

Figuring the Part D Penalty

2019 Average Base Premium = \$33.19

Medicare Part D began on January 1, 2006. That year people on Medicare had until May 15, to join a plan. If the beneficiary was eligible at that time, and they were not in their Initial Enrollment Period or a Special Enrollment Period then their penalty began June 1, 2006.

Let's use this example

2006-	7 months penalty
2007-	12 months penalty
2008-	12 months penalty
2009-	12 months penalty
2010-	12 months penalty
2011-	12 months penalty
2012-	12 months penalty
2013-	12 months penalty
2014-	12 months penalty
2015-	12 months penalty
2016-	12 months penalty
2017-	12 months penalty
2018-	12 months penalty

-----151 months total penalty-----

The penalty is not multiplied by the premium a person is paying; it is multiplied by the 1% of the national average base premium. For 2019 the national average base premium is \$33.19, so we take $151 \times .3319 = \$50.12$. Typically rounded to the nearest .10, the beneficiary would pay \$50.10 monthly, in addition to the monthly Part D premium for their chosen plan. This comes to over \$601 per year.

Not everyone pays this amount though. Some people were not on Medicare in 2006 so their penalty starts at the end of their Initial Enrollment Period or their Special Enrollment Period.



Let's use these examples:

Mrs. Smith became eligible for Medicare on July 1, 2014. She was healthy and not taking any medication so did not join a Medicare Part D plan. In 2018 she had a stroke and now takes several expensive medications. She wants to join a plan for 2019. What is her penalty?

Her Medicare began July 1, 2014 her Initial Enrollment Period ended October 31, 2014 (3 months after the month her Medicare went into effect) so her penalty goes back to November 1, 2014.

2014	2 months penalty
2015	12 months penalty
2016	12 months penalty
2017	12 months penalty
2018	12 months penalty

----- 50 months total penalty-----

$50 \times .3319 = \$16.60$ in additional monthly premium

Sometimes an individual continues to work past the age of 65. In this case they may have a Special Enrollment Period for their Medicare Part D plan.

Mr. Jones works until he is 67. He retired on May 1, 2012. He had 63 days from when his employer plan ended to choose a Medicare Part D plan. Since he did not join a plan by July 1, 2012 he will pay a penalty when he enrolls into a Part D Plan for 2018.

2012-	6 months penalty
2013-	12 months total penalty
2014-	12 months total penalty
2015-	12 months total penalty
2016-	12 months total penalty
2017-	12 months total penalty
2018	12 months total penalty

-----78 months total penalty-----

$78 \times .3319 = \$25.89$ in additional monthly premium