UPDATE

NAPS Leg/Reg Update - Nov. 2, 2015

Budget Deal Protects Federal Pay, Retirement Benefits; Tempers Medicare Premium Increase

The sweeping budget agreement cleared by the House and Senate last week staves off the dual threat of a debt default and a government shutdown through 2016. And there's additional good news for federal employees and retirees.

Federal (and postal) pay and benefits are not touched under the budget deal, despite earlier concerns that increased spending caps might be financed through increased federal employee and retiree retirement contributions. Previous budget agreements have not been so favorable for feds; for example, the 2013 budget deal increased the amount of retirement contributions by then-newly-hired federal employees.

Scheduled Medicare B Premium and Deductibles Trimmed

The good news about the budget deal also extends to millions of Medicare beneficiaries, including CSRS retirees, who faced a $54 spike in their monthly premiums next year. Under the budget deal, those Medicare beneficiaries would only see an estimated $18 premium increase under the budget agreement.

About 30 percent of enrollees in Medicare Part B, which covers doctor visits and outpatient services, were expected to see their monthly premiums increase from the current $104.90 to $159.30 in 2016, according to projections in the Medicare trustees report. The other 70 percent of Part B enrollees are protected from an increase by a “hold harmless” provision that prevents their premiums from rising more than their Social Security payments.

The budget agreement would set the 2016 monthly premium rate for the recipients that faced the spike at $120, with an additional $3 surcharge. The deal also would alleviate an increase in the Part B deductible for all beneficiaries, lowering it from a projected $223 to $167.

NAPS joined in late September with a number of other groups in a letter to Congressional leaders, calling for Congress to mitigate the impact of the rise in Medicare B premiums and deductibles. While all groups would have preferred no increase, they agreed that limiting the increases was a step in the right direction.

The money in the budget deal to temper the premium and deductible increase comes from a loan to the supplemental medical insurance trust fund that would be repaid starting in 2016, by imposing the $3 monthly surcharge on beneficiaries who aren't protected by the hold harmless. The $3 fee could taper off in later years if the loan is close to being repaid and would be imposed on all beneficiaries in years that the hold harmless isn't in play.

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