FOR AGENDA

EBAP/10/114

CONFIDENTIAL

December 2, 2010

To: Members of the Executive Board

From: The Secretary

Subject: **Medical Benefits Plan—Medicare Participation and Related Savings**

Attached for consideration by the Executive Directors is a paper on the Medical Benefits Plan—Medicare Participation and Related Savings. This paper together with the paper on the Medical Benefits Plan—Response to U.S. Healthcare Reforms (EBAP/10/115, 12/2/10), is tentatively scheduled for discussion on **December 15, 2010**. A draft decision appears on pages 13 and 14.*

The staff does not propose the publication of this paper after the Executive Board completes its discussion.

Questions may be referred to Mr. Clarke (ext. 34086) and Mr. Nicoson (ext. 38223) in HRD.

This document will shortly be posted on the extranet, a secure website for Executive Directors and member country authorities.

Att: (1)

Other Distribution:
Department Heads

*Cover note corrected to clarify that the draft decision appears on pages 13 and 14.

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INTERNATIONAL MONETARY FUND

Medical Benefits Plan—Medicare Participation and Related Savings

Prepared by the Human Resources Department
In consultation with the Finance and Legal Departments and
the Office of Budget and Planning

Approved by Shirley Siegel

December 2, 2010

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EXECUTIVE SUMMARY

This paper proposes to enhance the current incentive program to encourage retiree participation in national health schemes, primarily the U.S. Medicare system. As a result of retiree participation in Medicare, the Medical Benefits Plan's (MBP) annual costs are currently reduced by some $2 million, or about 5 percent of annual expenses. These savings are at risk, because a sharp increase in Medicare premiums may encourage current and future retirees to rely exclusively on the MBP as their primary insurance, rather than Medicare, to pay for their medical costs. Although enrollment in a national health scheme provides retirees with important medical cost savings and insurance benefits, the current financial incentive for Fund retirees to participate in Medicare has not been changed in nearly two decades.

Since 1992, the Fund has provided a $7 per month reduction in retiree MBP contributions for each person participating in a national health scheme; most of those receiving the reduction are retired U.S. nationals and their spouses enrolled in Medicare. Since Medicare consists of two parts, Parts A and B, retirees receive $7 each for a total reduction of $14 per month. Retirees become eligible for both parts of Medicare at age 65. Medicare Part A provides hospital coverage and participation is automatic, having been paid for during the beneficiary's working life by a health insurance payroll tax. Medicare Part B provides coverage for physicians and diagnostic services and is voluntary. Slightly less than half of the current savings to the MBP (about $900,000) is attributable to participation in Part B.

Medicare Part B premia have been related to income since 2007, and currently range from $96.40 to $353.60 per month for existing beneficiaries. Part B premia are assessed every year by the U.S. Social Security Administration. Retiree participation in Part B has traditionally *increased* by about 2 percent annually, but more recently has *declined* by 2 percent. This recent trend is especially troubling in view of expected retirements over the next five years, which are likely to double the number of retirees eligible to participate in Part B.

To mitigate the risk to MBP finances, a stronger and more targeted incentive is proposed. The current Medicare Part B incentive would be replaced by reimbursement of 75 percent of the basic (first tier) premium for Part B, increasing the Part B incentive for retirees from $7 to about $72 per month ($83 for those who enroll in 2010). In addition, any late enrollment penalties would be reimbursed at 75 percent for those who enroll in the program by 2012. The current Part A incentive would be eliminated after one year, affording beneficiaries an opportunity to adjust to the enhanced incentives. The proposed approach would have little impact on MBP finances initially, but savings would improve over time: over the next 10 years, cumulative net savings are projected at over $3 million.

I. Introduction

1. The Fund offers a program to encourage participation in national health schemes, of which the U.S. Medicare system is the most widely used by U.S. citizens and green card holders. The program was first introduced in 1992 as a measure to help restrain MBP costs. Over time, Medicare Part B premia have risen significantly, making the current program less attractive.

2. This paper proposes to strengthen the incentive program for participation in national health schemes. Effective January 1, 2011, the enhanced program would eliminate the current incentive for Medicare Part B, replacing it with reimbursement of 75 percent of the basic Medicare Part B premium for retirees and spouses, including late enrollment penalties. Retirees enrolled in other national health schemes would also be reimbursed for 75 percent of comparable premia. Effective January 1, 2012, the current incentive for Medicare Part A and similar non-U.S. programs would be eliminated. Section II of this paper discusses the current program. Section III presents the proposed approach to enhance the current program. Section IV provides a proposed decision for Executive Board consideration.

II. Current Program

3. **The incentive program benefits retirees and the Fund**. Fund retirees currently receive a $7 reduction in the monthly MBP contribution for participation in any national health scheme.[1] Most retirees who receive this reduction are enrolled in Medicare (307 out of 330). Medicare is the primary insurance, meaning that it pays benefits first, and the MBP then coordinates to pay residual claim costs. Moreover, Medicare systematically negotiates lower than market pricing with Medicare health care providers. The effect is to reduce MBP costs to participants and the Fund, because Medicare pays for most of the initial claim. In many instances, with Medicare and the MBP coordinating to pay the same claim, retirees also benefit from having almost all of their expenses paid (Box 1).

[1] The Fund's contribution to the MBP is also reduced, because the Fund contributes $3 for every $1 contributed by participants under the 3:1 cost-sharing formula. As a result, for every $7 reduction to a retiree's monthly contribution, the Fund's contribution is also reduced by $21. The reduction in Plan income is offset by the savings generated by participation in the national health schemes.

Box 1: Illustrated Savings of MBP/Medicare Coordination 1/
(Based on U.S. Social Security Rules and MBP Plan Document)

Part A—Hospital In-patient Service (In-network)

- Billed charges $2,000
- Medicare paid 100 percent $2,000
- Balance $0

	MBP Pays	Retiree Pays
Without Medicare	$1,800	$200
With Medicare	$0	$0
Savings:	**$1,800 (MBP)**	**$200 (Retiree)**

Part B—Specialist Service (Out-of-network)

- Billed charges $1,000
- Medicare paid 80 percent $ 800
- Balance $ 200

	MBP Pays	Retiree Pays
Without Medicare	$800	$200
With Medicare	$160	$ 40
Savings:	**$640 (MBP)**	**$160 (Retiree)**

1/ Assumes Medicare and MBP deductibles have been satisfied.

4. **Medicare participation thus has a significant impact on MBP costs**. The current program produces net savings to the MBP of $2.2 million, or about 5 percent of FY 2010 expenses of $48.9 million (Table 1). The estimated annual per capita cost is $10,600 for retirees without Medicare and $3,900 for retirees with both Parts A and B.[2] Thus, the per capita cost to the MBP of retirees fully enrolled in Medicare is approximately 60 percent lower than for those retirees who are not enrolled in Medicare.

[2] Estimate prepared by the MBP Actuary, Mercer Health and Benefits, using MBP data.

Table 1: Current Program—FY 2010 Net Medicare Savings to the MBP

Income Effect	Medicare Part A	Medicare Part B	Totals
Average savings	1,400,000	1,000,000	2,400,000
MBP premium discount	(100,000)	(83,000)	(183,000)
Net savings	1,300,000	917,000	2,217,000

Source: Mercer (MBP Actuary)

5. **The challenge is to maintain and, if possible, improve Medicare savings**. Medicare Part B premia have been means tested since 2007. For 2010, the monthly premium for Part B ranges from $96.40 to $353.60 per individual based on income level (Table 2). New enrollees in 2010 pay $110.50 for the basic premium.[3] This compares with a flat monthly premium of $88.50 in 2006. About 19 percent of current Part B eligible retirees and spouses declined to participate in Part B when first eligible or canceled their coverage subsequent to enrolling. Nearly a quarter of this group falls in the upper three tiers of the Medicare premium schedule, suggesting that higher premia are discouraging participation.[4]

6. **A significantly strengthened incentive will be needed to secure ongoing Medicare Part B participation and new enrollment**. Some 307 retirees and spouses participate in Medicare, of which 248 (81 percent) participate in both the mandatory Part A covering hospital benefits and the voluntary Part B covering physician services. For these beneficiaries, a meaningful improvement in the current incentive is likely to be necessary to sustain Medicare participation at current levels. For those beneficiaries who have opted not to participate (19 percent), other factors are likely to come into play. For example, if they were to enroll in Part B now, they would be penalized with a 10 percent increase in their premia for each year they were not enrolled in Part B.[5]

7. **Securing broader Medicare participation by currently eligible beneficiaries would generate additional savings**. Full participation by this group could add about

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[3] For new enrollees, and existing beneficiaries in the higher premia tiers, Medicare premia will increase by 4.4 percent in 2011.

[4] Most health care providers participate in Medicare, although choice of providers can influence the decision not to participate in individual cases.

[5] For those retirees and spouses not currently enrolled in Part B, the estimated component of the monthly premium per participant attributable to late enrollment penalties is $124.

$200,000 to MBP savings, but this is likely to require a contribution from the MBP to the payment of penalties. If no action is taken, the current program's net savings from MBP coordination with Part B are expected to remain static, at about $1 million annually, and possibly decline, as enrollment as a percentage of those eligible to participate declines. Over the next 10 years, the average share of Medicare-eligible participants enrolled in Part B could fall from 81 percent to 54 percent (based on current trends).[6] Because of the late enrollment penalties, it would become more expensive in the future for the Fund to offer an incentive program for late enrollees.

Table 2: Medicare Participants by Fund Income and Part B Premium 1/

Income Filing Single Tax Return	**Income Filing Joint Tax Return**	**Monthly Part B Premium**	**Retirees**	**Spouses**	**Totals**
$85,000 or less	$170,000 or less	$ 96.40 2/	126	93	219
Higher than $85,000 and less than $107,000	Higher than $170,000 and less than $214,000	$154.70	11	10	21
Higher than 107,001 and less than $160,000	Higher than $214,000 and less than $320,000	$221.00	5	3	8
Higher than $160,000 and less than $214,000	Higher than $320,000 and less than $428,000	$287.30	0	0	0
Higher than $214,000	Higher than $428,000	$353.60	0	0	0
Totals			**142**	**106**	**248**

Source: Medicare's premium schedule, PeopleSoft HR, and estimates by Mercer (MBP Actuary).

1/ Income is based only on Fund pension. Medicare uses modified adjusted gross income (MAGI) with a two-year lag, e.g., premia in 2010 are based on 2008 MAGI. Premium schedule shown is for CY 2010.

2/ The monthly premium is $110.50 for persons enrolling in 2010.

[6] The Actuary estimates that the $7/month incentive would decline over time as a percentage of rising basic Part B premiums from 6 percent to 4 percent. The decline would be more pronounced for those with higher incomes. Consequently, while the eligible Part B population is projected to increase each year by 5–6 percent, the enrolled population is projected to decline each year by 3–4 percent.

8. **Additional savings could be generated through broader participation in Part B of eligible green card holders**. They would pay the same premia and penalties as U.S. nationals. Currently, there are 100 green card holders eligible for Part B with only 10 actually enrolled. Their participation is difficult to predict, because they may spend significant time in their home countries where they may have access to health care. Medicare generally does not pay for care received outside of the United States.

III. Proposed Approach

9. **The proposed approach strengthens and better targets the incentive**. This would be achieved by eliminating the current $7 incentive for Part B in 2011 and replacing it with the reimbursement of 75 percent of the Part B basic (first tier) premium, including 75 percent of the penalties for late Medicare enrollees who enroll during the next two Medicare enrollment windows.[7] The current incentive for Medicare Part A and similar non-U.S. programs would be eliminated in 2012, affording beneficiaries an opportunity to adjust to the enhanced incentives. The current incentive for Part A is poorly targeted, as beneficiaries who have paid the mandatory Medicare social security tax during their working lives are automatically eligible for Part A and they pay no premium for the benefits they receive. The Fund also bears some of the cost of Part A by reimbursing half of the Medicare tax to contributing U.S. staff.[8] The incentive would therefore target participation in the voluntary component of Medicare Part B. In addition, since Medicare premia reimbursements are normally not taxable, recipients would not typically accrue a tax liability for themselves.

10. **The proposal is consistent with the MBP cost-sharing formula**. Medicare Part B participation benefits both beneficiaries and the MBP, and the proposed reimbursement is analogous to the 3:1 cost-sharing formula for the MBP, in which the Fund contributes $3 for every $1 contributed by participants.[9] The premium reimbursement would be based solely on Fund pension income instead of taxable income used by Medicare. This would also be consistent with the MBP cost-sharing formula, which uses only Fund income to determine individual MBP contributions.

11. **The resulting incentive should be significantly more effective**. Based on the 2010 Medicare Part B premium schedule, the Fund would reimburse $72.30 per month for Medicare beneficiaries currently enrolled in Part B ($82.88 for new and late enrollees in

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[7] Participants in other national health schemes (currently less than 25) would also be reimbursed for their premia where applicable.

[8] Since 1961, when U.S. staff in the Fund were first made subject to U.S. social security taxes, the Fund has reimbursed the portion of those taxes that is normally assessed on the employer, which is currently one-half of the Medicare tax of 2.9 percent.

[9] The 3:1 cost sharing formula underpins the proposed 75 percent reimbursement but has no effect on MBP contributions.

2010) and pay an estimated $93.00 per month on average in additional late enrollment penalties for beneficiaries not previously enrolled. To encourage early Medicare enrollment, retirees subject to late enrollment penalties would be offered two opportunities to enroll, i.e., during the Medicare general enrollment periods, in January 1 through March 31, 2011 and January 1 through March 31, 2012. New enrollees could then apply for the incentive program through April 2011 and April 2012, respectively. If they or future retirees subsequently enroll in Medicare late, their penalties would not be reimbursed by the Fund. Table 3 illustrates the proposed approach.

Table 3. Examples of Proposed Approach Based on Fund Pension

SINGLE ENROLLEE

Monthly Premiums and Penalties				Proposed Approach					
Annual Pension	Monthly Part B Premium	Monthly Penalty Premium 1/	Monthly Premium Total	Fund Pays			Beneficiary Pays		
				Premium	Penalty	Total	Premium	Penalty	Total
85,000	96.40	n/a	96.40	72.30	n/a	72.30	24.10	n/a	24.10
325,000	287.30	n/a	287.30	72.30	n/a	72.30	215.00	n/a	215.00

SINGLE LATE ENROLLEE

Annual Pension	Monthly Part B Premium	Monthly Penalty Premium 1/	Monthy Premium Total	Fund Pays			Beneficiary Pays		
				Premium	Penalty	Total	Premium	Penalty	Total
85,000	110.50	77.35	187.85	82.88	58.01	140.89	27.63	19.34	46.97
325,000	287.30	201.11	488.41	82.88	150.83	233.71	204.42	50.28	254.70

Source: Medicare premium schedule and staff calculations.

1/ Assumes penalty of 10 percent for each of seven years of nonparticipation.

2/ Late enrollees are assumed to be subject to the new 2010 monthly premium of $110.50.

12. **This approach provides a greater degree of reimbursement for beneficiaries with lower Fund pensions**. As illustrated in Table 3, for single enrollees with higher Fund pensions, the Fund would pay 29 percent of their premia and 75 percent of their penalty premia, or 48 percent of their Part B premium expense in total. In contrast, the Fund would pay 75 percent of the premiums and penalties for late enrollees in the lowest income tier.

13. **The proposed approach strikes a balance between the amount of the Fund's subsidy and the cost to retirees with a wide range of pension income**. The Part B premium with penalties that retirees would have to pay after the Fund's subsidy would amount to no more than 1–2 percent of pension, with few exceptions.

14. **Other Washington-based IFIs rely on mandatory approaches**. The Inter-American Development Bank (IADB) reimburses 100 percent of means-tested Part B premia but requires eligible retirees to enroll in Part B. The World Bank also requires mandatory enrollment. Although in practice the system is voluntary for retirees living outside of the United States, the World Bank reduces monthly retiree medical benefit contributions by

15 percent, which can range from $6 to $75, depending on the amount of the pension. The Fund has shied away from a mandatory approach to a voluntary national program, and retirees have generally opposed a mandatory approach. It would be difficult and costly to administer a mandatory approach equitably for both Medicare and other national schemes.

15. **A mandatory approach would argue for a higher level of reimbursement**. For example, reimbursement could take the form of 100 percent of the full premium, as provided by the IADB, or 75 percent of the full premium. However, the Actuary estimates that either approach would result in diminishing returns, i.e., lower net savings than the proposed approach. The majority of new Part B enrollees, like the current enrollees, are expected to have pensions that fall within the first tier and pay the basic premium. Reimbursement of a higher level of premia to attract a small group of enrollees would result in a small return in net savings. For example, for every dollar reimbursed at 75 percent or 100 percent of the full premium, expected net savings are on the order of $2.30 and $1.50, respectively. These compare with net savings of $3.00 under the proposed approach.

Financial impact on the MBP

16. **The proposed program would have little impact on MBP savings initially**. Assuming the addition of late enrollees, some modest increase in gross savings in the first year of the program would accrue to the MBP. There would be a net reduction of about $52,000 in Part B savings compared to the current program (reflecting mainly the Fund's contribution to the penalties); in 2012, the savings ($100,000) from the elimination of the Part A incentive would add to the expected savings from the enhanced program (Table 4). The level of Part B savings is then projected to improve in subsequent years as more beneficiaries enroll in Part B.

Table 4. Estimated First Year Cost of Current and Proposed Approach

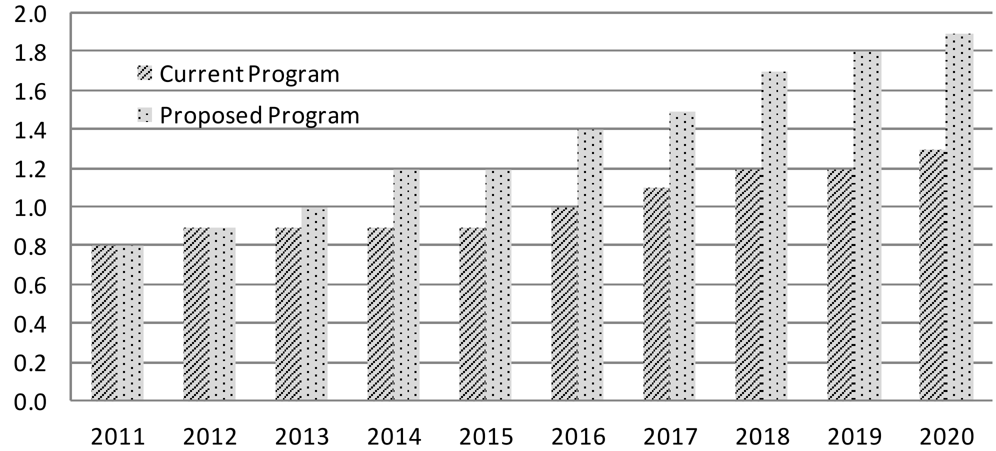
Part A **Eliminate $7 Incentive in CY 2012**		**Part B** **Reimburse 75% of Basic Premium and Penalties in CY2011**1/	
Savings:	$1,400,000	Savings:	$1,122,000
		Incentive	
Fund contributions	$0	Retiree ($72.30/month) 2/	($273,800)
Retiree contributions	$0	Penalties reimbursed ($93.00) 3/	($65,800)
		Eliminate current ($7) program	$83,000
Net savings:	**$1,400,000**	**Net savings:**	**$865,400**
Current program		**Current program**	
Savings:	$1,400,000	Savings:	$1,000,000
Fund ($21):	($75,000)	Fund ($21):	($62,000)
Retirees ($7)	($25,000)	Retirees ($7)	($21,000)
Net savings:	**$1,300,000**	**Net savings:**	**$917,000**
MBP income effect:	**$100,000**	**MBP income effect:**	**($51,600)**

Source: Mercer (MBP Actuary)

1/ Savings assume that all remaining beneficiaries enroll, raising total beneficiaries from 248 to 307.
2/ Monthly premium of $82.88 for new enrollees. New enrollee reimbursement is factored into total shown.
3/ Assumes all late beneficiaries enroll in 2011.

17. **Savings to the MBP would thus improve gradually over time**. The Actuary has projected the net savings for the MBP of the current program and the proposed approach over a 10-year period, FY 2011–FY 2020 (see Annex). The current program and proposed approach produce broadly similar savings initially (Figure 1). Thereafter, savings from the proposed approach exceed those of the current program by 30 percent over the ten-year period.

Figure 1. Ten-Year Projections of Net Savings (in millions of USD)



Source: Mercer (MBP Actuary)

18. **A small improvement in participation could generate large savings**. The proposed approach provides larger net savings ($13.5 million over 10 years), because it is expected that more Medicare eligible participants will enroll in Part B and coordinate benefits with the MBP. Over the next 10 years, the average share of Medicare eligible participants enrolled in Part B is projected to rise slightly from 81 percent to 86 percent under the proposed approach.

19. **Reimbursements would not affect the MBP contribution schedule**. Under the current program, retirees receive a discount applied on their MBP contribution. Under the proposed approach, retirees would receive a reimbursement of a percentage of their Medicare Part B premium. The reimbursement could be paid to retirees with their monthly pensions.

20. **No effect is expected on the Administrative Budget**. The enhanced program, like the current one, would be funded through the Retired Staff Benefits Investment Account and is expected to produce net savings. The Actuary for this account, Buck Consultants, has modeled the impact of the net savings produced by the enhanced program in order to generate a net present value estimate based on gross savings less Part B premia reimbursements over the long-term. On this basis, the Actuary determined that the Fund's annual contribution from the Administrative Budget would not increase.

Risks

21. **There are three principal risks to introducing the proposed enhancement**:

- *Shortfall in projected enrollments*. Under the worst-case scenario, if the proposed approach is adopted without any resulting increase in Part B enrollees and savings during FY 2011–FY 2020, the net Part B savings could be $8.1 million, or less than the current program's expected savings of $10.1 million. With the enhanced program, however, lower enrollment is unlikely.

- *Linkage to Medicare premium increases*. Given current health care cost trends, future Medicare premium increases could be so significant as to result in substantial reductions in MBP savings even with an acceptable level of enrollment. Management could reduce or suspend future increases in the reimbursement rate until circumstances changed, taking into account the effectiveness of the incentive program and the Actuary's review of MBP finances and expected increases in Medicare Part B premiums.[10]

- *Timing of implementation*. Rapid implementation of the proposed program could increase the number of new beneficiaries who enroll in Part B, reducing the late enrollment penalties and accelerating improved savings. Over the next five years, about 45 beneficiaries will become eligible for Medicare each year. Without an improved incentive to encourage their enrollment in Part B, the group of non enrollees could swell from 59 to about 284. This could result in the MBP ultimately absorbing costs of $3 million annually, based on today's costs.

22. **Program Review**. In light of these risks, it is proposed to review the enhanced program after two years of operation, to assess its impact on enrollment and the finances of the MBP. The review would be conducted as part of the annual review of the MBP finances.

Resource implications

23. **The additional resource requirements are minimal**. Systems programming and administrative resources are needed to dismantle the current program and set up an enhanced reimbursement arrangement. An estimated $15,000 and six weeks of staff time are required for development. In addition, an estimated $50,000 of contractual resources for HRD and FIN would be needed to handle the processing of late enrollees who elect to participate in Part B during January through March 2011 or 2012, the annual open enrollment period for Medicare.

24. **Resources will also be needed to support an annual certification process to ensure the continued enrollment of retirees receiving the Part B premium reimbursement**. This process will involve the comparison of Fund Medicare enrollment records with those maintained by Medicare. Discrepancies identified through these comparisons would be brought to the attention of retirees, and the premium reimbursement could be suspended if retirees cannot demonstrate proof of enrollment.

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[10] With the passage of U.S. health care reform legislation, increases in Medicare costs and premia are expected to moderate, making a suspension of premium reimbursements unlikely.

IV. Proposed Decision

It is recommended that the Executive Board approve the following decision:

The Managing Director is authorized to implement an enhanced program to encourage participation in national health schemes as follows:

a. Effective January 1, 2011, eliminate the monthly $7 contribution reduction for Part B and reimburse Medicare beneficiaries 75 percent of the basic Medicare Part B premium (i.e., the first income tier, currently $110.50 for new enrollees in CY 2010) and 75 percent of the penalties for late enrollment, regardless of income tier, only for those enrolling during January through March 2011 and January through March 2012;

b. Effective January 1, 2011, reimburse retirees enrolled in other voluntary national health schemes 75 percent of their basic premia, if applicable, and 75 percent of any corresponding penalties for late enrollment, if they enroll at the earliest opportunity in 2011 or 2012;

c. Effective January 1, 2012, eliminate the monthly $7 contribution reduction for Medicare Part A and other national health schemes with mandatory participation; and

d. For late Medicare enrollees, offer the enhanced program for a limited time to encourage their enrollment, i.e., during the next two Medicare general enrollment periods, January 1, 2011 through March 31, 2011 and January 1, 2012 through March 31, 2012;

e. The Part B premium reimbursement will increase in line with Medicare Part B premium increases each January 1. A similar annual procedure will apply for other national health schemes with participant premia increases;

f. Part B premia and penalty reimbursements would be accounted for in the same way as Fund contributions to the MBP on behalf of retirees, i.e., through the Retired Staff Benefits Investment Account.

In addition, the Managing Director is authorized to reduce or suspend the annual increases in such reimbursements, taking into account the effectiveness of the incentive program.

In summary, the changes are effective from January 1, 2011, with the exception of the change described in paragraph c, which is effective January 1, 2012.

The enhanced program will be reviewed after two years of operation.

ANNEX

DATA UNDERLYING ACTUARIAL ESTIMATE

The Actuary developed projections using Fund, Medicare and its own data. Owing to the small size of the Fund's retiree population, the Actuary based its projections on its retiree costs, applied to the MBP's retiree claim experience and projected Medicare Part B beneficiary payments from the Medicare Trustees Report. That report uses actuarially projected cost increases based on historic experience and expected health care inflation. Table 5 shows estimated gross savings and premia reimbursements for each of the next 10 years.

Table 5: Estimated Net Savings

(In millions of U.S. dollars)

	Total	2011 1/	2012	2013	2014	2015	2016	2017	2018	2019	2020
Current Program											
A. Premiums	0.8	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08
B. Gross Savings	10.9	0.89	0.93	0.96	1.02	1.02	1.08	1.16	1.24	1.29	1.35
C. Net Savings	10.1	0.81	0.85	0.88	0.94	0.94	1.00	1.08	1.16	1.21	1.27
Proposed Approach—75 Percent Basic Part B Premium and Penalties											
A. Premiums	4.5	0.38	0.37	0.38	0.40	0.41	0.44	0.48	0.53	0.56	0.59
B. Gross Savings	18.0	1.18	1.30	1.42	1.58	1.65	1.82	2.01	2.20	2.34	2.49
C. Net Savings	13.5	0.80	0.93	1.04	1.18	1.23	1.38	1.52	1.67	1.78	1.90

1/ Actuary's projection assumed full year for proposed approach in FY 2011.