Social Security and Medicare Changes for 2016

This article previews the changes in store for Social Security and Medicare in 2016; it originally appeared in the HCV Advocate, mid-month November 2015

December 7, 2015 By Jacques Chambers, CLU

Each year Social Security revises its numbers and those of Medicare to reflect inflationary trends in the past year. Due to very low inflation this past year thanks primarily to lower gasoline prices, there will be **NO** Cost of Living Allowance (COLA) change for persons currently receiving Social Security benefits.They will continue to receive the same amount as they did in 2015. Other amounts, however, will change.

Trust Fund Reallocation
As in past years, your payroll taxes that are deducted for Social Security and Medicare will remain at 7.65% for employees and employers and 15.30% for self-employed individuals.

That money has been split with most of it going into the Retirement Trust Fund to pay retiree benefits and the Disability Trust Fund to pay Disability (SSDI) benefits. However, because medical costs have risens o much faster than general inflation, the amount allocated to the Disability Trust Fund has not been enough to maintain the disability benefits. In fact the Fund is in danger of being emptied completely.

This column reported last spring that, due to this disparity, Disability benefits would have to be cut by almost 20% beginning around December, 2016, unless Congress makes changes.

This column is now happy to report that the recent budget passed by Congress and signed into law by the President does fix that reallocation problem, so that a greater portion of payroll taxes (F.I.C.A.) will be directed to the Disability Trust Fund than before. Therefore, Disability benefits will continue to be paid at the same level as in the past, and with the new reallocation, it will continue to be able to do so for the foreseeable future.

For Individuals Still Working
The taxable limit on earnings for contributions to Retirement, Survivors, and Disability (OASDI) per individual remains at $118,000. There continues to be no maximum limit on earnings for Medicare withholding.

Social Security Benefits
Although the benefits will not increase next year, a few of the other numbers that Social Security uses will change.

Supplemental Security Income (SSI) – This monthly income benefit paid by the federal government to low income individuals age 65 and older as well as disabled persons under 65 will remain at $733 per month for a single person and $1,100 per month for a couple. Some states supplement that federal amount, but it is not anticipated that many, if any, will increase their portion either.

The Resources or Asset Limit remains at $2,000 for an individual or $3,000 for a couple.

- Working Disabled Individuals – For persons who are collecting Disability Benefits (SSDI) and

attempting to work, it will now take $810 in countable earnings in a month for that month to be considered a Trial Work Month. There are nine Trial Work Months during which a disability beneficiary can earn an unlimited amount of earnings and not have it affect their benefits.

- Substantial Gainful Activity (SGA) – The monthly SGA for 2016 is $1,130 for a non-blind individual and $1,820 for a blind individual.
- Disability (SSDI) benefits will continue after the Trial Work Months are exhausted if the countable earnings remain below the SGA.
- Working on Supplemental Security Income (SSI) – This calculation has not changed. SSI does not count the first $65 of countable monthly earnings ($85 if SSI is the only source of income). After that, they will reduce the SSI benefit $1 for every $2 of earnings.
- Students Collecting SSI – Students collecting SSI benefits have a different limit that allows them to earn more money during school breaks. That amount has not changed from 2015 and remains at $1,780 per month and no more than $7,180 in any one year.

Changes to Medicare

There are important changes to the Medicare premiums for 2016 due to a quirk in federal law. Federal law prohibits Medicare from increasing the Part B Medicare premium, which is currently $104.90, if there is no Cost of Living Increase, as is the case for 2016. However, that prohibition only applies to persons paying the Part B premium through deduction from their Social Security benefit. It does not apply to Part B premiums paid in another manner.

To keep Part B premiums in line with expected Part B claims, they would have had to raise everyone else's Part B premium, including people newly eligible for Medicare after 2016 to about $223 per month. The new federal budget corrects this dramatic shift as well, through advancing money from the General Fund to cover the shortage. To summarize the Medicare Part B premiums:

- $104.90 will continue to be deducted from the monthly Social Security benefits of people currently receiving Medicare and paying through deduction from their benefits;
- $120 will be charged each month to persons who are either directly paying the premiums, persons who become eligible for Medicare after January 1, 2016, and persons whose Part B premiums are paid by a third party such as Medicaid; and,
- Medicare beneficiaries with high incomes ($85,000 single, $170,000 joint or higher) will continue to pay a surcharge on their Part B premiums.

For Medicare Part D, Prescription Drug Coverage for 2016, the annual deductible cannot exceed $360. Also, during the Coverage Gap (aka Donut Hole) the manufacturers and drug plans will continue to pay an even higher share of the drug costs, moving towards the year 2020 when the Coverage Gap will be eliminated completely.

Also, the eligibility for Part D's Low Income Subsidy (also called Extra Help) is tied to the Federal Poverty Level (FPL). The FPL for 2016 will not be released until the first quarter of 2016.

As of early November, Medicare has not yet published any changes to their hospital or medical deductibles. One trustee of the plans believes that the Medicare Part B (Medical) annual deductible may have a substantial jump from 2015's $147 per year to over $200, but that is only an estimate. Hopefully, those numbers will be published shortly. You may want to periodically check at www.medicare.gov and search for "2016 Medicare Changes").

Even though the actual numbers of some portions of Medicare are not yet available, overall the news for persons collecting Social Security benefits now is good in that the Medicare Part B premium will not increase for most of them. Also, for individuals collecting Social Security Disability, the fear of seeing their benefits drop by 20% in late 2016 is gone thanks to the restructuring of the Disability Trust Fund.

Jacques Chambers, CLU is a recognized expert on benefits issues, and a frequent contributor to the HCV Advocate. Permission to reprint given by Jacques Chambers and the HCV Advocate.

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