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The Medicare Cost You May Not Expect

How income affects Medicare premiums and what you can do about it



By Mike Lynch
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When Leo enrolled in Medicare at 66, he assumed his monthly premiums would remain fairly consistent. Then a notice from Social Security brought an unwelcome surprise: His Medicare premiums would jump significantly for the coming year.

Certain there had been a mistake, Leo started looking for answers. He learned that a large withdrawal from his traditional IRA to pay for a home modification had pushed his income above a Medicare threshold two years earlier, triggering an additional charge known as IRMAA.*

Because the Medicare impact of a major financial decision may not appear until two years later, IRMAA can easily catch people off guard. Understanding what IRMAA is, which financial decisions and transactions can affect it, and how to plan ahead may help you avoid or reduce an unexpected increase in your Medicare premiums.

What we'll cover:

1. What IRMAA Is
2. What Can Trigger It
3. How to Manage IRMAA

* For illustrative purposes only. The example is hypothetical and does not represent an actual person or client.



IRMAA can add as much as

$11,688

to a couple's annual Medicare Part B premiums

Assumes both spouses are enrolled in Medicare Part B and pay the highest income-related premium for all 12 months Additional Part D surcharges may also apply.

Source: 2026 Medicare Parts A & B Premiums and Deductibles, cms.gov, 11/25.

First, What IRMAA Is

IRMAA stands for Income-Related Monthly Adjustment Amount. It's an additional Medicare charge that may apply to:

- **Medicare Part B**, which primarily covers physician and outpatient services
- **Medicare Part D,** which covers prescription drugs

Most Medicare beneficiaries pay only a portion of the cost of their coverage, with the government covering the rest. Higher-income beneficiaries pay a larger share through IRMAA, an income-based adjustment to Medicare Part B and Part D premiums.

How IRMAA is determined

IRMAA is generally based on your Modified Adjusted Gross Income (MAGI) reported on your tax return from two years earlier. For IRMAA purposes, MAGI equals the Adjusted Gross Income (AGI) reported on your federal tax return plus tax-exempt interest income, including interest from municipal bonds.

The Social Security Administration (SSA) compares your MAGI with Medicare's income thresholds for your tax-filing status. If your MAGI exceeds a threshold, an IRMAA surcharge applies. Generally, the higher your income, the higher the surcharge.

Filing status matters, especially for couples

For 2026, IRMAA begins when 2024 MAGI exceeds $109,000 for a single filer or $218,000 for a married couple filing jointly.[1] IRMAA is assessed per person, not per household.

If a couple files jointly and their joint MAGI exceeds the applicable threshold, each spouse enrolled in Medicare pays the applicable surcharge. Different thresholds apply to married couples who file separately, and certain couples may reach higher surcharge levels at lower incomes. For current income thresholds and surcharge amounts by tax-filing status, visit ssa.gov and search "IRMAA Sliding Scale Tables."

Second, What Can Trigger It

Both recurring income and one-time financial decisions can affect whether IRMAA applies. Understanding which sources are included in the calculation can help you anticipate whether your Medicare premiums could increase.

Common Sources of Income That Can Affect IRMAA

- Employment and business income
- Retirement-account distributions
- Roth conversions
- Pension and annuity income
- Taxable Social Security benefits
- Interest and dividends, including tax-exempt municipal-bond interest
- Capital gains
- Rental and real estate income

Examples are not all-inclusive.

Unlike federal income-tax brackets, IRMAA doesn't apply only to income above a threshold. If your MAGI crosses the threshold, even by a small amount, a higher surcharge applies to your Medicare premiums. This creates what's often called an IRMAA "cliff." One-time events, such as the sale of real estate or a business, can push your MAGI over the threshold, as can several transactions in the same year.

A Roth conversion's effect on IRMAA

Consider Claudia, a retiree whose MAGI would ordinarily be $95,000. A $50,000 Roth conversion completed in 2024 would increase her MAGI to $145,000*:

- MAGI before the conversion: $95,000
- Taxable Roth conversion: +$50,000
- New MAGI: $145,000

Because Medicare generally uses income from two years earlier, Claudia's conversion would affect her 2026 Medicare premiums. Assuming she files as a single taxpayer, $145,000 in 2024 MAGI would place her in the $137,001-to-$171,000 income range.

Her monthly Part B premium would double, rising from the standard $202.90 to $405.80, an increase of $202.90. Her existing Part D plan premium wouldn't necessarily change, but she would pay an additional $37.50 monthly IRMAA surcharge. Together, these adjustments would add $240.40 per month, or $2,884.80 for the year, to Claudia's Medicare costs.[2]

Incurring IRMAA doesn't necessarily mean Leo or Claudia made the wrong decision. Their decisions may still have supported their broader financial strategies. Their experiences simply show why it's important to consider potential Medicare costs alongside the other tax and financial implications of one or more major transactions.

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Third, How to Manage IRMAA

Managing IRMAA starts with looking ahead. Before taking a large retirement-account withdrawal, completing a Roth conversion, or selling an investment, ask your financial professional how the additional income could affect your Medicare premiums two years later. Having a mix of taxable, tax-deferred, and tax-free retirement assets may give you more flexibility in deciding where to draw income each year.

Suppose you're considering selling an investment at a substantial gain near the end of the year. If the gain, combined with your other income, would push you across an IRMAA threshold, your financial professional can help you explore selling only part of the investment, waiting until the following year, or drawing income from another source. A tax professional can help you understand the tax implications of each approach.

"What If My Income Drops?"

A drop in income does not automatically reduce IRMAA. However, you may not have to simply accept the surcharge if your income has declined because of certain life changes.

Qualifying life-changing events[3] include:

- Marriage, divorce, annulment, or the death of a spouse
- Retirement, layoff, or reduced work hours
- Loss of income-producing property because of circumstances beyond your control
- Loss or reduction of pension income
- An employer settlement related to a closure, bankruptcy, or reorganization

A retirement example

Because IRMAA is generally based on income from two years earlier, someone who recently retired may initially be assessed a surcharge based on income earned while still working. If retirement causes their income to decline enough to place them in a lower IRMAA bracket, they may ask the Social Security Administration to use more recent income information. Approval is not automatic: The income decline must result from a qualifying event and be significant enough to reduce or eliminate the surcharge.

When you receive an IRMAA determination notice, review it carefully to confirm that the Social Security Administration used the correct income, tax year, and filing status. If the information is incorrect, or if you filed an amended tax return, contact the agency to find out what information is required.



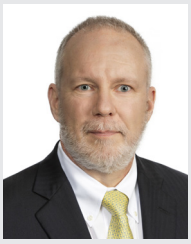
If your income declined because of a qualifying life-changing event, you can request a new determination by submitting Form SSA-44 with the required income information and supporting documentation. For instructions and submission options, visit ssa.gov and search "Request to Lower an IRMAA."

IRMAA May Not Always Be Avoidable, but It Shouldn't Come as a Surprise

A financial decision made today can affect Medicare premiums two years later. That doesn't necessarily make the decision a mistake, but it does make the potential Medicare impact worth considering. Before making a large withdrawal, Roth conversion, investment sale, or other major financial move, talk with your financial and tax professionals about the possible trade-offs. Planning ahead may help you limit an unnecessary increase or prepare for the added cost.

Next Step

Ask your financial professional and qualified tax professional to review how upcoming financial decisions could affect your income and future Medicare premiums.



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Mike educates financial professionals and their clients on a variety of financial topics. He translates the expertise of our various partnering experts—such as psychologists, physiologists, and practice-management specialists—into practical, actionable ideas and tools to make sense of a rapidly evolving financial and demographic landscape.

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[1] IRMAA Sliding Scale Tables, ssa.gov, 12/25

[2] This hypothetical example uses 2026 Medicare amounts and assumes Claudia files as a single taxpayer and is enrolled in Parts B and D. The calculation includes the increase in her Part B premium and the Part D surcharge resulting from IRMAA but excludes her regular Part D plan premium.

[3] Form SSA-44, Medicare Income-Related Monthly Adjustment Amount–Life-Changing Event, ssa.gov

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