



## **REPORT TO THE SECRETARY**

### **Reexamination of the 2022 Medicare Part B Premium**

May 19, 2022

#### **PURPOSE**

This report responds to the HHS Secretary's request for CMS to reassess the 2022 Medicare Part B premium amount. This report provides background on the issue and includes: 1) an actuarial analysis prepared by the CMS Office of the Actuary outlining the results of the reexamination, and 2) an operational assessment prepared by the Principal Deputy Administrator and Chief Operating Officer regarding implementation of the results of the reexamination.

#### **OVERVIEW**

In November 2021, CMS published the 2022 Medicare Part B monthly premium rate of \$170.10, a 14.5% increase from the 2021 premium. This increase was driven by rising health care prices and utilization, Congressional action, and potential costs from Aduhelm™ (aducanumab) and other newly-approved monoclonal antibodies that target amyloid for the treatment of Alzheimer's disease. Potential Aduhelm costs resulted in roughly half of the 2022 premium increase due to the drug's average price of \$56,000 per year, uncertain utilization, and uncertain Medicare coverage, which were factored into the actuarial models used to calculate the adopted premium recommendation. The Medicare Part B premium must allow for sufficient reserves in the Supplementary Medical Insurance (SMI) Trust Fund to cover potential Medicare costs during the year.

In December 2021, Aduhelm's manufacturer announced it would cut its average price in half to \$28,200. In response, in January 2022, the HHS Secretary instructed CMS to reassess its recommendation for the 2022 Medicare Part B premium. Subsequently, the National Coverage Determination for monoclonal antibodies that target amyloid for the treatment of Alzheimer's disease was finalized in April 2022.

The independent CMS Office of the Actuary prepared the below report outlining the considerations that informed development of the Part B premium and the hypothetical effects of factors that have changed since the premium was announced on Aduhelm costs, leading to more assets in the Part B account of the SMI Trust Fund.

Based upon a detailed operational assessment which is summarized in this report, CMS recommends incorporating the savings realized from the difference between assumed and actual Part B spending into the 2023 Part B premium determination. CMS determined a mid-year administrative premium redetermination to not be operationally feasible, and also determined CMS does not have sufficient authority to send premium refunds directly to beneficiaries unless there is excess payment relative to the established premium.

## **RESULTS OF THE REEXAMINATION**

*Prepared by the CMS Office of the Actuary*



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DATE: May 16, 2022

FROM: Paul Spitalnic, ASA, MAAA  
Chief Actuary

SUBJECT: 2022 Medicare Part B Premium Redetermination

On November 17, 2021, the 2022 Medicare Part B monthly premium of \$170.10 was published in the *Federal Register*.<sup>1</sup> On January 10, 2022, Secretary Becerra instructed CMS to reassess the recommendation for this premium amount given the price change of Aduhelm, the new drug for the treatment of Alzheimer’s disease. There are many factors to consider with regard to such a reassessment.

The Part B premium has never been redetermined; rather, the statute requires that the determination of the premium be made for the entire succeeding year and does not explicitly include a basis for a redetermination.<sup>2</sup> The 2022 premium, and the development of all prior premiums, was determined with the expectation that there would be no subsequent redetermination. To account for variability in spending and utilization through the year, the development of the Part B premium includes a contingency margin that could accommodate modeled adverse experience, with the Part B account of the Supplementary Medical Insurance (SMI) trust fund remaining adequately financed for the entirety of the financing period. If the basis for setting the Part B financing were changed to account for possible redeterminations, then the analysis for the premium determination, including the establishment of the contingency margin, would also change.

Because the premium must be determined beforehand, actual Part B outcomes are nearly always different from the amounts that were assumed when the determination was made. In some years, actual Part B experience is more favorable than estimated, and in other years it is worse. At any point in time, the asset level of the Part B account of the SMI trust fund reflects these differences. When the annual Part B premium is determined, the updated asset level is explicitly reflected in the calculations.

Previous years’ surpluses or shortfalls affect future years’ premiums. An unexpected and large premium increase can occur if there is a shortfall of assets because the financing in such a situation would need to increase immediately to ensure that claims could be paid in full and on time. Alternatively, excess assets in the trust fund can allow for smaller and more gradual premium increases, thereby promoting

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<sup>1</sup> <https://www.federalregister.gov/documents/2021/11/17/2021-25050/medicare-program-medicare-part-b-monthly-actuarial-rates-premium-rates-and-annual-deductible>

<sup>2</sup>Section 1839(a)(3) of the Social Security Act states that “The Secretary, during September of each year, shall determine and promulgate a monthly premium rate for the succeeding calendar year...”

predictability and stability in financing levels.

Two factors regarding the potential Aduhelm costs have materially changed since the development of the 2022 Part B premium. The first is that the manufacturer, Biogen, reduced the annual price for a typical Aduhelm user from \$56,000 to \$28,200. The second is that a proposed National Coverage Determination (NCD) supporting Medicare coverage with evidence development was announced on January 11, 2022 and finalized on April 7, 2022. As a result of this NCD, the level and amount of uncertainty regarding the potential use of Aduhelm were greatly reduced.

As noted above, the 2022 Part B premium is \$170.10, and, as it was set back in November 2021, it includes a greater level of uncertainty than is typical regarding the potential costs associated with Aduhelm. If the same assumptions and methods that were used in the original determination were applied but all of the possible effects of Aduhelm were completely eliminated, then the 2022 Part B premium amount recommended by OACT last fall would have been \$160.30. Alternatively, if all spending assumptions used in the 2022 premium development were the same but the annual price for Aduhelm were updated to \$28,200, then the OACT recommended 2022 Part B premium last fall would have been \$166.50. Lastly, if all spending assumptions remained as assumed in the 2022 premium but the annual price for Aduhelm were updated to \$28,200 and the NCD with evidence development was reflected, the 2022 premium recommendation last fall would have been \$160.40.

The Fiscal Year 2023 President's Budget reflected both the price reduction and the proposed NCD for coverage with evidence development. The Budget projections showed an excess of assets in the Part B account of the SMI trust fund at the end of 2022, and the projected Part B premium for 2023 remained level at \$170.10. Additional excess assets are also projected to provide for dampened premium growth after 2023.

The actual 2023 Part B premium determination will occur this fall and will reflect additional information, such as actual 2022 claims data and the funding status of the Part B account during 2022. The analysis at that time is likely to differ somewhat from the amounts shown in the Budget. It is certain, however, that any additional funding caused by including the uncertainty of potential Aduhelm costs in the 2022 premium will be used to reduce the necessary financing in 2023 and later.

It is also worth noting that administering a redetermination of the 2022 Part B premium would be extremely burdensome. These complications, such as reprogramming the Social Security Administration systems, would take a significant amount of time and other resources, as described in greater detail elsewhere.



## **OPERATIONAL ASSESSMENT**

*Prepared by the CMS Principal Deputy Administrator and Chief Operating Officer Jonathan Blum*

To account for the additional reserves accrued from the difference between the initial and revised estimates of Aduhelm spending during 2022, CMS examined three operational options to return this amount to Medicare beneficiaries enrolled in Medicare Part B: 1) a mid-year administrative redetermination of the premium in 2022; 2) a direct refund to beneficiaries of the relevant portion of the 2022 premium; and 3) incorporation of the savings into the 2023 premium. CMS found that incorporating the premium effects of Aduhelm's price reduction and the subsequent National Coverage Determination into the 2023 premium is the only practically feasible option, as implementing a mid-year administrative redetermination of the 2022 premium was not found to be operationally possible during 2022, and also determined CMS does not have sufficient authority to send premium refunds directly to beneficiaries unless there is excess payment relative to the established premium.

CMS determined that a mid-year administrative redetermination would be prohibitively complex and highly risky, requiring significant resources and unproven technical solutions from the varied entities which manage premium collection and payment. Specifically, each of the entities involved in payment of the premium for different groups of beneficiaries—including CMS, the Social Security Administration (SSA), the Office of Personnel Management (OPM), the Railroad Retirement Board (RRB), States, and other third-party payers—would have to undertake major operational changes to implement a different premium mid-year and potentially issue refunds, requiring systems reprogramming, new communications with beneficiaries, and increased customer service volume.

The premium for each Medicare beneficiary is determined based on individual factors such as date of enrollment, requirements to pay penalties for late enrollment, income, disability status, the hold harmless provision, dual eligibility for Medicare and Medicaid, premium assistance, and other factors. For some beneficiaries, these factors change throughout year. CMS maintains files on beneficiary enrollment but relies on other entities to calculate, collect, and pay premiums, and update the base premium annually. The processes required for a mid-year change exceed the tested capabilities of some of these involved entities and were estimated to stretch late into 2022 if not early 2023, thus practically invalidating the benefit of setting a new premium mid-year. This timeline also risked disrupting the smooth implementation of the 2023 Part B premium.

Other identified risks from a mid-year administrative redetermination include operational and technological difficulties; delays to other required projects; and program integrity issues, as well as beneficiary confusion due to the unprecedented nature of a mid-year change and the different implications for different groups of beneficiaries. A mid-year redetermination would also require a corresponding update to the Part B deductible, as the Part B deductible amount is linked to the amount of the Part B Premium. Such a change would require the retroactive reprocessing of millions of claims, which would take over a year and additional resources to complete as well as the attempted reimbursement of beneficiaries for past cost sharing through their health care providers. CMS identified these challenges in close consultation with the SSA and other entities involved in payment of the premium.

Incorporating savings from Aduhelm into the 2023 premium also allows for consideration of 2022 Part B

spending experience to ensure that collected premiums are sufficient to meet projected spending and necessary reserves, which will not become available until the summer of 2022. Because spending factors other than Aduhelm could be higher or lower than assumed during development of the 2022 premium, reflecting 2022 experience in premium calculations results in a more accurate recommendation and helps safeguard the Part B account of the SMI Trust Fund by accounting for unexpected costs and greater-than-anticipated utilization of Part B services due to the current public health emergency for the COVID-19 pandemic or other unforeseen factors.

As required under current law, the 2023 Medicare Part B premium will be announced in the fall of 2022 through a notice in the Federal Register in accordance with the statutory premium development and implementation process.