1, 2020. People who became Medicare-eligible prior to 2020 can keep Plan C or F if they already have it, or apply for those plans at a later date, including for 2021 coverage.

([Medical underwriting](#) applies [in most states](#) if you're switching from one Medigap plan to another after your initial enrollment window ends; note that [Colorado is offering a special enrollment period in 2021](#) for enrollees with Plan C or Plan F who want to switch to Plan D or Plan G, and some states have guaranteed-issue Medigap plans even after the initial enrollment period has ended.)

Medigap Plans C and F cover the Part B deductible (\$198 in 2020) in full. But other Medigap plans require enrollees to pay the Part B deductible themselves. The idea behind the change is to discourage overutilization of services by ensuring that enrollees have to pay at least something when they receive outpatient care, as opposed to having all costs covered by a combination of Medicare Part B and a Medigap plan.

Because the high-deductible Plan F has been discontinued for newly-eligible enrollees as of 2020, [there is a high-deductible Plan G](#) available instead.

Are there inflation adjustments for Medicare beneficiaries in high-income brackets?

Medicare beneficiaries with high incomes pay more for Part B and Part D. But what exactly does “high income” mean? The high-income brackets were introduced in 2007 for Part B and in 2011 for Part D, and for several years they started at \$85,000 (\$170,000 for a married couple). [But the income brackets began to be adjusted for inflation as of 2020](#), with the start of the “high-income” range increasing to \$87,000/year (\$174,000 for a married couple). For 2021, these thresholds are [projected to increase](#) to \$88,000 for a single person and \$176,000 for a married couple.

For 2021, the Part B premium for high-income beneficiaries is [projected](#) to range from about \$215/month to \$521/month, depending on income (up from a [range from \\$202.40/month to \\$491.60/month](#) in 2020).

As part of the Medicare payment solution that Congress enacted in 2015 to solve the “doc fix” problem, [new income brackets were created to determine Part B premiums for high-income Medicare enrollees](#). These new brackets took effect in 2018, bumping some high-income enrollees into higher premium brackets.

And starting in 2019, [a new income bracket was added on the high end](#), further increasing Part B premiums for enrollees with very high incomes. Rather than lumping everyone with income above \$160,000 (\$320,000 for a married couple) into one bracket at the top of the scale, there's now a bracket for enrollees with an income of \$500,000 or more (\$750,000 or more for a married couple). People in this category pay [\\$491.60/month for Part B in 2020](#), and the projection is that they'll pay about \$521/month in 2021. The income level for that top bracket — income of \$500,000+ for a single individual or \$750,000 for a couple — remained unchanged in 2020. But the thresholds for each of the other brackets increased slightly (starting with the lowest bracket increasing from \$85,000 to \$87,000, and so on; a similar adjustment applied at each level except the highest one).

How are Medicare Advantage premiums changing for 2021?

According to CMS, the average [Medicare Advantage](#) (Medicare Part C) premiums for 2021 is expected to be [\\$21/month in 2021](#), down from \$23/month in 2020. Average Advantage premiums have been [declining for the last several years](#), and the average premium for 2021 is the lowest its been since 2007.

But when we only consider Medicare Advantage plans that include Part D prescription drug coverage (MA-PDs), [a Kaiser Family Foundation analysis](#) found that the average premium in 2020 is about \$36/month.

(Note that Medicare Advantage premiums are in addition to Part B premiums. People who enroll in Medicare Advantage pay their Part B premium and whatever the premium is for their Medicare Advantage plan, and the private insurer wraps all of the coverage into one plan.)

About [24 million](#) people had Medicare Advantage plans in 2020, and CMS [projects](#) that it will grow to 26 million in 2021. Enrollment in these plans has been steadily growing for the last 15 years. The total number of Medicare beneficiaries has been steadily growing as well, but the growth in Medicare Advantage enrollment has far outpaced overall Medicare enrollment growth. In 2004, just 13 percent of Medicare beneficiaries had Medicare Advantage plans. That had grown to [36 percent by 2020](#), and the new Medicare Plan Finder tool is designed in a way that [could accelerate the growth in Advantage enrollment](#).

People with ESRD can join Medicare Advantage plans

Under longstanding rules, Medicare Advantage plans have been unavailable to people with end-stage renal disease (ESRD) unless there was an ESRD Special Needs Plan available in their area. But starting in 2021, Medicare Advantage plans will be guaranteed issue for all Medicare beneficiaries, including those with ESRD. This is a result of the [21st Century Cures Act](#), which gives people with ESRD [access to any Medicare Advantage plan in their area as of 2021](#).

Many people with ESRD will still find that [Original Medicare](#) plus a [Medigap plan](#) and [Medicare Part D](#) plan is still the most economical option overall, in terms of the coverage provided. But [in some states](#), people under 65 cannot enroll in guaranteed-issue Medigap plans, or can do so only with exorbitantly high premiums. And some of the states that do protect access to Medigap for most beneficiaries under 65 do not extend those protections to people with ESRD. Without supplemental coverage, there is no cap on out-of-pocket costs under Original Medicare.

Medicare Advantage plans do have a cap on out-of-pocket costs, as described below. So for ESRD beneficiaries who cannot obtain an affordable Medigap plan, a Medicare Advantage plan could be a viable solution, as long as the person's doctors and hospitals are in-network with the plan.

Is the Medicare Advantage out-of-pocket maximum changing for 2021?

Medicare Advantage plans are required to cap enrollees' out-of-pocket costs for Part A and Part B services (unlike Original Medicare, which does not have a cap on out-of-pocket costs). The cap does not include the cost of prescription drugs, since those are covered under Medicare Part D (even when it's integrated with a Medicare Advantage plan).

For the last several years, the cap has been [\\$6,700](#), although [most plans](#) have had out-of-pocket caps below that level. For 2021, the maximum out-of-pocket limit for Medicare Advantage plans is increasing to [\\$7,550](#) (plus out-of-pocket costs for prescription drugs). Most plans will likely continue to have out-of-pocket caps below the government's maximum, but the allowable increase for 2021 is fairly significant.

How is Medicare Part D prescription drug coverage changing for 2021?

For stand-alone [Part D prescription drug plans](#), the maximum allowable deductible for standard Part D plans will be [\\$445 in 2021](#), up from \$435 in 2020.

And the out-of-pocket threshold (where [catastrophic coverage](#) begins) will increase to [\\$6,550 in 2021](#), up from \$6,350 in 2020. The copay amounts for people who reach the catastrophic coverage level in 2021 will increase slightly, to \$3.70 for generics and \$9.20 for brand-name drugs.

Medicare beneficiaries with Part D coverage (stand-alone or as part of a Medicare Advantage plan) will have access to [insulin with a copay of \\$35/month in 2021](#). This is expected to save beneficiaries several hundred dollars per year.

The Affordable Care Act has [closed the donut hole](#) in [Medicare Part D](#). As of 2020, there is no longer a "hole" for brand-name or generic drugs: Enrollees in standard Part D plans [pay 25 percent of the cost](#) (after meeting their deductible) until they reach the catastrophic coverage threshold. Prior to 2010, enrollees paid their deductible, then 25 percent of the costs until they reached the donut hole, *then they were responsible for 100 percent of the costs until they reached the catastrophic coverage threshold*.

That amount gradually declined over the last several years, and the donut hole [closed one year early](#) — in 2019, instead of 2020 — for brand-name drugs. [So enrollees in standard plans paid 25 percent of the cost of brand-name drugs from the time they met their deductible until they reached the catastrophic coverage threshold.] Enrollees also pay 25 percent of the cost of generic drugs while in the donut hole in 2020, down from 37 percent in 2019.

The donut hole is still relevant, however, in terms of how drug costs are counted towards reaching the catastrophic coverage threshold, and in terms of who covers the costs of the drugs (ie, the drug manufacturer or the enrollee's Part D plan). [Here's more about how that all works](#).

Louise Norris is an [individual health insurance](#) broker who has been writing about health insurance and health reform since 2006. She has written dozens of opinions and educational pieces about the [Affordable Care Act](#) for [healthinsurance.org](#). Her [state health exchange updates](#) are regularly cited by media who cover health reform and by other health insurance experts.