



State of California—Health and Human Services Agency
Department of Health Care Services



EDMUND G. BROWN JR.
Governor

DATE: December 5, 2012

TO: ALL COUNTY WELFARE DIRECTORS Letter No.: 12-34
ALL COUNTY WELFARE ADMINISTRATIVE OFFICERS
ALL COUNTY MEDI-CAL PROGRAM SPECIALISTS/LIAISONS
ALL COUNTY HEALTH EXECUTIVES
ALL COUNTY MENTAL HEALTH DIRECTORS
ALL COUNTY MEDS LIAISONS

SUBJECT: January 2013 Social Security Title II and Title XVI Cost of Living Adjustments
and Related Issues

The purpose of this letter is to provide counties with the following information:

- Instructions for computing the January 2013 Cost of Living Adjustments (COLA) for Title II Retirement, Survivor's and Disability Insurance benefits.
- The 2013 Medicare Part B Premiums of \$104.90; however, see (Attachment 1) for additional information concerning Medicare Part B premiums.
- The 2013 Federal Benefits Rate.
- The 2013 In-Kind Support and Maintenance Values for computing Pickle eligibility. (Attachment 2)
- The effective Supplemental Security Income/State Supplemental Payment (SSI/SSP) cash grant levels for determining Pickle eligibility from January 1, 2013 through December 31, 2013. (Attachment 3)
- The 2013 Resource Limit for both Medi-Cal and Pickle cases.
- The 2013 Pickle Disregard Computation Chart. (Attachment 4)

TITLE II RSDI COLA

The Social Security Administration (SSA) has advised us that there will be a 1.7 percent cost of living adjustment for 2013.

Category A : 2013 Title II Benefits Amount – No Payment for Medicare Part B by Applicant/Beneficiaries

For Medi-Cal only individuals, who do not pay Medicare Part B premiums, because they are not eligible for Medicare or they are entitled to Buy-In (in which case the state pays the Medicare Part B premiums), the current 2012 gross benefit amount should be multiplied by 0.0167 to compute the 2013 benefit amount. This computation will produce the Title II benefit amount to be used in computing the Medi-Cal share-of-cost (SOC). This process is the same for Pickle-eligible individuals who do not have Medicare Part B premiums deducted from their Title II benefit check.

Category B : 2013 Title II Benefit Amount - Medicare Part B Premiums are paid by the Applicant/Beneficiary

The 2013 Medicare Part B premium is \$104.90. See Attachment 1 for additional details of the 2013 Medicare Part B premiums rate.

For individuals, who have this premium deducted from their Title II benefit check, a two-step rounding down process must be followed to accurately determine the new benefit amount. For example:

Step 1 For Category B

Add the 2012 Medicare Part B premiums to the net 2012 Title II benefit check to obtain the 2012 gross benefit amount. Multiply this 2012 gross amount by the 2013 cost of living adjustment (1.017) and round the remaining cents down to the next lower \$0.10 to obtain the 2013 gross benefit amount.

Step 2 For Category B

Subtract the 2013 Medicare Part B premiums \$104.90 from the 2013 gross benefit amount and round down to the next lower dollar. The remainder will be the January 2013 net benefit amount used to compute the SOC.

Example For Category B

Step 1

2012 net Title II benefit Check amount	\$1210.37
Plus 2012 Medicare Part B premiums	<u>+ 99.90</u>
2012 gross Title II benefit amount	\$1310.27
Multiply by COLA	<u>x 1.0170</u>
Total	\$1332.54
Round down total to next lower \$0.10	\$1332.54
2013 gross Title II benefit amount	\$1332.50

Step 2

2013 gross Title II benefit amount	\$1332.50
Subtract 2013 Medicare Part B premiums	<u>- 104.90</u>
Total	\$1227.60
Round down to the next lower dollar	\$1227.60
January 2013 net Title II benefit amount	\$1227.00

Category C : 2013 Title II Benefit Amount – Pickle Applicant Pays Medicare Part B Premiums

To determine the countable Title II income for a Pickle applicant who has the Medicare Part B premiums deducted, the following computation must be followed:

Step 1

Determine the 2013 gross Title II benefit amount in the same manner as all other Medi-Cal beneficiaries with Title II income (same as Step 1 in Category B above).

Step 2

Determine the Pickle disregard and subtract from the 2013 gross Title II benefit amount, then round the difference down to the next lower dollar amount.

Example For Category C

Determine Pickle disregard:

2013 gross Title II benefit amount	\$1227.00
2012 disregard multiplier	<u>x 0.0167</u>
(Raw Disregard Amount)	\$ 20.49

Disregard rounded to the nearest dollar \$ 20.00

Subtract disregard from gross income

2013 gross Title II benefit amount	\$1227.00
Subtract rounded down disregard amount	<u>-20.00</u>
Total	\$1207.00

Round down to the next lower dollar amount \$1207.00

Total countable income \$1207.00

It should be noted, as in previous years, that SSA applies the COLA to the actual, rather than rounded benefit amount. This may result in a \$1 discrepancy in Title II benefits for some beneficiaries and therefore a \$1 understated SOC. In order to avoid the unnecessary expense of computing every Title II case subsequently identified as having an incorrect SOC solely due to the COLA, counties are authorized instead to correct the SOC the next time the budget is recomputed when an income change is reported or at annual redetermination. Quality Control (QC) errors are not cited when the discrepancy between the budgeted income amount and the actual income amount received by the beneficiary is less than \$400.

All medically needy cases with Title II income must have the SOC adjusted effective January 1, 2013. In the past, the incorrect computation of Title II COLAs has been the source of federal QC errors. The 2013 Social Security COLA would not apply to the Aged and Disabled Federal Poverty Level (FPL) and FPL-Blind programs, Medicare Savings Programs, the 200 Percent Pregnant Women and Infants, or the Children's FPL programs. These cases should not have the SSA COLA applied until the 2013 FPL rates have been published.

II. SSI/SSP PAYMENT LEVELS

Effective January 1, 2013, rates used may be May 1, 2009 rates. SSI/SSP payment levels are available in your Pickle Manual page 16-1a. Use the January 1, 2013 rates when determining eligibility for; Disabled Adult Child, Disabled Window, 250 Percent Working Disabled, and the Aged and Disabled Federal Poverty Level programs.

III. 2013 RESOURCE LIMITS

The resource limit for both Medi-Cal only and Pickle eligibility will remain the same - \$2,000 for one person and \$3,000 for two persons.

IV. 2013 Federal Benefits Rate

Individual	\$ 710
Couple	\$1,066

V. 2012 PICKLE DISREGARD COMPUTATION CHART

Effective January 1, 2013, the enclosed chart (Attachment 4) is to be used when computing a Title II disregard amount for Pickle eligibles and applicants. The reason the chart is titled 2012 is because the COLA disregard relates to individuals who were terminated from SSI/SSP in 2012.

If you have any questions concerning the Pickle program or SOC issues, please contact Ms. Leslie Benson (916) 327-0407 or by e-mail at Leslie.Benson@dhcs.ca.gov.

Original Signed By

Azadeh Fares, Chief (Acting)
Medi-Cal Eligibility Division

Attachments

ARTICLE COMMENTS (0)

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COLUMN-Medicare premiums rising in 2013, but less than expected

Fri Nov 16, 2012 5:17pm EST

(The writer is a Reuters columnist. The opinions expressed are his own. For more from Mark Miller, see link.reuters.com/qyk97s)

By Mark Miller

(Reuters) - The rising cost of Medicare premiums will take a bigger bite out of seniors' wallets next year - but the amount will be smaller than was predicted by a federal government forecast earlier this year.

The monthly premium for Medicare Part B (outpatient services) will jump 5 percent in 2013 to \$104.90, the Centers for Medicare & Medicaid Services announced on Friday. The increase -- which amounts to \$5 instead of the \$9 that had been predicted by the trustees of the Medicare program -- will consume part of the already-small Social Security cost-of-living adjustment next year for middle class recipients.

CMS also said the annual Part B deductible will rise \$7 to \$147, and that the Part A (hospitalization) deductible will be \$1,184, a \$28 increase.

High-income seniors, who already pay steep surcharges on top of the standard premium, will see additional hikes ranging from \$42 to \$230.80 per month.

A \$5 increase in premiums may not sound like a big deal. But it comes at a time when Washington is gearing up for "fiscal cliff" negotiations that could lead to further squeezes on seniors in the form of more Medicare cost-shifting or smaller Social Security COLAs.

For less-wealthy recipients, the changes will be felt in the form of a smaller-than expected Social Security benefit increase. The Social Security COLA next year is 1.7 percent. After the Part B premium is deducted, a senior with a \$1,000 monthly benefit will receive a net increase of \$12, or 1.2 percent. For someone with a \$2,000 monthly benefit, the net increase will be \$29, or 1.45 percent.

The lower-than-expected Part B premium hike means that the vast majority of retirees (those with monthly benefits over \$300) will receive at least some COLA next year.

Social Security Administration data shows that fewer than 3 percent have benefits below that level. Those in that category are protected by a "hold harmless" provision of federal law that prevents benefits from falling from year to year for anyone whose premium is auto-deducted from benefits. That means their Medicare premium cannot rise by a greater amount than the COLA.

That provision does not apply to high-earning recipients or to people who are signing up for Medicare for the first time in 2013. Seniors who earn so little and have so little that they qualify for Medicaid (and Medicare) are not affected, because their premiums are paid by their state programs.

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HIGH EARNERS WILL SEE BIG INCREASES

Seniors with annual ordinary income over \$85,000 (single filers) or \$170,000 (joint filers) pay the full 5 percent Part B increase, plus surcharges that go up as income rises. Their total Part B monthly premiums will range from \$146.90 to a whopping \$335.70 per month for the wealthiest seniors. High-income seniors also pay surcharges on their Part D prescription drug plans.

Very few seniors have enough income to trigger the surcharges - after all, most of them are retired. But their numbers are increasing as more older Americans keep working past the traditional retirement age - and with growing talk about "means testing" Medicare, it's worth keeping in mind that wealthy seniors already are paying substantially more.

The Social Security Administration determines who pays the premium surcharge using recent tax returns. Eligibility is determined on the basis of a measure called "modified adjusted gross income," or MAGI. That is the total of adjusted gross income (typically including a portion of Social Security benefits) and tax-exempt interest income. If your MAGI is higher than the income threshold, you'll get a letter from the SSA telling you what your premium will be, including the surcharge.

You can challenge the surcharge determination if your financial circumstances have changed since the 2011 tax return was filed. Examples include an income decline, or a change in marital status. More information on challenging the surcharge is available at the Social Security Administration website ([here](#)).

For the long term, recipients can consider tax strategies to help keep them underneath the surcharge trigger. One option is to take withdrawals from a Roth individual retirement account. They are not counted in Social Security's definition of taxable income. You can also alternate withdrawals from taxable accounts and non-taxable accounts so that you don't have to pay the surcharge every year.

Senior advocates expressed relief that Medicare premiums did not rise more - but noted that the long-range trend has been painful.

"It's good to hear that Part B premiums didn't increase as much as initially forecast," said Mary Johnson, policy analyst for The Senior Citizens League. "Still, the Part B premium has increased 130 percent since 2000 - that's almost as fast as the growth in gasoline prices." (Follow us @ReutersMoney or [here](#). Editing by Linda Stern and Dan Grebler)

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P I C K L E H A N D B O O K

2013 ISM VALUES FOR
COMPUTING PICKLE ELIGIBILITY

	<u>Individual</u>	<u>Couple</u>
VTR (not rebuttable)**	\$236.66	\$355.33
PMV (rebuttable)***	\$256.66	\$375.33

The VTR is the payment level to be used in situations 1, 2, and 3 below. The PMV is the unearned income amount to be added in other situations. The following chart provides the method that must be used for determining Pickle eligibility for individuals and couples in various living arrangements.

<u>HOUSEHOLD SITUATION (LIVING ARRANGEMENT)</u>	<u>PRINCIPLE</u>
1. Living in household of another throughout a month and receiving both food and shelter from someone in the household.	Reduce the applicable payment level by one-third the Federal Benefit Rate (FBR). Use the VTR.
2. Living in household of another who is providing both food and shelter and also receiving ISM from a third party.	Reduce the FBR payment level by one-third (VTR). Exclude third party ISM.
3. Living with a responsible relative (deemor) who lives in the household of another and the householder is not a responsible relative but is supplying both food and shelter.	Add VTR from the householder to deemed income from the responsible relative and add to other unearned income.
4. Living in own household (ownership or rental liability) and receiving ISM from someone outside the household.	Add PMV to other unearned income.
5. Living in non-institutional care* situation or group home and receiving ISM from someone outside the household.	Add PMV to other unearned income.
6. Living with a responsible relative (deemor) who lives in the household of another and the householder is not a responsible relative but is supplying food or shelter.	Add PMV from the householder to deemed income from the responsible relative and add to other unearned income.

Continued on next page

P I C K L E H A N D B O O K

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|---|---|
| 7. Living in household of another and sharing partial or total household expenses. | If pro rata share is contributed, we use the SSI/SSP payment level for a person in an "independent living arrangement." If pro rata share is not contributed, add PMV. |
| 8. One member of an eligible couple lives in the household of another and receives both food and shelter from the householder while the second member lives in his/her home or a non-medical institution. | One-sixth of the FBR for a couple for the person living in the household of another. (VTR-not rebuttable.)

One-sixth of the FBR for a couple for the person living in his/her own household. (VTR-not rebuttable.) |
| 9. If the non-institutionalized spouse lives in any other situation. | One-sixth of the FBR for a couple plus \$10. |
| 10. Paying less than Current Market Rental Value (CMRV) for shelter. (See page 1-2.) | Add PMV unless criteria for earned/unearned income are met (see ISM). |

2012 Pickle Multipliers

Date of Last SSI	Cost of Living Amount	Multiplier
1/12 through 12/12	1.017	0.0167
1/11 through 12/11	1.036	0.0509
1/10 through 12/10	1.000	0.0509
1/09 through 12/09	1.000	0.0509
1/08 through 12/08	1.058	0.1029
1/07 through 12/07	1.023	0.1231
1/06 through 12/06	1.033	0.1511
1/05 through 12/05	1.041	0.1845
1/04 through 12/04	1.027	0.2060
1/03 through 12/03	1.021	0.2223
1/02 through 12/02	1.014	0.2330
1/01 through 12/01	1.026	0.2525
1/00 through 12/00	1.035	0.2778
1/99 through 12/99	1.024	0.2947
1/98 through 12/98	1.013	0.3037
1/97 through 12/97	1.021	0.3181
1/96 through 12/96	1.029	0.3373
1/95 through 12/95	1.026	0.3541
1/94 through 12/94	1.028	0.3717
1/93 through 12/93	1.026	0.3876
1/92 through 12/92	1.030	0.4054
1/91 through 12/91	1.037	0.4266
1/90 through 12/90	1.054	0.4560
1/89 through 12/89	1.047	0.4804
1/88 through 12/88	1.040	0.5004
1/87 through 12/87	1.042	0.5206
1/86 through 12/86	1.013	0.5267
1/85 through 12/85	1.031	0.5409
1/84 through 12/84	1.035	0.5565
7/82 through 12/83	1.035	0.5715
7/81 through 06/82	1.074	0.6010
7/80 through 06/81	1.112	0.6412
7/79 through 06/80	1.143	0.6861
7/78 through 06/79	1.099	0.7143
7/77 through 06/78	1.065	0.7318
4/77 through 06/77	1.059	0.7467