

What's new for Social Security and Medicare this year

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Older Americans started 2023 with a trifecta of good news: bigger Social Security benefits, lower Medicare premiums, and easier access to Medicare enrollment.

Social Security benefits increased **by 8.7%** in January as a result of the largest cost-of-living adjustment in more than 40 years.

A Social Security COLA exceeding 8% is extremely rare. There have been only three other COLAs since the start of automatic inflation adjustments in **1975** that were higher, back in the hyper-inflationary period of 1979-1981, when benefits increased 9.9%, 14.3% and 11.2% respectively.

It's **not necessary to claim** Social Security benefits in 2023 to cash in on the huge annual increase. Anyone who's 62 or older and eligible to receive Social Security in 2023, meaning anyone born in 1961 or earlier, will profit from the 8.7% COLA. The 2023 cost-of-living adjustment, along with every other COLA awarded from the time individuals turn 62 until they file for benefits, will be automatically included in their future benefits.

The 8.7% COLA boosted the average monthly Social Security retirement to \$1,827 in 2023, up \$146 per month from last year. It also increased the maximum retirement benefit for someone who retires at the full retirement age in 2023 to \$3,627 per month. That includes people born in the second half of 1956, who have a full retirement age of 66 and four months, and those who were born in the first half of 1957, who have a full retirement age of 66 and six months.

In addition, individuals who **delay claiming** Social Security earn an extra 0.66% per month — for a total of 8% per year — in delayed retirement

credits for postponing benefits beyond their full retirement age up to age 70.

Not only did Social Security benefits increase this year, but Medicare Part B premiums, which are usually deducted directly from Social Security payments, **declined** for the first time in more than a decade, resulting in larger net Social Security benefits for most retirees.

PREMIUM SURCHARGES

Most Medicare beneficiaries pay the standard Part B premium of \$164.90 per month in 2023, down slightly from the \$170.10 per month they paid last year, but some high-income retirees pay more. Single beneficiaries with income of \$97,000 or more and married couples with joint incomes of \$194,000 or more pay a Medicare premium surcharge, officially known as an income-related monthly adjustment amount, or IRMAA.

The IRMAA surcharges are based on your latest available tax return from two years ago. For example, 2023 IRMAA surcharges are based on 2021 tax returns filed in 2022. Social Security uses modified adjusted gross income, or MAGI, which includes adjusted gross income plus tax-exempt interest from municipal bonds, to determine income for IRMAA surcharges. In 2023, surcharges for Medicare Part B range from an extra \$65.90 per month to an extra \$395.60 per month per person on top of the standard Part B premium of \$164.90 per month.

New Medicare enrollment rules also took effect in 2023. Starting in January, people who enroll in the later months of their initial enrollment period will have coverage from the first day of the month after they sign up. Your initial enrollment period begins three months before your 65th birthday, includes the month you turn 65, and ends three months after your birthday.

MEDICARE ENROLLMENT

Previously, if you signed up for Medicare during the month you turned 65 or during the last three months of your initial enrollment period, your Medicare Part B coverage would begin one to three months after your 65th birthday. Beginning in 2023, if you **enroll in Medicare** one to three months before your 65th birthday, your Part B coverage starts the month **you turn 65**. If you enroll during your birthday month or one to three months after you

reach 65, your coverage will begin the first day of the month after you sign up.

If you don't sign up for Medicare Part B during your initial enrollment period, you'll have another chance during the general enrollment period that runs from Jan. 1 through March 31 each year. Starting in 2023, your coverage will start the first day of the month after you signed up. Previously, people who enrolled in Medicare during the general enrollment period would have to wait until the following July 1 for their coverage to begin.

If you don't enroll in Medicare Part B during your initial enrollment period, you may be subject to delayed enrollment penalties unless you're covered by a group health insurance plan from your or your spouse's current employer.