

§ 418.2005

20 CFR Ch. III (4–1–11 Edition)

make retroactive adjustments of the income-related monthly adjustment amount based on information you provide, updated information you provide, and information we later receive from the Internal Revenue Service.

(d) Sections 418.2301 through 418.2355 explain how we will notify you of our determination regarding your income-related monthly adjustment amount and contain the rules that we will apply when you disagree with our determination. These sections explain your appeal rights and the circumstances under which you may request that we make a new initial determination of your income-related monthly adjustment amount.

§ 418.2005 Purpose and administration.

(a) The purpose of the income-related monthly adjustment amount is for beneficiaries who have modified adjusted gross income above an established threshold to reimburse the Federal Government for a portion of the Federal subsidy of the Medicare prescription drug coverage. Persons who have modified adjusted gross income above the thresholds described in § 418.2105 will pay an income-related monthly adjustment amount in addition to the premium for their prescription drug coverage. The income-related monthly adjustment amount due will be determined based on the base beneficiary premium amount that represents 25.5 percent of the cost of the basic Medicare prescription drug coverage. The application of an income-related monthly adjustment amount results in an increase in the total amount that those who are affected pay for Medicare prescription drug coverage plans. A person who has modified adjusted gross income above the threshold amount will pay:

- (1) The Medicare prescription drug coverage plan monthly premium; plus
- (2) Any applicable increase for late enrollment or reenrollment;
- (3) An income-related monthly adjustment amount; and

(b) The Centers for Medicare & Medicaid Services in the Department of Health and Human Services establishes rules for eligibility for Medicare prescription drug coverage and enrollment in Medicare prescription drug coverage

plans, as well as premium penalties for late enrollment or reenrollment (42 CFR 423.30 through 423.56).

(c) We use information from CMS about enrollment in Medicare prescription drug coverage plans to determine the records that we must send to the IRS.

(d) We use information that we get from the IRS to determine if persons enrolled in Medicare prescription drug coverage plans are required to pay an income-related monthly adjustment amount. We also change income-related monthly adjustment amount determinations using information you provide under certain circumstances. In addition, we notify beneficiaries when the social security benefit amounts they receive will change based on our income-related monthly adjustment amount determination.

§ 418.2010 Definitions.

(a) *Terms relating to the Act and regulations.* For the purposes of this subpart:

(1) *Administrator* means the Administrator of CMS in HHS.

(2) *ALJ* means administrative law judge.

(3) *CMS* means the Centers for Medicare & Medicaid Services in HHS.

(4) *Commissioner* means the Commissioner of Social Security.

(5) *HHS* means the Department of Health and Human Services, which oversees the Centers for Medicare & Medicaid Services (CMS), the Office of Medicare Hearings and Appeals (OMHA) and the Medicare Appeals Council (MAC)

(6) *IRS* means the Internal Revenue Service in the Department of the Treasury.

(7) *MAC* means the Medicare Appeals Council in HHS.

(8) *Medicare Prescription Drug Coverage Plan* means a Medicare prescription drug plan, a Medicare Advantage plan with prescription drug coverage, a Program for All-inclusive Care for the Elderly plan offering qualified prescription drug coverage, or a cost plan offering qualified prescription drug coverage.

(9) *OMHA* means the Office of Medicare Hearings and Appeals in HHS.

Social Security Administration

§418.2101

(10) *Section* means a section of the regulations in this part unless the context indicates otherwise.

(11) *The Act* means the Social Security Act, as amended.

(12) *Title* means a title of the Act.

(13) *We, our, or us* means the Social Security Administration (SSA).

(b) *Miscellaneous*. For the purposes of this subpart:

(1) *Amended tax return* means a Federal income tax return for which an individual or couple has filed an amended tax return that has been accepted by the IRS.

(2) *Effective year* means the calendar year for which we make an income-related monthly adjustment amount determination.

(3) *Federal premium subsidy* is the portion of the cost of providing Medicare prescription drug coverage that is paid by the Federal Government. The Federal Government pays this amount to Medicare Prescription Drug coverage Plans from payments made into the Medicare Prescription Drug Account in the Federal Supplementary Medical Insurance Trust Fund.

(4) *Income-related monthly adjustment amount* is an additional amount of premium that you will pay for Medicare prescription drug coverage if you have modified adjusted gross income above the threshold described in 418.2105.

(5) *Modified adjusted gross income* is your adjusted gross income as defined by the Internal Revenue Code, plus the following forms of tax-exempt income:

(i) Tax-exempt interest income;

(ii) Income from United States savings bonds used to pay higher education tuition and fees;

(iii) Foreign earned income;

(iv) Income derived from sources within Guam, American Samoa, or the Northern Mariana Islands; and

(v) Income from sources within Puerto Rico.

(6) *Modified adjusted gross income ranges* are the groupings of modified adjusted gross income above the threshold. There are four ranges for most individuals, based on their tax filing status. There are two ranges for those with a tax filing status of married, filing separately, who also lived with their spouse for part of the year. The dollar amounts of the modified ad-

justed gross income ranges are specified in §418.2115.

(7) *Premium* is a payment that an enrolled beneficiary pays for Medicare prescription drug coverage to a Medicare prescription drug plan, a Medicare Advantage plan with prescription drug coverage, a Program of All-Inclusive Care for the Elderly Plan offering qualified prescription drug coverage, or a cost plan offering qualified prescription drug coverage. The rules that CMS use annually to establish premium amounts for Medicare prescription drug coverage are contained in 42 CFR 423.286.

(8) *Representative* means, for the purposes of the initial determination and reconsidered determination, an individual as defined in §404.1703 of this chapter, and for purposes of an ALJ hearing or review by the MAC, an individual as defined in 42 CFR 423.560.

(9) *Tax filing status* means the filing status shown on your individual income tax return. It may be single, married filing jointly, married filing separately, head of household, or qualifying widow(er) with dependent child.

(10) *Tax year* means the year for which you have filed or will file your Federal income tax return with the IRS.

(11) *Threshold* means a modified adjusted gross income amount above which you will have to pay an income-related monthly adjustment amount described in paragraph (b)(4) of this section. The dollar amount of the threshold is specified in §418.2105.

(12) *You or your* means the person or representative of the person who is subject to the income-related monthly adjustment amount.

DETERMINATION OF THE INCOME-RELATED MONTHLY ADJUSTMENT AMOUNT

§418.2101 What is the income-related monthly adjustment amount?

(a) The income-related monthly adjustment amount is an amount that you will pay in addition to the Medicare prescription drug coverage plan monthly premium, plus any applicable increase in that premium as described in 42 CFR 423.286, for your Medicare prescription drug coverage plan when