



Information Partners Can Use on:

2006 Premium Withholding Reconciliation

Medicare Prescription Drug Coverage

As of August 2007

People with Medicare have two options for how they pay their Medicare Part C/D plan premiums. One option is to have their monthly plan premium deducted from their monthly Social Security payments. The second option includes getting billed directly from the plan for monthly premiums.

In 2006, some people had incorrect amounts (including none at all) deducted from their Social Security payments. Many of these errors were corrected during 2006. To correct the remaining 2006 errors, Medicare performed a comprehensive premium withholding payment reconciliation process for people who had Medicare premiums withheld from their Social Security payments for their Medicare Advantage Plan or Medicare Prescription Drug Plan at any point during 2006.

As a result of this process, Medicare found that some people who had premiums withheld during 2006 still have unresolved issues related to the withholding. These people can be categorized into the following groups:

- People who are owed a refund
- People whose plan(s) were paid incorrectly
- People who owe premiums

Medicare is taking steps to resolve the issues related to the withholding for all of these people.

All people affected by the 2006 premium withholding reconciliation

Medicare has prepared data and call center scripts for caseworkers and 1-800-MEDICARE customer service representatives. The call center and caseworkers are prepared to answer questions from all people who may be affected by the premium withholding payment reconciliation process, including those who get refunds.



People who are owed a refund

People in this category had too much money withheld from their Social Security payments for one or more months during 2006. People with this error will get a refund. Beginning in July and through September 2007, Social Security is processing refunds. Most of these refunds were paid in July. Below is an example of a situation that may have occurred because of this error.

Example: John had premiums withheld from his Social Security payments in all of 2006 as a member of Plan ABC. The incorrect amount of \$30 was withheld from his Social Security payment every month in 2006. The correct premium amount was \$25 per month. John will get a refund in the amount of \$60, which represents the amount that was withheld (\$360) minus the amount that should have been withheld (\$300).

People whose plan(s) were paid incorrectly

People are in this category because their plan or plans weren't paid correctly by Medicare for one or more months. Below is an example of a situation that may have occurred because of this error.

Example: Bob is a member of Plan XYZ for all of 2006 and had his monthly premium withheld from his Social Security payment. In June 2006, Bob had the correct amount of money withheld from his Social Security payment, \$25. However, Medicare didn't pay Plan XYZ any of the money withheld for June 2006. Medicare will pay Plan XYZ the money owed. Bob doesn't need to do anything.

Because of the error described above, there may be some people who were incorrectly directly billed by their plan for the amount Medicare owes. People who were directly billed will be notified by their plan. If people made payments to their plan, they will be refunded. If they received a letter asking for payment and haven't paid yet, they shouldn't pay.



People who owe premiums

People in this category didn't have enough money or any money withheld from their Social Security payments for one or more months in 2006. Medicare is sending letters to people who owe premiums. Each letter will explain that the person owes premiums to one or more plans and ask the person to work with their plan(s) to pay the premiums. Medicare is encouraging plans to work out payment options that best meet the needs of the people who owe premiums. Below are examples of situations that may have occurred because of this error.

Example: Betty was a member of two plans in 2006. From January to July 2006, a total of \$70 was withheld from Betty's Social Security payment. Betty's premium was \$20 per month, so Plan ZYX should have received a total of \$140 for the 7 months of premiums. As a result, Betty owes Plan ZYX \$70. In August, Betty moved and enrolled in Plan MNO. Plan MNO has a premium of \$10. Withholding from her Social Security payment for Plan MNO premiums didn't begin until October. Betty owes Plan MNO \$20 for August and September premiums.

Example: For August 2006, \$25 was withheld from Barb's Social Security payment. However, her plan premium was \$50. Therefore, Barb owes her plan \$25.

Example: In July 2006, Frank switched plans and his premium changed from \$12 in Plan 1 to \$15 in Plan 2. For August and September, \$12 per month was withheld instead of \$15 from his Social Security payment. Frank owes Plan 2 \$6.

There may again be people who were directly billed by their plan for the amount owed. People should contact their plans if they believe they paid the plan directly for premiums that were also withheld from their Social Security payments.

People with questions about premium withholding issues can call 1-800-MEDICARE (1-800-633-4227). TTY users should call 1-877-486-2048.