

What is Income Related Monthly Adjustment Amount (IRMAA)?



Certain high-income retirees will have to pay an extra premium surcharge, known as an Income Related Monthly Adjustment Amount, or **IRMAA**. This is similar to the surcharge for high-income enrollees in Medicare Part B plan, or Medicare Part D (prescription drug) plan. If you are an individual earning more than \$87,000 per year or a married couple who earns more than \$174,000 per year, you will be required to pay an extra surcharge for being enrolled in the AlaskaCare Employer Group Waiver Program (EGWP) because it is a group Medicare Part D plan. Retirees whose household income is below this threshold will not be subject to the IRMAA premium surcharge.

If you are subject to the IRMAA surcharge, **you will be reimbursed for this surcharge**. For all Medicare plans, the IRMAA will be deducted directly from your monthly Social Security check if you qualify for Social Security or will otherwise be invoiced to you directly each month. **If you are charged an IRMAA for your prescription drug coverage, the Division of Retirement and Benefits will cover the full cost of the premium surcharge each month, through a tax-advantaged Health Reimbursement Arrangement (HRA) account.** Contact the Division to learn about your reimbursement options.

How will I know if I have to pay an IRMAA, and how much it will be?

Each year, Medicare eligible individuals are notified by the Social Security Administration about your plan, including if you are required to pay an IRMAA and at what amount. The Social Security Administration use your Modified Adjusted Gross Income (MAGI) to determine if the IRMAA applies to you and, if so, how much you will have to pay. MAGI is the sum of:

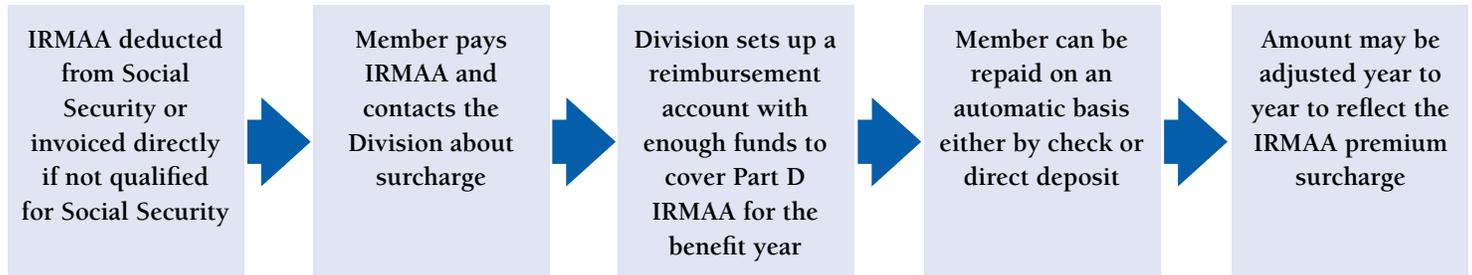
- Adjusted Gross Income (AGI), which can be found on the last line your IRS 1040 tax form (line 37 on form 1040, line 21 on form 1040A, or line 4 on form 1040EZ), plus
- Any tax-exempt interest income (line 8b on form 1040).

The Social Security Administration requests income information from the IRS for the tax year that is two years prior to the surcharge year. IRMAA is automatically re-determined each year as long as you file an income tax return. The below table shows an example IRMAA for 2020. The MAGI and IRMAA is subject to change from year to year.

Individual Modified Adjusted Gross Income (MAGI) based on 2018	Household (joint filing) Modified Adjusted Gross Income (MAGI) based on 2018	Monthly IRMAA (Medicare Part D)
Less than or equal to \$87,000	Less than or equal to \$174,000	\$0.00
Greater than \$87,000 and less than or equal to \$109,000	Greater than \$174,000 and less than or equal to \$218,000	\$12.20
Greater than \$109,000 and less than or equal to \$136,000	Greater than \$218,000 and less than or equal to \$272,000	\$31.50
Greater than \$136,000 and less than or equal to \$163,000	Greater than \$272,000 and less than or equal to \$326,000	\$50.70
Greater than \$163,000 and less than or equal to \$500,000	Greater than \$326,000 and less than or equal to \$750,000	\$70.00
Greater than or equal to \$500,000	Greater than or equal to \$750,000	\$76.40

How does the Health Reimbursement Arrangement (HRA) account work?

The Division is prohibited from paying your IRMAA premium surcharge directly and will instead reimburse you. To receive reimbursement, you will be asked to **send the Division a copy of the letter you receive from Social Security** each year, usually in November, which will state the IRMAA amount you are required to pay for the upcoming calendar year.



What are my options if I am required to pay the extra surcharge?

If you receive notice that you are required to pay the IRMAA surcharge for the enhanced EGWP, notify the Division of Retirement and Benefits as soon as possible. **The Division will fund a tax-advantaged Health Reimbursement Arrangement (HRA) account that can be used to reimburse you the surcharge amount by paper check or through electronic funds transfer to a bank account of your choosing.** Members are encouraged to set up reimbursement on an automatic monthly basis or can elect to submit for reimbursement manually.

What if I refuse to pay the extra surcharge?

If you refuse to pay the extra surcharge for your Medicare Part D coverage, Medicare will cancel your enrollment in the AlaskaCare enhanced Employer Group Waiver Program (EGWP) plan. This will be treated as an opt-out from the plan, and you will be placed in a prescription drug program that is much different than the plan prescription drug benefits offered today. This alternative plan may result in increased out-of-pocket expenses for you or your Medicare eligible dependents. **Please contact the Division if you have concerns about this surcharge or would like to better understand the options available to you.**

Who can I call if I need more help understanding this new plan and surcharge?

For general questions about your pharmacy benefits call **OptumRx** at (855) 409-6999. To find out if you will be subject to an extra surcharge because you earn a high income; you may **contact Social Security** at (800) 772-1213. For more information about the Health Reimbursement Arrangement (HRA) account contact the Division using the information below.

Alaska Division of Retirement and Benefits

6th Floor, State Office Building | 333 Willoughby Ave. | P.O. Box 110203 | Juneau, AK 99811-0203

Member Services Contact Center

Hours: Monday - Thursday 8:30 a.m. - 4 p.m. | Friday 8:30 a.m. - 3 p.m.

Toll-Free: (800) 821-2251 | In Juneau: (907) 465-4460 | Fax: (907) 465-4668 | TDD: (907) 465-2805

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