The Effect of IRMAA on Your Monthly Medicare Part B and Part D Premiums - A Medicare Surprise

A practical guide for near-retirees and their financial advisors – understanding the rules, the risks, and how to avoid an increase in your Medicare premiums as you transition to Medicare.

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What is IRMAA?

IRMAA stands for "Income-Related Monthly Adjustment Amount." It is an additional charge added to your Medicare Part B and Part D premiums.

IRMAA was created under the "Medicare Modernization Act of 2003" and implemented in 2007. Its purpose was to ensure Higher-income beneficiaries pay a larger share of their Medicare Part B premiums. Most Americans pay the standard premium. which for 2026 is $202.90. This is only 25% of the full cost of Part B; the Government supplements the remaining 75%. In 2011, IRMAA was extended to Medicare Part D, which is prescription drug coverage.

The Income Related Monthly Adjustment Amount

The Income Related Monthly Adjustment Amount, known as IRMAA, is based on your modified adjusted gross income (MAGI).

The Core Problem

Your Medicare premiums are based on your tax return's MAGI from two years prior. Maybe even three years prior if you filed an extension.

There Are Some Exceptions

Know which circumstances qualify for an exemption from the IRMAA increase and which ones don't.

Timing is Important

If your MAGI goes over a certain limit, you will find yourself subject to IRMAA. If you don't qualify for an exemption, you will pay a higher premium for 12 months. Know these limits.

Timing of Roth Conversions Is Important

Understanding What Triggers IRMAA Save You An Unexpected Surprise Increase of Your Medicare Part B & D Premiums.

How They Trigger IRMAA

It takes Social Security two years to receive your tax return. If you file an extension, it may take them three years to receive it.

Current Year Premiums

For 2026, your Medicare Part B and D premiums are based on your 2024 MAGI from your tax return. (Maybe 2023 if you filed an extension.)

The Consequence

If you do not have a qualifying event, you will pay the higher premiums for twelve months.

Other than a qualifying event, Social Security will usually only reduce your premium if it is causing you a financial hardship which you will have to prove.

There are 8 Qualifying Events for Appealing IRMAA

1

Death of your spouse: Losing a spouse often changes both household income and tax filing status.

2

Marriage: A new marriage can change your combined income and filing status.

3

Divorce or annulment: The end of a marriage typically shifts income and filing status.

4

Work stoppage: You or your spouse fully stopped working — through retirement, layoff, or other separation from employment.

5

Work reduction: You or your spouse reduced working hours, resulting in lower earnings.

6

Loss of income-producing property: Property was lost involuntarily — for example, through a natural disaster in a declared disaster area, arson, crop destruction, or theft due to criminal fraud.

7

Loss of pension income: was terminated, reduced through a scheduled cessation, or reorganized by your employer.

8

Employer settlement payment: received one from an employer because of the employer's closure, bankruptcy, or reorganization.

Key Detail Most People Aren't Aware Of: Medicare Part B & D Premium Based on MAGI from Two Years Prior

Timing is Important

Most retirees know they can start Medicare at 65. What they don't know is about IRMAA. IRMAA is a rule that stipulates that those with higher incomes must pay higher Medicare premiums - a Medicare "means test" of sorts.

2026 Medicare Part B Premium

Those enrolled in Medicare Part B will pay at least the Standard rate of **$202.90**. Higher income earners will pay a Part B IRMAA (Income Related Monthly Adjusted Amount) in addition to the standard amount.

If your MAGI (Modified Adjusted Gross Income*) in 2024 was...			You pay in 2026 (per person) Monthly premiums to Medicare	
Individual Tax Return	Joint Tax Return	Married & Separate Tax Return	Part B Premium + IRMAA	Part D IRMAA (in addition to Part D plan premium)
$109,000 or less	$218,000 or less	$109,000 or less	$202.90	---
$109,001 to $137,000	$218,001 to $274,000	N/A	$284.10 (202.90 + 81.20)	+ $14.50
$137,001 to $171,000	$274,001 to $342,000	N/A	$405.80 (202.90 + 202.90)	+ $37.50
$171,001 to $205,000	$342,001 to $410,000	N/A	$527.50 (202.90 + 324.60)	+ $60.40
$205,001 to $499,999	$410,001 to $749,999	$109,001 to $390,999	$649.20 (202.90 + 446.30)	+ $83.30
$500,000 +	$750,000 +	$391,000 +	$689.90 (202.90 + 487.00)	+ $91.00

*For **2024**, MAGI (Modified Adjusted Gross Income) is calculated as: Adjusted Gross Income (Form 1040, Line 11) + Tax-Exempt Interest (Form 1040, Line 2a)

Real-World Example

You apply for Medicare at age 65.– You sold your rental properties at age 64 as part of your retirement plan. Your Medicare Part B premium starts at the standard premium. The following year, you get an IRMAA notice! Now, your premium will be $200 more!

1

Jan 2025 - 64-year-old sold rental property.

Start Medicare in March 2026 - Standard Premium based on 2024

2

Jan 2027 - 66 years old and get a surprise increase

Medicare Part B & D premiums are based on 2025 income, which is when you sold rentals. –

3

Jan 2028 - Increased premiums are reduced.

Medicare Part B & D premiums are standard again, as IRMAA only lasts for 12 months.

Ways to Avoid IRMMA

You should time the selling of any rentals, or even your home, if you are not buying another one.

IRMAA Lasts for 12 Months

If you sell your home in one year and don't purchase a new one until the next year, you may have to pay IRMAA for 12 months.

Retirement fund withdrawals can subject you to IRMAA

Try to time your retirement withdrawals each year, so you stay under the IRMAA brackets.

Consult a Financial Advisor

As Social Security Advisors, we do not provide financial advice. We strongly encourage you to consult with a qualified financial advisor to fully understand the effect your withdrawals will have on your personal situation.

Options When Someone Finds Themselves in This Position

When you are subject to IRMAA, the premium amount will normally be reduced only if you have a qualifying event or are experiencing financial hardship.

File an appeal.

Qualifying Event

File Form SSA-44

Only use this form For a Qualifying Event.

Non-Qualifying Event – Usually only approved if it is causing you a financial hardship.

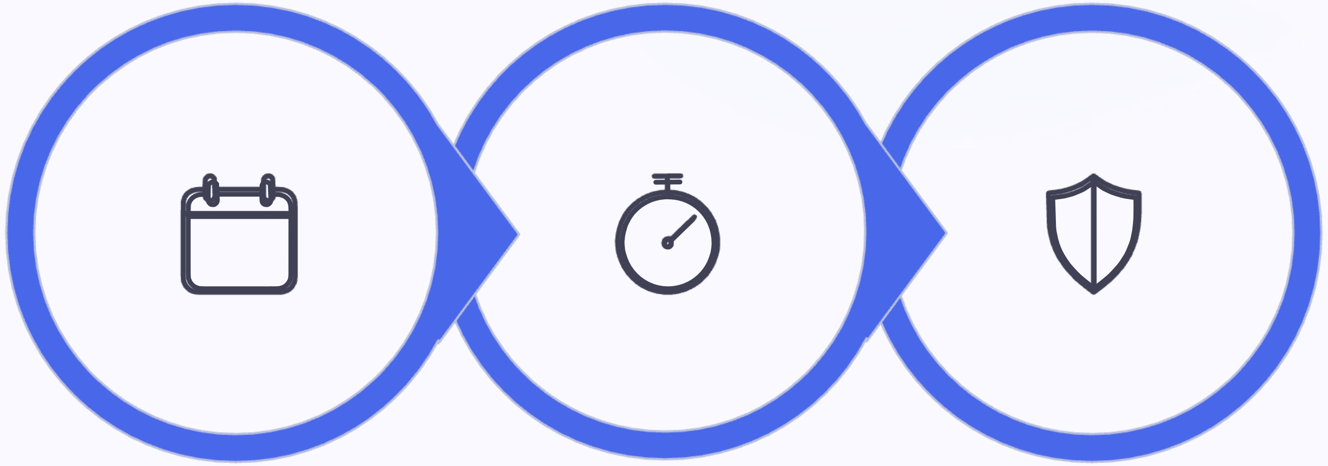
File Form SSA-561

Do both spouses have to pay the same premium?

- **Married couples:** You will both pay the same premium for your Medicare Part B.
- **Married couples:** You will not always pay the same premium for your Medicare Part D. It will depend on the type of plan each of you chooses.

How To Avoid IRMAA As Part of Your Retirement Plan

The Three Main Reasons People Other Than High-Income Earners Find Themselves Subject to IRMAA



Sale of Assets

Roth Conversions

Mandatory Withdrawals

Always Remember: So many people go into retirement and start Medicare totally unaware of the two year look back rule. If at all possible, handle your large transactions, no less than two years before going on Medicare.

Delaying Medicare Until You Retire

Many individuals who continue working past 65 can delay enrolling in Medicare as long as they have Creditable Health And Prescription Coverage through an employer. They will not receive a Part B or Part D penalty – provided they maintain creditable employer health insurance coverage through a Group Health Plan (GHP).

Getting Ready to Retire? Walk Through This Checklist

Use this decision flow when approaching retirement or when planning your own transition to Medicare.

01

Do You Have Creditable Employer Coverage?

Confirm whether you are currently enrolled in a qualifying Group Health Plan (GHP) through active employment. If yes, proceed to the next question.

02

Do You Plan to Remain on That Coverage?

If you intend to stay on employer coverage, you may delay taking Medicare.

03

Will it have been two years since I sold or transferred assets?

For example, if you transferred your IRA to a Roth IRA in 2025, and you plan on starting Medicare in 2027, they will look at your 2025 Tax Return

And you may be subject to IRMAA for 12 months.

04

I'm retiring in 2027. Will I be subject to IRMAA?

Retirement is a qualifying event. File an appeal if you receive a notice that your Medicare Part B and D will be higher due to your MAGI.

THANK YOU

This concludes Part 2 of Medicare Pitfalls.

If you have any questions about the material covered, feel free to contact our Social Security Advisory Staff:

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