TSCL—Defending Your Earned Benefits For Over 26 Years

THE SENIOR CITIZENS LEAGUE
An Affiliate of TREA The Enlisted Association

THE SOCIAL SECURITY & MEDICARE
ADVISOR©

August 2021, Volume 26, Number 7

Congressional Inaction Could Lead to Show Down Over Social Security Benefits

With unemployment still 5.4%, and less payroll tax revenue to finance the benefits of swelling Social Security rolls, how is the program's financing faring during our 2021 economic recovery? The Social Security Trustees are expected to soon release a much-anticipated annual report that gives us our first real glimpse of how the recession caused by the COVID-19 pandemic affected Social Security's retirement, survivors and disability programs in 2020.

Early last year, prior to even knowing the impact of the pandemic, the Social Security Trustees forecast that the financing of the Social Security Trust Funds would turn negative this year. The Social Security Trustees forecast that the Social Security retirement and survivors trust fund would receive a total of $995.6 billion in 2021 but estimated that program costs would be more than $1,019.2 billion.

In 2020, the Social Security Trust Fund received far less in revenues than expected, due to three reasons:

- ***Lower than expected payroll tax revenues.*** Payroll taxes account for roughly 89% of Social Security's financing. But in 2020, businesses

continued on page 4

HOW MUCH WILL MEDICARE BENEFICIARIES SPEND ON HEALTHCARE COSTS THIS YEAR?

According to TSCL's 2021 study of typical retiree costs, the *average* Medicare recipient can expect to spend more than $1,000 per month on healthcare costs this year. Considering that the average retiree benefit is just $1,550 per month, that doesn't leave much wiggle room for everything else in a year of spiralling inflation.

continued on page 5

IN THIS ISSUE:

The "Medicare Tax" That Never Made It to the Medicare Trust Fund

By Mary Johnson, editor

The last time the Medicare Part A Trust Fund (hospital insurance) was forecast to become insolvent was in 2009. At the time, the Part A Trust Fund was forecast to become insolvent by 2017. Lucky for us that never happened—in 2017 at least. Congress enacted the 2010 Affordable Care Act which changed Medicare taxes in two ways. It added a 0.9% surtax to the amount of Medicare payroll taxes paid by high earning individuals with wages over $200,000 ($250,000 if married). This was on top of the 1.45% that workers currently pay on their wages. A second provision affecting the more affluent, imposed a 3.8% tax on a portion of net investment income. Estates and trusts can also be subject to this tax.

Since the passage of the Affordable Care Act in 2010, it was my understanding that the 3.8% tax on net investment income was intended to fund the Medicare Part A Trust Fund, in much the same way a portion of the taxes on Social Security benefits are earmarked for the Part A Trust Fund.

continued on page 6

Rick Delaney,
Chairman of the Board, TSCL

MORE CARRYING DEBT IN RETIREMENT

Medical Costs to Blame

By Rick Delaney, Chairman of the Board, TSCL

Retirees are carrying more debt than ever before, and high medical costs are often to blame. The COVID-19 pandemic appears to have added to the financial stress of many older households. Recently, Susan Garland of *The New York Times* reported that on average, retirees had doubled their nonmortgage debt in 2020—to $19,200. Driving this rising debt load are soaring medical costs, a steep decline in pensions, growing housing expenses, and low interest rates earned by savings. Sound familiar?

Debt is a major obstacle for the financial security of many older adults. Unexpected costs, an unexpected hospitalization, or pricey new prescription drug can plunge older households into unmanageable debt. It's hard to budget adequately for emergencies even when people are working, let alone when living on a fixed income. According to our most recent Senior Survey, 25% of participants said they had to postpone filling one or more prescriptions in 2020 due to high cost.

The sluggish growth in Social Security benefits also plays a role in growing debt. While the annual Cost-of-Living Adjustment (COLA) raised an average Social Security benefit of $1,550 by a little more than $20 per month, only 14% percent of participants in our Senior Survey reported that monthly household expenses grew by $20 or less last year. Eighty-six percent reported that monthly expenses grew by more than $20 and, of that group—almost half, 40% of survey respondents, reported monthly expenses increased by more than $120 per month.

TSCL is working to get legislation enacted that would boost Social Security benefits, pay a fairer and higher COLA, and to adjust income thresholds that subject Social Security benefits to taxation so that more retirees can keep more of their benefits. The legislation would pay for the boost and provide greater solvency for the program by requiring higher earning workers to pay their fair share of payroll taxes.

If you are carrying debt, the National Council on Aging has a number of resources to help older households manage debt. Learn more at: www.NCOA.org.

Please help TSCL understand how COVID-19 has affected your financial security. Take our all NEW Retirement Survey at www.SeniorsLeague.org and let us know! Your answers help us show Congress why legislation is needed to strengthen Social Security. ■

Source: "Rising Debt, Falling Income: How to Dig Out," Susan B. Garland, The New York Times, *April 17, 2021.*

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.

Legislative Update

Questions to Ask at Your Next Town Hall

By Shannon Benton, Executive Director

Shannon Benton, Executive Director

Please feel free to share these questions with others!

During the month of August, Congress is in recess and many Members plan town halls to meet with constituents. We encourage you to attend one. Whether you meet in person, by conference call, or online, here are some ideas for questions to ask in order to learn more about your lawmaker's ideas about issues affecting Social Security, Medicare, and healthcare costs. Please feel free to share these questions with others!

- Prescription drug prices are among the fastest growing costs that retirees face in retirement. These costs, which tend to grow several times faster than overall inflation, also affect the government's budget for Medicare. How would you approach reducing drug prices that would lower costs for both beneficiaries as well as lower government spending?
- The Medicare Hospital Insurance Part A Trust Fund is forecast to become insolvent in 5 years (or less). What options do you favor to address this funding shortfall?
- What is your position on giving adults age 55–64 the option to enroll in Medicare?
- Do you feel that Social Security benefits are adequate for retirements that can last 25 to 30 years? If not, what approach do you favor to provide greater financial security for Social Security recipients?
- Do you feel the annual Social Security Cost-of-Living Adjustment (COLA) is calculated to fairly address the costs experienced by retired beneficiaries? If not fairly calculated, what approach in determining the COLA do you support that would make it fairer?
- The Social Security Trust Fund is forecast to become insolvent by 2034. If this were to occur, benefits would be reduced by an estimated 23%. What approaches do you favor to prevent these benefit cuts?
- The Social Security Trust Fund receives a small portion of its revenues from the taxation of Social Security benefits. Income thresholds that subject Social Security benefits to taxation have never been adjusted since enactment of the tax in 1984. A portion of Social Security benefits are taxable for individual Social Security recipients with incomes of $25,000 or more, and couples filing jointly with incomes of $32,000 and up. In 1984, the tax applied to just 10% of retirees. Today the tax affects over 50% of Social Security recipients. What options do you favor to help modest income Social Security recipients keep more of their retirement income while still ensuring the funding the Social Security Trust Fund? ■

***The Social Security & Medicare Advisor* © 2021** is published by The Senior Citizens League (TSCL). TSCL is an organization of active seniors concerned about the protection of their earned Social Security, Medicare, military, and other retirement benefits. TSCL's supporters participate in a number of grassroots lobbying and public education campaigns to help ensure governmental bodies live up to their commitments. Current active contributors to The Senior Citizens League are entitled to receive *The Social Security & Medicare Advisor* for no additional charge. Readers wishing to contact TSCL should address correspondence to The Senior Citizens League, 1800 Diagonal Road, Suite 600, Alexandria, VA 22314. TSCL website: www.SeniorsLeague.org. Editor: Mary Johnson.

BEST WAYS TO SAVE

Safe, Affordable Housing Can Be Hard to Obtain For Many Older Adults

Over the next 10 years, the size of the age 65 and older population is projected to grow by 17 million. By 2030, an estimated 1 in 5 Americans will be 65 and older, according to the U.S. Census Bureau.

But older homes don't always meet the needs of older Americans. Of the nation's 115 million housing units, only 10% are ready to accommodate older people. Affordability is another problem. Rising home prices and rents, along with slow-growing Social Security benefits, can make it difficult for older adults to find housing they can afford.

There are a number of government programs that can help those who qualify to locate and pay for housing. To learn more about these programs, first do a Google search for your local public housing authority, or agency.

The Housing Choice Voucher program is a federal program for assisting low income families, older and disabled adults, find

continued on page 7

Congressional Inaction Could Lead to Show Down Over Social Security Benefits; continued from page 1

nationwide temporarily shuttered due to emergency stay at home orders. In addition, widespread layoffs, reductions in work hours, and job losses resulted in the collection of fewer payroll tax revenues. Emergency legislation that was passed last year allowed employers to even temporarily defer payment of Social Security payroll taxes until December of 2022 to help companies shore up cash flow and stay in business. While the job market is getting back on its feet again in 2021, unemployment is still higher than it was prior to the pandemic, and payroll tax revenue has not yet returned to pre-pandemic levels.

- ***Lower revenues from the taxation of Social Security benefits.*** About 4% of Social Security's financing comes from the taxation of benefits. Because many retired household incomes were impacted by lower earnings, along with business and retirement account losses in 2020; the amount of revenues from the taxation of Social Security benefits was lower in 2020.
- ***Interest rates fell.*** Seven percent of Social Security financing comes from the interest earned by the assets held by the Social Security Trust Funds. Those assets are actually non-marketable government bonds, like I.O.U.s from the U.S. Treasury payable to the Social Security Trust Fund. That income stream was reduced because short term interest rates dropped to extreme lows during 2020 and so far in 2021.

In order to cover shortfalls—in 2021, and every year thereafter—the Social Security Trust Fund will liquidate the special issue bonds it holds in order to pay scheduled benefits until the program becomes insolvent. According to the Social Security Trustees, without Congressional action, the combined Social Security Trust Fund (retirement, survivors, and disability) will become insolvent around 2034, a little more than ten years from now. At the time of insolvency, Social Security will only receive enough revenues to pay about 77% of benefits. In other words, Congressional *inaction* could result in an automatic benefit cut of about 23%.

To improve program solvency, TSCL's surveys have found that a large majority of survey participants, 72%, support applying the Social Security payroll tax to all earnings instead of just the first $142,800 in earnings. ■

Source: The 2020 Social Security Trustees Annual Report, April 22, 2020.

How Much Will Medicare Beneficiaries Spend On Healthcare Costs This Year? continued from page 1

Paying for food gasoline, or home and auto insurance is more challenging this year than it has been in 13 years.

TSCL's estimate of average Medicare costs includes:

- Premiums for Medicare Part B, as well as premiums for either a Medigap and Part D plan, or a Medicare Advantage plan.
- Out-of-pocket costs for deductibles, co-pays and co-insurance.
- Costs not covered by Medicare such as dental, vision and audio care.

Even so, our estimate is still not complete. It does not factor in the cost of long term care services, and, because it is an average, it may not match every household's situation.

A $1,000 per month budget for medical expenses is a staggering amount to consider. Retirees with the highest costs are not only those with multiple health conditions, but also frequently those who don't have access to employer—provided health insurance benefits. This group also includes those who don't have access to competitively priced Medicare Advantage Plans, and therefore pay higher premium costs for Medigap and Part D plans.

Over the past year, some of the most difficult emails that TSCL received came from those of you who describe wrenching situations caused in large part by high healthcare costs and emergency needs that arose during the COVID-19 pandemic and the weather-related disasters of 2020. That has sometimes included taking in adult children and your grandchildren, and often providing financial assistance from your own savings.

These actions are what families do, but they are not without long term costs to retirement security. Some of you have reported going into debt, most often due to high medical costs. In fact, a Gallup poll in July of 2020 found that 15% of the adults contacted reported at least one person in their household had medical debt that will not be repaid either in full or in part within the next 12 months.

The stakes are high for retirees, who want Congressional action. Eighty eight percent of those of you who took our 2021 Senior Survey want Congress to reduce prescription drug costs by allowing Medicare to negotiate prices. Congressional inaction would cost all of us dearly, if lawmakers fail to take action to boost Social Security benefits and enact reforms that would strengthen Social Security's financing for decades to come.

What financial actions have you been forced to take over the past 12 months? Please take TSCL's new Retirement Survey at www.SeniorsLeague.org and let us know! ■

ASK THE ADVISOR

Why Can't Legal Guardians Receive Social Security Benefits on Behalf of Grandchild?

Q: We are raising our 6-year-old grandson under permanent court ordered guardianship to age 18. However, we are not allowed an additional Social Security benefit for this child unless we adopt him. Seems unfair since we have the same responsibility to support him. This will create a tremendous financial hardship, should my wife or I pass away and lose our benefit. We feel the rules should be changed to include benefits for permanent guardianships. —B.H.

A: You bring up an important gap in our Social Security protections. In order for children to qualify for a Social Security dependent benefit, that benefit would need to be based on an account of a parent who meets eligibility requirements for Social Security and is deceased, disabled, or retired. The parent would need to meet the eligibility rules in order for your grandson to receive a benefit based on the parent's account. However, if the biological parent has not yet met all eligibility rules then, in order to receive a Social Security benefit, you would need to first adopt the child so that he qualifies for a benefit based on your account.

However, there might be other ways to augment finances, particularly through an additional tax exemption and the Child Tax Credit. The American Rescue Plan Act (ARPA) of 2021 expands the Child Tax Credit for tax year 2021 in the following ways:

- Taxpayers may receive part of

continued on page 7

SOCIAL SECURITY & MEDICARE QUESTIONS

Can Drug Plans Drop Coverage of Brand Drugs Mid Year?

Q: My 2021 Part D plan dropped my brand drug from its formulary. Are drug plans allowed to do this? If the generic doesn't work for me, am I allowed to change plans at this time of year?

A: Typically, Medicare Part D plans must continue to cover a prescription medication that is dropped from the plan's formulary until the end of the year, for enrollees who are already taking the medication. Medicare does, however, allow Part D plans to replace brand-name prescription drugs with the generic equivalent if one becomes available mid-year. Plans are not required to notify enrollees in advance when such a change takes place.

If your Part D plan no longer covers your brand name drug, contact your prescribing physician at once about trying the generic. Doctors are used to this type of request, and you may just want to try a 30-day supply at first to see how the generic works for you. If the generic works just as well, it can save you money in out-of-pocket costs. But if it is not as effective, let your doctor know

continued on page 8

The "Medicare Tax" That Never Made It to the Medicare Trust Fund; continued from page 1

But I was wrong.

The 3.8% "Medicare" net investment tax has never been received by the Medicare Part A Trust Fund, but has wound up going straight into the U.S. General Fund. That means it could be appropriated for any government spending!

According to the Federal Register *"Amounts collected under section 1411 are not designated for the Medicare Trust Fund.* The Joint Committee on Taxation in 2011 stated that's because *"No provision is made for the transfer of the tax imposed by this provision from the General Fund of the United States Treasury to any Trust Fund."*

In fact, unlike the surtax on high earners, this 3.8% net investment tax was not even a specific provision of Affordable Care Act. It was a provision of a separate bill, the Health Care Education and Reconciliation Act of 2010 which was passed about two days after the Affordable Care Act. By setting up the revenues so that they would flow to the General Fund, Congress by-passed earmarking those revenues for the Medicare Part A or Part B Trust Fund. That also means that, when those revenues are used for other purposes, the Medicare Trust Funds are not earning any interest from the federal government for the use of those funds.

Now Medicare Part A is facing insolvency once again, this time around 2024. Health policy experts are now proposing that the revenues raised by the 3.8% net investment income tax should be "re-directed" to the Part A Trust Fund rather than the federal government's general revenue.

It's about time. At the time of its passage the Affordable Care Act was labeled a "Medicare" tax and sold to the public that way. Now it is needed by the Medicare Part A Hospital Insurance Trust Fund. Part A is less than five years from insolvency and faces an estimated $515 billion funding gap over the next ten years. The Joint Committee on Taxation (JCT) estimates that this tax will raise approximately $27.5 billion in revenue in 2021 alone.

TSCL believes that Medicare healthcare costs already cause many beneficiaries to shoulder a heavy financial burden in retirement. Cutting Medicare benefits, while shifting more costs to beneficiaries, would be the wrong way to strengthen program financing. ■

Sources: Supreme Court: Mandate Penalty is Tax, Jeanne Sahadi, CNN Money, *June 28, 2012. Net Investment Income Tax, Federal Register, June 6, 2009. Tax Provisions in the Health Reconciliation Act,* Journal of Accountancy, *March 25, 2010.*

Safe, Affordable Housing Can Be Hard to Obtain For Many Older Adults; continued from page 4

affordable and safe housing in the private market. The vouchers are administered locally by local public housing agencies (PHA). Families or individuals are free to find their own housing that meets the requirements of the program, which is not limited to units in subsidized housing projects. Assistance is provided on behalf of the family or individual and paid directly to the landlord.

Public Housing communities offer affordable apartments for low income families, including older and disabled persons. Often these apartment buildings or complexes that are overseen by city or county public housing agencies. Some may offer extra assistive services for seniors.

Here are a few things to consider: Even if you currently have adequate housing, think about how your needs will change as you age. Among households with adults 85 and older, roughly 50% have reported trouble using features of their current home. Steps and stairways are the most common problem areas, with access to bathtubs and showers and the second most common problem area.

There may be a waiting list at a prospective facility. It never hurts to get an idea of what's available in your area ahead of time to help your planning.

When looking into a new living space, especially any that provide extra services, such as cleaning and help with cooking, learn about additional fees. The facility may charge for such things as laundry, having pets and/or parking. Find out how much the rental will go up each year. It's not uncommon for senior housing leases to automatically escalate 5% per year. Over the past 12 years, the Social Security Cost-of-Living Adjustment (COLA) has only averaged 1.4% per year.

A good way to start a search for safe, affordable senior apartments is to research options online. A good place to start is the U.S. Department of Housing and Urban Development (HUD) website: https://www.hud.gov. ■

Why Can't Legal Guardians Receive Social Security Benefits on Behalf of Grandchild? continued from page 7

their credit in 2021 before filing their 2021 tax return.

- The amount of the credit will increase for many taxpayers.
- The credit for qualifying children is fully refundable, which means that taxpayers can benefit from the credit even if they don't have earned income or don't owe any income taxes.
- The credit will include children who turn age 17 or who are under that age in 2021.

For tax year 2021, families claiming the Child Tax Credit will receive up to $3,000 per qualifying child between the ages of 6 and 17 at the end of 2021. Under prior law, the amount of the credit was up to $2,000 per qualifying child under the age of 17 at the end of the year.

The increased amounts are phased out for incomes over $150,000 for married couples filing jointly and qualifying widows or widowers, $112,500 for heads of household, and $75,000 for all other taxpayers.

According to the IRS, advance payments of the Child Tax Credit will be made from July through December to eligible taxpayers and will be up to 50% of the credit. Advance payments will be estimated from your 2020 tax returns, or 2019 returns if the 2020 returns are not filed and processed yet.

If you have not filed a return for 2020, the IRS urges people with children to file one as soon as possible. Even if your grandson was not with you in 2020, eligible taxpayers have the opportunity to update information about changes in income, filing status or the number of qualifying children. The IRS is continuing to update information about this credit which can be found at: https://www.irs.gov/credits-deductions/advance-child-tax-credit-payments-in-2021.

With so many grandparents becoming more involved in the day-to-day care of their grandchildren you may learn that you qualify for other programs that can reduce healthcare, food, and other expenses. We recommend that you take time to try the National Council on Aging's online "BenefitsCheckUp" screening tool to learn about benefit programs in your area. ■

Can Drug Plans Drop Coverage of Brand Drugs Mid Year? continued from page 6

right away and learn if there is an alternative medication on your drug plan's formulary that you can try.

You can also try asking your Part D plan to continue to cover your current brand name drug by granting a formulary exception. It will be important for you to work with your doctor who will need to explain to your Part D plan why you are not able to take the generic medication.

It might be possible to change your Part D plan at this time of the year if you can find a Special Enrollment Period (SEP) that applies to your situation. There is no SEP specially for drugs being dropped from the plan's formulary. You can try contacting a local State Health Insurance Assistance Program (SHIP) for free one on one counseling to learn more. ■