

Part B Premiums Rise 14.5%— Social Security 5.9%

In January, the Social Security checks of more than 69 million beneficiaries will rise by 5.9%. That Cost-of-Living Adjustment (COLA) will increase an average monthly retiree benefit of \$1,565 by \$92 per month—far more than the meager inflation adjustments over most of the past 12 years when COLAs averaged just 1.4%. But beneficiaries will see a significant chunk of that consumed by Medicare Part B premiums, which are automatically deducted from Social Security benefits. Part B premiums are increasing by \$21.60 per month, rising from \$148.50 in 2021 to \$170.10 in 2022 and much more if you have higher income. Unfortunately, that's just the tip of the iceberg of rising costs for heating, gasoline, housing, transportation, and food.

While Social Security recipients will receive the highest COLA in four decades, tens of thousands of you tell us that more is needed to help Social Security recipients get through rampant rising prices. As of November 12, 2021, more than 87,500 of you have signed our petition calling on Congress to provide another round of \$1,400 stimulus checks, this time targeted to Social Security recipients.

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PART B PREMIUM INCREASE OF 14.5% ONE OF HIGHEST ON RECORD

Although the annual Cost-of-Living Adjustment (COLA) will increase benefits by 5.9% in 2022—the highest inflation adjustment in 40 years—the Medicare Part B premium increase is still rapidly outpacing the COLA percentagewise, by jumping 14.5%. That's one of the biggest Part B premium increases on record and the highest since 2016 when premiums grew by 16.1%. The standard Part B

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HOW LONG WILL INFLATION CONTINUE?

Expect to See Rising Costs in These Five Categories

By Mary Johnson, editor

Will the 5.9% Cost-of-Living Adjustment (COLA) be enough to meet rising costs in 2022? Will Social Security recipients receive a big enough boost next year in order to afford groceries for the entire month, instead of running short before the month ends? From what I'm reading, the rate of price inflation is expected to ease, but is still likely to rise—by roughly 3%, according to David Payne of Kiplinger.com. That means that inflation isn't through with us yet. It appears likely that consumers will be spending more on a number of big-ticket items. Here are some of the spending categories that may see continued high prices in the New Year.

- **Food:** Normal grocery inflation is usually in the 1% to 2% range. But the USDA estimates that, in 2021, food prices increased 3.5% with the largest price increases for meat categories: beef and veal up 9.6%, pork up 6.3%

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Availability of Caregiving Help Falls, Costs of In-Home Care Climbs

By Rick Delaney, TSCL Chairman

The coronavirus has caused many families to rethink plans for long term care as the pandemic spread through nursing homes, killing more than 135,860 patients and 2,040 staff. The pandemic caused some families to move their family members home, and others to postpone plans to move relatives into nursing homes in the first place. This trend set off a widespread push for more Medicare funding for in-home care for older and disabled Americans, including better wages to attract and retain nursing staff.

Over the past year, one of the fastest growing costs during the COVID pandemic has been the cost of providing long term care in the home. According to the Bureau of Labor Statistics data through July, the “care of invalids and elderly at home” category rose by 9.6%. We ranked that expenditure category as the 9th fastest growing cost faced by older Americans from July 2020 to July 2021. The cost of providing care in the home, which includes help with feeding patients, bathing, dressing, physical therapy and other services, has been driven, in large part, by an ongoing shortage of qualified caregiving aides and nurses.

Last spring, President Biden said he wanted \$400 billion for home care, but Congressional budget negotiators have so far been unwilling to devote that much. The House Energy and

Commerce panel proposed \$190 billion. A Senate bill would provide about \$250 billion.

But to fund this expansion in home-care coverage, supporters are counting on savings from allowing Medicare to negotiate drug costs, which would cut federal spending by nearly \$500 billion according to an estimate from The Congressional Budget Office (CBO). A number of *both* Democrats and Republicans in the House have resisted supporting a key budget provision that would allow Medicare to negotiate drug costs—even though 88% of participants in TSCL’s 2021 Senior Survey support allowing Medicare to do so.

Those in Congress who want Medicare to negotiate prices say they will try to push legislation



Rick Delaney,
Chairman of the Board, TSCL

through different committees. If they are successful, that could lower drug prices for consumers and may lead to new coverage for sorely long over-due in-home care and services for some of our nation’s most vulnerable older and disabled Americans. How are the costs of providing in home care affecting you or someone you know? Send an email to your Member of Congress at www.SeniorsLeague.org. ■

Sources: “A Once-In-a-Decade Chance to Overhaul Health Care Gets Personal For Democrats and Advocates,” Washington Post, September 19, 2021. “Pharmaceutical Industry Backs Democratic Holdouts On Drug Pricing Plan,” Isaiah Poritz, OpensSecrets.org, September 24, 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.

Social Security Bill Would Boost Benefits For all Beneficiaries and Trust Fund Financing

By Shannon Benton, Executive Director



Shannon Benton,
Executive Director

Social Security legislation containing a number of provisions that would strengthen and boost benefits has been introduced by House Ways and Means Social Security Subcommittee Chairman John Larson, (CT-01). The Social Security 2100: A Sacred Trust, has support from almost 200 Members of the House. Among the many provisions the bill would:

- Provide an immediate benefit increase for all beneficiaries of \$30 a month.
- Provide a more accurate cost of living adjustment by basing the annual inflation adjustment of the Consumer Price Index for the Elderly (CPI-E) which measures inflation experienced by senior households. The CPI-E tends to grow about 0.2 percentage point faster per year than the current index used to calculate the Cost-of-Living Adjustment (COLA).
- Improves benefits for widows and widowers in two income households. Ensures that widow(er)s receive 75 percent of the combined Social Security benefits the couple was receiving prior to one spouse's death. Currently the surviving spouse

receives either 100% of the deceased spouse benefit, or, his or her own retirement benefit, whichever is highest. That can reduce income by as much as half.

- Adjusts the income thresholds which subject Social Security benefits to taxation—from \$25,000 for individuals and \$32,000 for married filing jointly, to \$35,000 and \$50,000 respectively.
- Boosts benefits for the oldest beneficiaries. Effective for all beneficiaries who have been receiving benefits for more than 15 years.
- Repeals the Government Pension Offset (GPO) and Windfall Elimination Provision (WEP) so that affected state and local government retirees are no longer subject to these reductions to their Social Security benefits.
- Increases access to benefits for children who live with grandparents or other relatives who are Social Security beneficiaries.
- Applies the Social Security payroll tax to earnings above \$400,000.

Congressman Larson recently wrote:

“Social Security is expected to pay a COLA at the end of this year that is significantly higher than in recent years, largely because of the pandemic. While it’s welcome, it is not a benefit increase. It reflects inflation and keeps purchasing power steady for Social Security beneficiaries. It will be absorbed by Medicare premiums and the increase in costs for food, housing and prescription drugs. That’s why we’re working with the President to pass “Social Security 2100: A Sacred Trust”.

Rest assured, TSCL continues our work into 2022, to get Social Security legislation passed that will strengthen Trust Fund financing, and boost benefits. To stay up to date on the latest, watch your email for our Weekly Legislative Updates. ■

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BEST WAYS TO SAVE

Do You Know the Costs of Providing Care at Home? Here's a List From Someone Who Knows

Most older adults want to age in place and stay in their own homes as they grow older. But doing so takes a major commitment on the part of the person who becomes the primary caregiver for a family member with Alzheimer's or dementia. Recently, we heard from Cliff R., a resident of South Carolina who is the primary caregiver of his wife who was diagnosed with Alzheimer's in 2007—fourteen years ago.

Cliff wrote: *"Inflation is rising and that affects many of the basic senior needs; gas, food clothing, medicines and medical devices... One of the needs which has increased substantially is the cost of hiring help to assist the caregiver and their patients in their basic functions..."*

In fact, according to the Bureau of Labor Statistics, the cost of providing care in the home rose by almost 10% from July of 2020 to July of 2021 as shortage of good home healthcare aides grew during the pandemic.

For the first six years after his wife's diagnosis, Cliff continued to work and care for his wife at home. But at age 74 he retired allowing him to devote more time to his wife's growing needs. Most long-term maintenance care, help with daily living activities that Cliff's wife needed, is not covered by Medicare. But four years ago, his wife started hospice services which are covered by Medicare when the patient's condition is so severe there is no chance of improvement.

Cliff points out the multiple ways that long term care needs escalated spending, and how the annual Cost-of-Living Adjustment or COLA does not factor in the types of costs.

For those of you considering the needs of family members, here are some of the often unplanned costs, many of which are not covered by Medicare, that Cliff outlined:

Wheelchair or folding wheeled transporter—

Although covered by Medicare, these are not free. The patient often has a lease-to-own arrangement over a certain number of months, making payments until it becomes yours.

A larger vehicle—

Wheelchairs don't easily fit into a 4-door sedan and you may need something like an SUV instead.

Depends and bed pads—

The average cost of incontinence products can run well over \$200–\$300 per month and are not covered by Medicare, except in authorized hospice settings. Even then, those bed pads are often minimal protection that requires more frequent changing.

Cooking and prepared meals—Caregiving is exhausting. Augmenting with prepared frozen meals or ordering out helps keep the workload distributed while providing nutritious meals.

Ensure and liquid protein enhancement—At a certain point, the doctor may put liquid protein drinks such as Ensure on the care plan. A 30-day supply of 8 ounce bottles of Ensure, for

example, will cost about \$50 from Walmart.

Location technology—

Alzheimer's and senile dementia patients are at risk of wandering and getting confused about their location and getting lost. Project Lifesaver is a tracking and locating program operated through local public safety agencies (such as local sheriff and police departments) that can provide registered electronic locating devices to people at high risk. The patient wears a transmitter around their wrist, and the local police departments have receiver devices to track down missing individuals. The cost varies by locality, but the program appears to significantly cut the amount of time a person remains lost.

Legal fees—Primary caregivers are likely to need legal advice and documents such as a durable power of attorney and medical directives. It may be necessary to set up guardianship or trusts to ensure continuity of care.

Home health care aides—Nationwide in 2019, the average hourly fee for home health services was \$16.00 to \$30.00 per hour. Good in home aides are hard to find, and the cost of services, especially when 24/7 overnight care is provided, can rival the cost of nursing home care. ■

Our thanks to Cliff R., who shared his remarkable story about caring for his wife.

Part B Premiums Rise 14.5%—Social Security 5.9%; continued from page 1

The petition reads:

I (and/or my spouse) want Social Security recipients to receive a \$1,400.00 emergency stimulus check to cope during this unprecedented inflationary year. Social Security benefits are one of the few types of income in retirement adjusted for inflation. But soaring inflation has taken a toll on household finances of retired and disabled Social Security recipients. In 2021 Social Security benefits increased by just 1.3 percent raising the average benefit by only about \$20 a month. But about 86 percent of Social Security recipients surveyed say their expenses increased by much more than that amount. As one of the many supporters of TSCL who reside in your constituency, I strongly urge you that NOW is the time that you MUST support an emergency \$1,400.00 stimulus check to Social Security recipients.

The stimulus proposal has raised a few questions. Some policy makers point to the high COLA, questioning whether Social Security recipients really need another \$1,400 stimulus check. But most Social Security beneficiaries say, “it’s long overdue,” because COLAs have rarely kept up with the rising costs experienced by most Social Security recipients.

In addition to the higher costs felt today, a COLA adjustment of 5.9% will also

mean higher taxes. The COLA will boost Social Security income, and that could potentially affect the taxable income of roughly half of all Social Security households in the 2022 tax year. In a recent letter to Representative Jason Smith (MO-8), Ranking Member of the House Committee on the Budget, the Congressional Budget Office (CBO) wrote “...you asked who pays higher taxes when inflation rises...” Among those who will pay higher taxes are Social Security recipients, the CBO said, because the income thresholds that subject Social Security benefits to taxation are not indexed for inflation. Because the income thresholds aren’t adjusted, that will “subject a greater share of Social Security benefits to taxation,” the CBO wrote. Depending on income, up to 85% of Social Security benefits can be taxable when the adjusted gross income is over \$25,000 (for single filers) and \$32,000 (for married taxpayers filing joint returns).

TSCL is advocating for stimulus payments to Social Security recipients because like an advance refundable tax credit, stimulus payments are not counted as income. Thus a \$1,400 stimulus check would not increase taxable, income but could help offset higher taxes. In addition, for Social Security recipients who also receive benefits from low-income programs such as SNAP, rental assistance, and Medicare Savings Programs, a stimulus check could help

offset benefit reductions that low-income Social Security recipients may potentially experience. This occurs when the COLA increases incomes over income limits.



While Social Security recipients will receive the highest (COLA) in four decades, tens of thousands of you tell us that more is needed to help Social Security recipients get through rampant rising prices.

If you haven’t yet signed the \$1,400 stimulus petition yet, do so now! ■

Sources: Letter to Honorable Jason Smith, Ranking Member House Committee on the Budget, Phillip L. Swagel, Director, Congressional Budget Office, September 1, 2021.

If you haven't signed the stimulus petition yet, here's the link: www.SeniorsLeague.org.

ASK THE ADVISOR

How Do I Calculate My Taxable Retirement Income?

Q: I turned age 69 and started Social Security benefits this year. For the 2021 tax year, I have earnings from a part time job, income from a modest private sector pension, in addition to six months of Social Security benefits. Neither my wife nor I have started required minimum distributions from retirement accounts yet. My spouse is younger than I am, and still works full time. She has not started Social Security and does not receive a pension. She will contribute to her retirement account in 2021.

Our income for 2021 will come from Social Security, earnings from jobs for both my spouse and I, and a modest amount of pension income.

A: For some people, income taxes are one of the biggest expenses in retirement. Because different sources of retirement income are taxed in different ways, it's a good idea to talk with your financial and tax advisors to develop the most tax efficient plan.

Here are some general pointers to help you estimate your taxes for 2021:

- **Taxes on Social Security Benefits:** The income threshold that subject a portion of Social Security benefits to taxation is \$32,000 for married couples who file jointly and \$25,000 for individuals. Unlike tax brackets, and the standard deduction, these income thresholds have never been adjusted for inflation, and a growing number of older taxpayers wind up paying taxes on a portion of their benefits. To learn if your benefits will be taxable, you need to add one-

half of your Social Security income to your Adjusted Gross Income, and any tax-exempt income you may otherwise receive, to determine if your income exceeds these thresholds. The amount you pay depends on your overall income that you and your spouse receive and whether you file joint, or separate returns. From 50% to 85% of your Social Security benefits could be taxable, depending on income. For more information, see IRS Publication 915 Social Security and Equivalent Railroad Retirement benefits and 554 Tax Guide for Seniors, which provides worksheets you can use to figure out how much you might owe.

- **Taxes on Pension Income:** You will owe federal income tax at your regular rate for the year in which you receive pension income. Your employer (or the financial manager of the pension account for your employer) will withhold estimated taxes as the payments are made, but you could potentially owe more. Check the state where you live to learn how it taxes pension income.
- **Taxes on traditional IRAs and 401(k)s:** Don't forget to take distributions from retirement accounts on time. Recent law changed the date at which required minimum distributions (RMD) must start, to age 72. If an account owner fails to withdraw a RMD by his or her deadline, or fails to withdraw the full amount of the RMD, the amount not withdrawn is taxed

at 50%. Once you start distributions, you owe taxes on the earnings portion of those withdrawals at your regular income tax rate. While your retirement account fiduciary will likely withhold at least a portion of taxes, you can find instructions for calculating what you owe in IRS publication 590 Individual Retirement Arrangements. If you have a Roth IRA you won't pay tax at all on your earnings as they accumulate or when you withdraw (assuming you follow the withdrawal rules.) You must have the account for at least five years before you will qualify for tax free provisions on earnings and interest.

- **Taxes on earnings:** Because you have delayed retiring well past your full retirement age, there are no earning restrictions rules that affect the amount of Social Security benefits you received in 2021. Contributions to traditional IRAs or 401(k) accounts during your working years reduce taxable income, which saves you money on your tax bills while you and your spouse work. However, you still pay taxes on the balance of your wages and earnings. ■

premium will increase by \$21.60 per month, and by even more, for the 7% of beneficiaries whose incomes exceed \$91,000 (single filers) or \$182,000 (married couples filing jointly).

Most Medicare beneficiaries should see at least some extra funds left over in their Social Security benefits after the deduction for Part B premiums, but those people with the lowest Social Security benefits of about \$365 or less, could see the entire amount of the Part B premium increase consume their entire COLA.

Medicare blamed rising Part B premiums for 2022 on three main causes:

- **Rising prices and utilization costs.** More people are expected to get care as they return to receiving elective care and services that were postponed during the pandemic.
- **Contingency funding.** Congress took action last year to significantly lower the Part B premium in 2021 to just \$3.90 per month when it became clear that the COLA of 1.3% would only raise average Social Security benefits by roughly \$20. Had Congress raised Part B by that much or more for 2021, roughly one half of all retirees would not have had a COLA high enough to cover a \$20 per month increase. That would have created the need for Congress to make up the difference in revenues from general revenues because a provision of law protects most individuals' Social Security benefits from reduction when

Which of the following amounts most closely matches your monthly Social Security benefit increase for 2021, AFTER the deduction for the Medicare Part B increase?

No increase. My net Social Security benefit in 2021 is less than received in 2020.	10.5%
No increase. My net Social Security benefit in 2021 is the same as received in 2019.	7.2%
\$.01–\$15.00	42.5%
\$15.10–\$25.00	25.5%
More than \$25.00	7.9%
Does not apply. I don't receive Social Security benefits yet.	6.4%

the dollar amount of the Part B premium increase is greater than the dollar amount of an individual's COLA. Congress thus opted to restrict the Part B premium increase.

- **The uncertainty over the potential use of a controversial new Alzheimer's drug, Aduhelm™.** This decision to raise Part B premiums due to the new drug is controversial for several reasons, not the least of which is the fact that Aduhelm hasn't even been approved for coverage by Medicare yet. The Center for Medicare and Medicaid services said, "we must plan for the possibility of coverage for this high-cost Alzheimer's drug which could, if covered, result in significantly higher expenditures for the Medicare program." Critics contend that the drug has not been proven effective. The controversial drug which costs \$56,000 per year is still undergoing Medicare's National Coverage Determination process. It drives up Part B costs for everyone because patients would receive the drug intravenously at a doctor's office

driving up Part B costs rather than a pharmacy under Part D where it would be the responsibility of private insurers and the individuals who are covered by their plans.

The discrepancy between the rate of growth in Part B premiums and COLAs, has caused concern for years. Over the past 12 years, there have been multiple times when beneficiaries have seen Part B premiums take the entire dollar amount of their COLA. In 2021, TSCL surveyed on this issue to learn how Social Security recipients fared this year, when the COLA increased Social Security benefits by just 1.3% and the Part B increase was only \$3.90 per month.

See the chart above, to see how survey participants responded.

To learn more about Medicare costs in 2022 visit www.Medicare.gov. ■

and poultry up 5.6%. In 2022 the USDA expects that food prices will continue to climb about 2.5%.

- **Rental housing:** A lease for senior housing typically includes a clause for an automatic 5% annual rent increase. But according to Alicia Adamczyk of CNBC, the national median rent increased by 11.4% in 2021, compared with just 3.3% in 2017, 2018 and 2019. Rents are expected to surge again in 2022, in reaction to the expiration of eviction moratoriums that forced normal rent increases to be put off temporarily.
- **Owner housing:** Rising costs are expected to affect homeowners as well, particularly

for people who are refinancing or planning on renovating or repairing an older home.

Mortgage rates are expected to rise in 2022, in reaction to higher home prices, the costs of building and materials, and rising interest rates. Higher prices of homes will also mean higher local real estate taxes and higher homeowners insurance costs.

- **Heating your home:** Household expenditures for all major home heating fuels are forecast to increase significantly according to the U.S. Energy Information Administration (EIA). Compared with last winter the EIA estimates that propane expenditures will rise by 54%, heating oil by 43% natural gas by 30% and electricity by 6%.

- **Drug prices:** Prices on 1,283 prescription drugs increased by 16% in the first seven months of 2021, compared to the same period in 2020. The Centers for Medicare and Medicaid Services estimate that prescription drug costs will increase 5% in 2022, and the Part D out-of-pocket threshold before reaching the catastrophic phase of coverage is growing by 7.6% from \$6,550 in 2021 to \$7,050 in 2022. ■

Sources: "Inflation Cools But Pressures Lurk," David Payne, Kiplinger.com. Food Price Outlook, 2021, USDA, September 27, 2021. "Rent Is About to Go Up Again—Here's Why," Alicia Adamczyk, CNBC. Heating oil costs 2021 data, 2022 Forecast, Trading Economics, September 27, 2021. "Report: Prescription Drug Prices Continue to Rise Throughout 2021," Single Care, August 5, 2021. Winter Fuels Outlook, U.S. Energy Information Administration, October 7, 2021.

SOCIAL SECURITY & MEDICARE QUESTIONS

Will My Social Security Benefits Be Reduced?

Q: I was born in 1960 and I've read that my Social Security benefits may be reduced. Has your group learned anything new about this issue? I turn 62 next year.

A: TSCL has been keeping an eye on a potential issue that might mean lower Social Security benefits for people born in 1960 when they file a claim. The problem has to do a feature of the Social Security benefit formula—the Average Wage Index (AWI)—which is used to determine the Primary Insurance Amount that individuals receive when they retire. This feature is sensitive to swings in employment and to going negative in years when there is high unemployment, such as the type we saw last year during the COVID-19 pandemic. Although

rare, this can result in permanently lower Social Security benefits for people who turn 60 in such a year.

In calculating Social Security benefits the Social Security Administration first takes the workers earnings and converts past earnings to average wage indexed values in order to represent the value of those earnings near the time of eligibility. On July 17 of 2020 the Chief Actuary of Social Security first expressed a warning to Members of Congress that people born in 1960 and who first turn 62 in 2022 may be impacted by cuts as much as 10 percent below the amount projected by the Social Security Trustees.

But the economy recovered more quickly than the Chief Actuary initially feared. The Social Security

Administration recently posted the Average Wage Index that applies to 2020 and will be used to calculate the benefits of people born in 1960. The index rose 2.8% from 2019 to 2020—very good news for those with birthdays in 1960.

While that group escaped benefit cuts, there's still work to be done to protect future retirees, from reductions if they have the misfortune of turning 60 in a year of excessively high unemployment. TSCL supports legislation to fix the problem—"The Social Security COVID Correction and Equity Act," introduced by Representative John Larson (CT-1), and the "Protecting Benefits for Retirees Act," introduced by Senators Tim Kaine (VA) and Bill Cassidy (LA) in the last session of Congress. ■