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TSCL—Defending Your Earned Benefits For 23 Years

THE SOCIAL SECURITY & MEDICARE ADVISOR©

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Is Your Social Security Benefit Keeping Up with Rising Costs? Probably Not

About half of participants in TSCL's 2018 Senior Survey confirm that, after the deduction for their rising Medicare Part B premiums in 2018, they were left with no boost to their net Social Security benefit, or one that was so small that they had less than $5.00 per month left over to deal with all other rising household costs.

New research by The Senior Citizens League found that Cost-of-Living Adjustments (COLAs) are not protecting retirees from rising healthcare costs, even during periods of below-average inflation. In 2018 with a 2% COLA, retirees with a Social Security benefit of as much as $1,288 per month found that the entire boost was taken by rising Part B premiums. After deducting for increased Part B premiums, that left little or nothing left over for other rising costs.

In recent years roughly 70% of all beneficiaries have been affected by the triggering of the Social Security "hold harmless" provision. When the Medicare Part B premium increases more than the amount of the individual's COLA, the hold harmless provision protects retirees' Social

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Brand Name Drugs Increasing at 10X Rate of Inflation

The largest share of participants in TSCL's 2018 Senior Survey, 43%, say that medical expenses were their fastest rising cost in 2017. Just medications alone take about 12.6% of the budgets of Americans age 65 and over, according to the Bureau of Labor Statistics. Much of this growth is being driven by the rapid rise in the cost of brand

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More Than 70% of Retirees Didn't Know What to Expect in Lifetime Social Security Income When They Claimed Benefits

By Mary Johnson, editor

It's hard to plan your optimal retirement age without a realistic idea of what to expect in lifetime Social Security income. Yet, according TSCL's 2017 Senior Survey, 71% of survey participants said that's exactly the situation they were in when they filed a claim for Social Security benefits. They did not know, and Social Security did not supply any estimate of what they could expect in total lifetime Social Security income based on their choice of retirement age.

When you claim benefits before reaching full retirement age, benefits are reduced by as much as 30%. But only one-in-three people even know their full retirement age—the age at which you can claim full, unreduced benefits. It's not surprising that most people claim benefits at 62, even though benefits are reduced. Eligibility to begin benefits at age 62 is the one piece of information about Social Security that most people know.

It's also a common tendency to *overestimate* how much you will get from Social Security, according to a survey by the Nationwide Retirement

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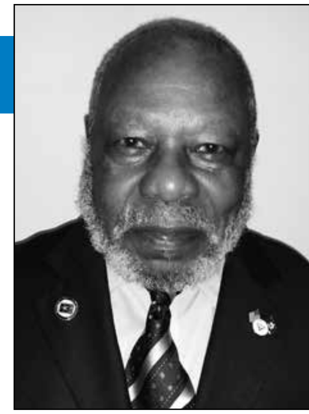
Benefit Bulletin



Arthur "Coop" Cooper, Chairman, TSCL

"Official" Poverty Measure Undercounts the Number of Older Americans Living in Poverty

An alternate measure of inflation, the Supplemental Poverty Measure, indicates that the number of older adults who are living in poverty is larger than what the "official" poverty measure reports, according to a recent analysis from the non-partisan Kaiser Family Foundation. The way in which the government measures poverty is important because eligibility for critical low-income programs such as Medicaid, food stamps, and rental subsidies is determined by income, and tied to the "official" U.S. poverty measure. A greater number of needy people would qualify for safety-net programs like Medicaid, if the government were to use the more accurate Supplemental Poverty Measure to determine eligibility.

Millions of people, age 65 and older, have very limited incomes, and minimal savings. In 2016, half of all Medicare beneficiaries had incomes less than $26,200. A looming question is whether the official measure still provides an accurate picture of poverty.

Incredibly, to count as poor under the official poverty measure, your income must fall below a threshold, which is based on subsistence level food costs in 1955. When adopted in 1963, the poverty threshold was defined as three times the "subsistence food budget" for a family of a given size. Unlike other government measures, like the consumer price index, which undergoes continual changes to methodology, the official poverty measure has never changed, other than annual adjustments for inflation.

The Supplemental Poverty Measure reflects out-of-pocket medical spending and adjusts for the cost of living depending on where you live which are not taken into account by the official poverty measure. Here are some key findings from the analysis:

- In 2016, under the Supplemental Poverty Measure 14.5% of adults age 65 and older lived in poverty, compared to 9.3% under the official poverty measure.
- More than 42.4% of people 65 and older had incomes below 200% of poverty under the Supplemental Poverty Measure, compared to 30.4% under the official measure.
- Under both measures, the poverty rate increases with age, and was higher for people in relatively poor health.

TSCL believes that the Supplemental Poverty Measure is a more fair and appropriate measure of poverty today. We encourage you to ask Congressional candidates where they stand on programs to reduce poverty affecting older Americans. ■

Sources: "The Supplemental Poverty Measure: 2016," U.S. Census Bureau, September 2017. "How Many Seniors Are Living in Poverty? National and State Estimates Under the Official and Supplement Poverty Measures in 2016," Kaiser Family Foundation, March 2, 2018.

Is Your Social Security Benefit Keeping Up with Rising Costs? Probably Not; continued from page 1

Security benefits from being reduced. The individuals Medicare Part B premium is adjusted and individuals protected by hold harmless pay a lower amount to prevent receiving less in Social Security from one year to the next.

While hold harmless provides valuable protection from reductions in benefits due to rising Part B costs, low inflation and high Medicare costs, nevertheless, restrict the growth of net Social Security benefits. This occurs when Part B increases offset the entire COLA as it did for half of all Social Security recipients in 2018. This leaves less Social Security income to cover all other rising costs, and people must spend more of their retirement savings or go into debt.

TSCL supports legislation that would calculate the COLA using an index that's more representative of retiree spending, the Consumer Price Index for Elderly Consumers (CPI-E). ■

Legislative Update

Jessie Gibbons, Senior Policy Analyst

Lawmakers Aren't Giving Up On Benefit Cuts

By Jessie Gibbons, TSCL Legislative Director

After passing a $1.9 trillion tax bill in December and a $1.3 trillion spending package in March, leaders in the House recently called for a vote on a balanced budget amendment to the constitution that could have been disastrous for your Social Security and Medicare benefits. The amendment ultimately failed in the House, thanks to the voices of concerned citizens like you, but many lawmakers have said they aren't giving up on the drastic measure.

A balanced budget amendment to the constitution would prohibit the federal government from spending more than it collects in revenues each year. It's a budget gimmick that would essentially make it unconstitutional for Social Security and Medicare to use the trust fund reserves they currently have to pay out benefits, because it would prohibit "borrowing" even when new payroll taxes are insufficient to pay out benefits. Additionally, the federal government would be prohibited from repaying the $2.7 trillion it currently owes to the Social Security trust funds.

That means the trust fund reserves—money that came out of your paychecks to finance your earned benefits—would become unusable by the Social Security and Medicare programs. Here's how that could lead to benefit cuts…

- Social Security and Medicare Part A (hospital insurance) would have to rely solely on the payroll tax revenues they collect each year to pay out benefits or pay medical providers like physicians.
- Borrowing money to fund Social Security and Medicare benefits would not be possible unless that option could win the support of three-fifths (60%) of both the House and Senate.
- If Congress could not reach an agreement to borrow money, Social Security and Medicare benefits would be cut when payroll tax revenues run out as they inevitably would.

The Senior Citizens League tirelessly advocated against its adoption when it was considered earlier this year, and because lawmakers aren't giving up on it anytime soon, we aren't either.

That's why we endorsed legislation from Congressman Ted Deutch (FL-22) that would protect the earned benefits of older Americans, by exempting Social Security and Medicare from any requirements of a balanced budget amendment. The bill—H.R. 5466—would go a long way in protecting the retirement security of older Americans against irresponsible measures like the one that was considered this year.

According to the non-partisan Congressional Budget Office, the massive tax reform and budget bills recently adopted by Congress will cost the federal government an estimated $2.7 trillion over the next ten years. However, TSCL firmly believes that a constitutional balanced budget amendment, that would disproportionately impact seniors and limit the ability of Congress to respond to economic downturns, is not the solution to the problem.

In the coming months TSCL will continue to ask lawmakers to protect the earned benefits of older Americans by supporting legislation like H.R. 5466 from Congressman Ted Deutch. For more information or updates from Capitol Hill, visit our website at www.SeniorsLeague.org. ■

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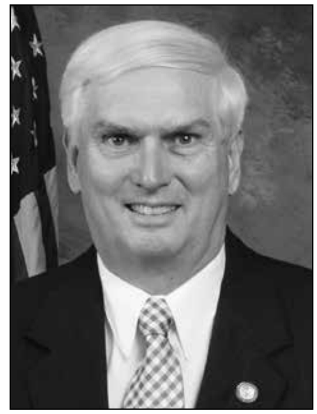
The Senior Citizens League is an organization of active seniors concerned about the protection of their earned Social Security, Medicare, military, and other retirement benefits. TSCL supporters participate in a number of grassroots lobbying and public education campaigns to help ensure governmental bodies live up to their commitments. Readers wishing to contact TSCL should address correspondence to The Senior Citizens League, 500 Montgomery Street, Suite 400, Alexandria, VA 22314. TSCL website: www.SeniorsLeague.org.

CONGRESSIONAL CORNER

We Need a CPI That Reflects Senior Costs

Representative John Duncan, Jr. (TN-2)



Representative John Duncan, Jr. (TN-2]

"Seniors squeezed by Medicare costs, zero raise in Social Security" was a Florida headline in October 2015, and was similar to many alarming headlines in newspapers across the nation. Seniors had already endured low Social Security Cost-of-Living Adjustments (or COLAs) in recent years, and a 0.0% COLA in 2009 and 2010. How could this happen?

As many seniors are all too aware, the COLA that is calculated by the Bureau of Labor Statistics is based on a typical "market basket of consumer goods and services" for urban workers. This is an unfair, inaccurate method for calculating seniors' COLAs, because the typical urban worker has very different expenses than those of seniors. For example, seniors usually spend more on medical care and less on transportation, education, and apparel.

So, in 2015, when gas prices had been low, the Social Security COLA was adversely affected—despite that the costs of healthcare and other necessities important to seniors had gone up.

According to the Kaiser Family Foundation, "Health spending totaled $74.6 billion in 1970. By 2000, health expenditures had reached about $1.4 trillion, and in 2016, the amount spent on health had more than doubled to $3.3 trillion."

Similarly, CBS News reported in December 2017: "The costs of prescription drugs—particularly brand-name prescription drugs without generic alternatives—are skyrocketing, increasing by 18% annually."

Healthcare used to be cheap and affordable before the federal government got involved, but costs explode on anything the federal government subsidizes. Unfortunately, federal policies have caused healthcare costs to go far beyond the reach of most, and have made a very few people wealthy at everyone else's expense.

As one senior put it when she heard there would be no COLA increase in 2016: *"How can they say there is no inflation? I don't know what planet they are on, but it's got nothing to do with what we pay. I hate to tell how my drug costs have tripled. I was just managing."*

The 2017 and 2018 COLAs were not much better. The system is broken, has been for years, and needs to be fixed. My legislation, the "CPI for Seniors Act" (H.R. 2016), would require the government to publish an accurate monthly inflation rate based on expenses that are typical for people at least 62 years old.

Before Congress begins to look at policies or programs that directly affect seniors, it is important that we have a CPI that accurately reflects their expenses. I hope my fellow Members of Congress will recognize the need for change and will support my bill. We need to do what we can to help seniors receive the accurate COLA they deserve. ■

The opinions expressed in "Congressional Corner" reflect the views of the writer and are not necessarily those of TSCL.

SOCIAL SECURITY & MEDICARE QUESTIONS

Q: I heard that Medicare would be mailing new cards. When can I expect to get mine?

A: Medicare expects to start mailing cards in May of 2018, but be patient. The cards are going out on a "rolling basis" to different states over the next 9 months (see the chart at the end of this article.) To learn when new Medicare cards start mailing to your area, sign up for e-alerts from Medicare by visiting Medicare.gov/NewCard.

The massive effort is needed to change how 59 million people enrolled in Medicare are identified. Historically the red, white, and blue Medicare cards have used the beneficiaries' Social Security number for the Medicare ID number. Unsurprisingly those numbers are a prime target for identity theft and fraud. The new cards come

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BEST WAYS TO SAVE

What's Secretly Sabotaging Your Finances? Your Brain

Rather than making deliberate well-reasoned choices, our brains often latch onto the first piece of information offered when making a decision, even though we may not be aware we are doing so—a process cognitive scientists have named "anchoring." You already know how it works. We've all seen a sign like this: "SAVE! 4 cans of soup for $6. Limit 12 cans per customer!" How many cans would you buy?

A study found that setting quantity limits increases sales. Shoppers who bought soup from displays with no quantity limits purchased an average of 3.3 cans of soup. Shoppers with limits of 12 purchased an average of 7 cans. Like Velcro, the quantity limit latched onto shoppers' brains.

The Velcro effect of anchoring can influence far more consequential decisions, in ways we may not even realize. Consider the process of determining the "right" retirement age:

Does the "anchoring" effect cause people to retire too soon?

The earliest age at which people can retire is age 62. But that's about the worst age to retire. When people retire prior to "full" retirement age, their benefits are reduced, by as much as 30% depending on age. Full retirement age is the age at which retirees qualify for full, un-reduced benefits. That age varies, depending on when you were born, and people need to take action to confirm their full retirement age. Waiting until age 70 allows retirees to maximize their benefit by taking advantage of a delayed retirement credit of 8% per year.

At what age do you think most people retire? According to the Social Security Administration, the largest group retires at age 62 with reduced benefits! Only 4% wait to start benefits at 70, the age at which they would get the maximum amount. Could the fact that most people file for Social Security benefits so early be simply because they hear so often that they can do so at 62? Does 62 become a distorting anchor on our thinking?

Quite likely. Age 62 is simple to remember because it's the same for everyone. But figuring out your full retirement age (the age when you get full un-reduced benefits) is hard because because it differs for everyone. It must be looked up online, or you must call the Social Security Administration to confirm it. Only one-out-of three people even know their full retirement age. Only half of all retirees even know that waiting until age 70 to claim retirement benefits gets you the maximum amount that you qualify for. But delaying that long requires making careful financial plans.

With people living longer, retiring too early means potentially leaving tens of thousands in retirement income behind. If you haven't started benefits yet, remember that age 70 is the age to get your maximum retirement benefit. It's a good idea to get professional help if you can, to take your time to learn about your benefits, and to decide the best age for you to start benefits. This is an important decision. It pays to take your time. To learn more about the "anchor effect," read "What Was I Thinking?" on page 7.

Learn more about your best retirement age using Social Security website's benefit planning tools: https://www.ssa.gov/planners/retire/retirechart.html or call the Social Security Administration toll free at 1-800-772-1213. Many areas of the country hold programs and workshops on retirement and benefits. Find out what is planned in your area by contacting your local senior center, library, community colleges and universities. ■

Your Opinion Counts!

We can strengthen Social Security, Medicare and Medicaid programs without the need for deep cuts and higher out-of-pocket costs. The Senior Citizens League needs your opinions and ideas to share with Members of Congress on the issues. Make sure they hear your concerns. Take a survey, sign a petition, read about the latest legislative action in Congress, or send us an email. Visit The Senior Citizens League's website at www.SeniorsLeague.org. ■

Brand Name Drugs Increasing at 10X Rate of Inflation; continued from page 1

and specialty drugs.

In a particularly egregious example, the prices of 20 of the most commonly prescribed brand-name drugs increased at nearly 10 times the rate of inflation from 2012 to 2017 according to a new report from Senator Claire McCaskill (MO), who serves as the top ranking Democrat on the Senate Homeland Security and Governmental Affairs Committee. The report found that, on average, prices for these drugs increased 12% every year for the last five years. For example, Nitrostat, the nitroglycerin drug used to treat chest and heart pain, rose 477% from 2012-2017, from $15.91 to $91.76. Lantus Solostar, a long-acting insulin used to control diabetes, rose 146% from $144.15 to $354.12.

U.S. law specifically prohibits Medicare from negotiating Part D drug prices, even though Medicare does negotiate prices for drugs provided during stays in the hospital (Part A) or given at the doctors offices intravenously (Part B). This failure to protect older Americans from price gouging for prescription meds leads to extreme variation in prices of the very same drug in Part D and Medicare Advantage plans. According to a study by *Advisor* editor, Mary Johnson, the average cost difference between the 10 most prescribed brand drugs surveyed in September of 2017 was 749%. For example, Advair Discus, used to treat asthma and chronic obstructive pulmonary disease varied in price from $85.50 to $856.25 depending on drug plans, a difference of $770.75 for a one-month supply.

"Because Medicare is not allowed to negotiate drug prices for Part D the government, taxpayers, and beneficiaries are being taken advantage of, and spending tens of billions of dollars unnecessarily," says TSCL's Executive Director Shannon Benton. TSCL supports a number of bills that would not only allow Medicare to negotiate drug prices, but also would allow importation of affordable and safe drugs by wholesale distributors, pharmacies and individuals from other countries where prices are lower. To learn more, visit TSCL at www.SeniorsLeague.org. ■

Source: "Drug Prices Rise As Pharma Profit Soars," Alex Kacik, December 28, 2017.

More Than 70% of Retirees Didn't Know What to Expect in Lifetime Social Security Income When They Claimed Benefits; continued from page 1

Institute. About 30% of future retirees in the survey anticipated collecting more than they are likely to receive, saying they expected to get $1,628 per month in Social Security benefits on average, but current retirees are receiving an average of $1,257 per month. That gap is significant because 55% of those surveyed said that Social Security benefits would be their main source of income in retirement.

Compounding the problem, it's also common for people close to retirement to *underestimate* medical expenses. Four-out-of-10 participants in the Nationwide survey did not expect to spend any of their Social Security income on healthcare. The Social Security Administration, however, automatically deducts the Medicare Part B premium, which is $134.00 per month in 2018, from Social Security benefits. Medicare Part B premiums have been the fastest rising retiree cost over the past 18 years.

In fact, 88% of people who planned to retire in the next 10 years did not know what factors determine the maximum Social Security benefit that they could achieve. Benefits are based on the age at retirement, the number of years worked and the earnings record that your benefits will be based on (yours or that of a spouse).

The place to start learning more about your retirement or survivors options is the Social Security website, but don't stop there. If you have a retirement account, ask your financial advisor if Social Security benefit planning services are offered.

Here are three good books to help you get up to speed:

- *Social Security Made Simple: Social Security Retirement Benefits and Related Planning Topics Explained in 100 Pages or Less,* Mike Piper, February 2017.
- *Your Social Security Retirement Toolkit: A Step-By-Step Guide to Getting the Money, Benefits & Financial Support You Are Entitled To,* February 2017.
- *Social Security For Dummies,* Jonathan Peterson, October 2017. ■

Sources: 2017 TSCL Senior Survey, "5th Annual Consumer Survey on Social Security," Nationwide Retirement Institute, April 2018. "25% of High Earners Have a Huge Misunderstanding About Social Security," Retire With Money *newsletter, Elizabeth O'Brien, Time.com, Money, April 25, 2018.*

THE ADVISOR ASKS

What Was I Thinking?

By Mary Johnson, editor, and Terry Newell, President, Leadership for a Responsible Society

Why does decision making have to be so hard? How much time is the right amount to spend on thinking things over? Can you even name anyone who never made a bad decision? We can't either.

Often, the most consequential decisions are those we make only once or twice in a lifetime. But decision-making itself is a skill that takes practice. That means we can get better at it. Even with practice though, it's almost impossible to forecast whether our decisions will work out. Often there are hidden factors at play, influencing our decisions, of which we may not even be aware. Learning about how our minds could be sabotaged, and how we could be nudged in the wrong direction, can help us improve our decisions. One of these nudges is called the "anchor effect."

Recently I had a chance to learn how to do a better job at decision-making by taking a course through the Osher Lifelong Learning Institute at the University of Virginia. Instructor Terry Newell's work focuses on values-based leadership, ethics, and better decision making—skills for which there is very high demand—but all too short supply. Here are some insights from Dr. Terry Newell.

MARY: What is the "anchor effect" and could you give an example?

TERRY: The anchor effect is the psychological tendency to rely too much on the first piece of information we get in the process of making a decision. For example, when you go to buy a house, the list price becomes the starting point (the "anchor") for negotiations, even if it is a very poor reflection of the home's true value. When you get a solicitation for a charitable donation in the mail, it often lists suggested contributions, starting with the highest figure they hope you will select. That high figure becomes the anchor for your thinking about what to give.

MARY: How does "anchoring" impact our decision-making?

TERRY: The anchor takes on too much weight, swaying the decision in a particular direction. It can lead us to ignore or never even consider other options. In buying a used car, the sales price may be much higher than the car is worth. Yet we start there in haggling over what we'll pay, possibly paying only somewhat less than the price, and thinking we got a good deal when we did not. In the case of the charitable donation, we may feel guilty the more we consider giving less than the anchor ("suggested") amount.

MARY: Who tends to use anchors to influence our decisions, and when should we be wary?

TERRY: Anchors are used in many settings—for example, by sellers of goods and services (e.g. home renovation estimates). They are also used in public policy discussions. When someone at the local, state, or federal level suggests a policy or piece of legislation, that opening proposal becomes the anchor around which people negotiate. Other options get far less attention—or may not even enter our minds. Be wary when making a decision in which someone else has created a choice that seems in his or her favor but may not necessarily be in yours. Never make a decision without considering other options.

Terry Newell currently teaches leadership, decision-making, and ethics courses for a variety of organizations. He is the former dean of the Federal Executive Institute in Charlottesville, Virginia, and was the director of the Horace Mann Learning Center, the training arm of the U.S. Department of Education.

Learn how the "anchoring effect" may impact choosing the age to claim Social Security benefits here:
"What's Secretly Sabotaging Your Finances?—Your Brain" on page 5. ■

Social Security & Medicare Questions; continued from page 4

with a unique computer-generated series of 11 letters and numbers.

The transition has set off dozens of new Medicare scams. To protect yourself from scam here's what to remember. There is nothing you need to do to get your card, and it does not cost anything. It will be shipped to you automatically. Scammers try to call beneficiaries on the phone and falsely claim that to get the new card you must provide Social Security, credit card, or bank account information, or Medicare benefits will be canceled. All of these claims are false. If you get a call like this or if anyone calls unsolicited, and claiming to be from Medicare, HANG UP. This is a scam. Once you get your new Medicare number, don't toss your old Medicare card in the trash—shred or cut it up into small pieces.

If you have recently moved and need to update your official mailing address, visit MySocialSecurity account, or call Social Security at 1-800-772-1213.

When you get your new card, you may begin using it at once. But if you forget to bring it with you to your next doctor's visit your doctor's office should be able to use your old card until December 31, 2019. ■

Mailing Dates for New Medicare Cards

AREA	STATES INCLUDED	DATES
Newly Eligible People with Medicare	**All—Nationwide**	**April 2018—ongoing**
1	Delaware, District of Columbia, Maryland, Pennsylvania, Virginia, West Virginia	Beginning May 2018
2	Alaska, American Samoa, California, Guam, Hawaii, Northern Mariana Islands, Oregon	Beginning May 2018
3	Arkansas, Illinois, Indiana, Iowa, Kansas, Minnesota, Nebraska, North Dakota, Oklahoma, South Dakota, Wisconsin	After June 2018
4	Connecticut, Maine, Massachusetts, New Hampshire, New Jersey, New York, Rhode Island, Vermont	After June 2018
5	Alabama, Florida, Georgia, North Carolina, South Carolina	After June 2018
6	Arizona, Colorado, Idaho, Montana, Nevada, New Mexico, Texas, Utah, Washington, Wyoming	After June 2018
7	Kentucky, Louisiana, Michigan, Mississippi, Missouri, Ohio, Puerto Rico, Tennessee, Virgin Islands	After June 2018

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