TSCL—Defending Your Earned Benefits For Over 26 Years

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THE SOCIAL SECURITY & MEDICARE
# ADVISOR©

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## Social Security Benefits to Increase 5.9% for 2022

Social Security recipients will receive a 5.9% Cost-of-Living Adjustment (COLA) effective January 2022—the highest in 40 years. The high COLA comes as more than 62 million retired and disabled Americans have spent much of 2021 struggling with price increases the likes of which haven't been seen since 1982.

The COLA will increase an average $1,565.00 retiree benefit by $92.00 per month. But concern is growing that the Medicare Part B premium increase, which is automatically deducted from Social Security benefits, could take a significant portion of the increase.

The COLA was just 1.3% in 2021 and, over the past 12 years, COLAs have been at unprecedented lows, averaging just 1.4% since 2010. TSCL is hearing from seniors around the country who point out that COLAs in recent years haven't come close to keeping up to the actual price increases experienced by older adults. We frequently hear that, even though the COLA for 2022 may be the highest in years, the actual rising costs experienced by seniors rose even more, because the government's measure of inflation doesn't accurately reflect the purchasing patterns of retired and disabled Social Security recipients.

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## BUYING POWER OF SOCIAL SECURITY BENEFITS PLUMMETS IN 2021

Soaring inflation has deeply weakened the purchasing power of Social Security benefits in 2021, according to TSCL's latest update on rising senior costs. The study, which compares the growth in the Social Security Cost-of-Living Adjustments (COLAs) with increases in the

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## IN THIS ISSUE:



## How a High COLA Really Impacts Social Security Income

*By Mary Johnson, editor*

Now that the Social Security Administration has confirmed that Social Security benefits will increase by 5.9% in January of 2022, what's next? Several factors play an important role in determining the final financial impact that 2021's high inflation will have on your Social Security income. But beneficiaries won't get the full picture until well into 2023 and beyond. Although the increase in benefits is substantial, so are the offsetting impacts, because other associated factors could act to reduce your net Social Security benefit income in different ways. Here's what to watch for:

- **Higher Medicare Part B premiums could absorb a significant portion of the COLA:** In 2020, with Cost-of-Living Adjustments (COLAs) forecast to be just 1.3% in 2021, and with strong support of TSCL and its grass roots, Congress moved to restrict the amount that the Part B premium could increase for 2021. That resulted in a low increase

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# Benefit Bulletin

Rick Delaney,
Chairman of the Board, TSCL

## Should Congress Consider a Special Stimulus Check for Seniors?

*By Rick Delaney, TSCL Chairman*

Meeting even routine household expenses has been a big challenge for older households, even prior to the COVID-19 pandemic. But in 2021, many of you report that you are operating on such tight budgets that you are all out of options to pay bills, even for essentials.

**B.C. of North Carolina told us:**

*I've not been able to actually purchase groceries for my home for about 5 years due to the LOW COLA increases that I have been receiving. My landlord keeps increasing the price on my rent every year. [By the] Time I pay rent, car payment, and electric bill, and then purchase my medicines that I take every day, I barely have $10 left in my account. I'm a widow going on 17 years next month, and I do receive my late husband's retirement money, however, by the time I pay another bill with that money, I'm still in the same position.*

Soaring inflation in 2021 has put pressure on older household budgets, leaving everyone less prepared for even small expenditure surprises. According to TSCL's Senior Survey early in the year, 44% of older consumers are reporting that food has been the fastest growing category of their household budgets—increasing even faster that housing and medical costs. The same survey also found that nearly one-out-of-five survey respondents, 19 percent, say they have visited a food pantry or applied for food stamps (SNAP) since the beginning of this year. But a COLA as high as 5.9% could mean benefit trims for some people whose income could make them ineligible in 2022 for the same level of SNAP benefits they receive today.

**L.V. of Florida explains this better than I do:**

*What good will the increase in Social Security do when they will take it back from us with other cuts??? If we get a COLA increase when enrolled in a Medicare Savings Program, the portion of Medicare that we pay goes up and we LOSE our help with prescriptions. Add to that the cuts to our food stamps and there are times our INCREASE actually costs us money.*

TSCL thinks something needs to be done and is calling on Congress to help America's seniors and disabled with a special $1,400 stimulus payment for Social Security recipients. The previous three stimulus payments in 2020 and 2021 were not considered income by SNAP or low-income health programs. In addition, because the payments are refundable advanced tax credits, they are not included as taxable income, and won't subject Social Security benefits to taxation.

For this reason, stimulus payments would be important to offset benefit trims for SNAP, higher costs for Medicare and prescription drugs, and higher taxes.

A recent TSCL poll found that 79% said they spent the most recent $1,400 stimulus check on daily essentials, housing, groceries or medical bills. That's excellent! That means every penny of those dollars were returned to the U.S. economy, providing jobs, and thereby providing new payroll tax revenues to strengthen Social Security and Medicare.

TSCL is working with Members of Congress to get legislation for the $1,400 stimulus checks passed. A big thank you to all of you who sent in examples of how rising inflation has forced you to skimp or go without. To stay up to date on this effort, check our Weekly Updates in your email or visit TSCL online at www.SeniorsLeague.org. ■

## Legislative Update

# Provision Allowing Medicare to Negotiate Drug Prices Part of Reconciliation Legislation, But Fate Not Certain

*By Shannon Benton, Executive Director*

*Shannon Benton, Executive Director*

Prescription drug costs are a major concern for retired and disabled households as well as for government spending on Medicare and Medicaid. Pharmaceutical manufacturers are fighting back with a multi-million dollar lobbying campaign to maintain control of their secretive pricing practices, saying that allowing Medicare to negotiate would be Big Government "price setting." But that's not what has been proposed.

Surveys by TSCL indicate that 85% of survey participants support allowing Medicare to negotiate prescription drug prices…

While numerous options are under discussion, one of the most widely discussed approach, a key feature of H.R. 3 (the Elijah. E. Cummings Lower Drug Costs Now Act) would not even apply to every drug. According to a brief by the nonpartisan Kaiser Family foundation, the negotiation process stipulated under H.R. 3 would apply to at least 25 drugs in 2024, lacking generic or biosimilar competitors, selected from a list of 125 drugs with the highest net Medicare Part D spending. The drugs would be selected on the basis of greatest savings to the federal government or individuals who would be eligible for the negotiated price.

A fair price for each selected drug would be determined by the lowest average price in one of the following countries—Australia, Canada, France, Germany, Japan and the United Kingdom—or 80% of the average manufacturer's price if the selected drug has no international price,(such as a new drug). The proposal would establish an upper limit for the negotiated price of 120% of the Average International Market price. To give Medicare bargaining clout, companies choose to negotiate or, pay penalties. If a manufacturer offers a price that's no more than the target price, the Secretary of HHS would accept this as the maximum fair price for the drug.

The estimated savings from this approach are quite substantial. The Congressional Budget Office (CBO) has estimated $450 billion over a 10-year time frame. In addition, the CBO estimates that lower drug prices would lead to lower Medicare beneficiary premiums and out-of-pocket costs for prescription drugs in Part D plans.

The CBO also estimates that the lower revenues from drug sales would lead to a lag in the introduction of new drugs, albeit a small lag. The CBO estimates that there would be 8 fewer drugs coming to market over the next 10 years, of the roughly 300 drugs expected to be approved during this period and 30 fewer in the subsequent decade.

Surveys by TSCL indicate that 85% of survey participants support allowing Medicare to negotiate prescription drug prices and 82% support restricting price increases to the rate of inflation. ■

*Source: "What's the Latest on Medicare Drug Price Negotiations?" Juliette Cubanski, Tricia Neuman, Meredith Freed, Kaiser Family Foundation, July 23, 2021.*

***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.

## RECENTLY ENDORSED BY TSCL

# *Protecting Patients with Pre-Existing Conditions & Improving Medigap Coverage*

*From the office of Representative Lloyd Doggett (TX-35)*

Legislation that would prohibit discriminatory pricing and coverage denials for patients seeking supplemental Medigap coverage was recently introduced by Representative Lloyd Doggett (TX-35), Chair of the U.S. House Ways & Means Health Subcommittee, and joined by over 30 Members of Congress. Nearly 13 million Medicare beneficiaries purchase supplemental Medigap policies to help reduce out-of-pocket costs and provide benefits not currently covered by Medicare. The Close the Medigap Act will improve existing federal laws governing the Medigap market to guarantee that all beneficiaries have access to high-quality, affordable supplemental coverage.

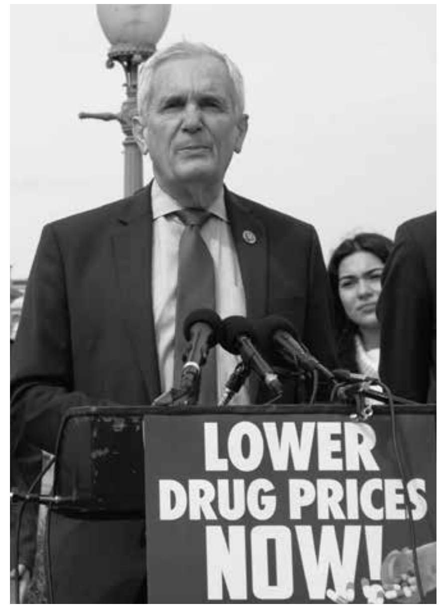
"Building on the promise of the Affordable Care Act to protect all patients with pre-existing conditions from insurance discrimination, the Close the Medigap Act ensures Medigap plans offering relief for out-of-pocket costs don't come at an extra cost for the most vulnerable patients," said Congressman Doggett. "We can close these gaps by ensuring that Medicare beneficiaries can purchase a Medigap policy at any time without being denied coverage or subject to higher premiums based on their health status."

The Close the Medigap Act would:

- Strengthen consumer protections to ensure that Medicare beneficiaries with pre-existing conditions can purchase a Medigap policy at any time without being denied coverage or subjected to higher premiums based on their health status.
- Extend protections to other individuals, including those enrolled in Medicare Advantage for more than 12 months, who wish to switch back to the traditional Medicare program.
- Call on the National Association of Insurance Commissioners (NAIC) to review and improve medical loss ratio rules, which limit what percentage of premium dollars insurers can spend on administration, overhead, and profits.

*"… the Close the Medigap Act ensures Medigap plans offering relief for out-of-pocket costs don't come at an extra cost for the most vulnerable patients …"*

- Call on the NAIC to review pricing standards for the Medigap market and prohibit the sale of policies that discriminate based on the age of individuals.




*Representative Lloyd Doggett (TX-35)*

- Require the HHS Secretary to conduct a comprehensive review of the Plan Finder website to ensure that beneficiaries are able to make informed decisions regarding their coverage. This will ensure that consumers have access to complete and understandable information regarding tradeoffs between coverage options, including differences in out-of-pocket costs and Medicare Advantage provider networks.
- Restore access to the two most popular Medigap policies (Plans C and F) eliminated January 1, 2020, which provide first-dollar coverage of the Part A and B deductibles.
- Require issuers to disclose payments made to Medigap brokers and agents. This information will be available to the public through the Open Payments database created by the Affordable Care Act. ■

*Social Security Benefits to Increase 5.9% for 2022; continued from page 1*

The minimal growth in Social Security benefits from 2010 through 2021 had the biggest financial impact on the Social Security income of retirees who retired in 2009 or before. That group has seen little increase in net Social Security benefits for 12 years. Even retirees who have retirement savings are feeling the pain. About 50% of respondents in TSCL's 2021 Senior Survey report that their retirement savings had been negatively impacted by the COVID-19 caused recession, and still had not recovered by early 2021.

So why is the COLA going to be so much higher this time? The COLA is tied to the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W), younger working adults. This index gives greater weight (or mathematical importance) to consumer items purchased more frequently by younger people, like gasoline and automobiles. In recent years when the price of gas was cheap, COLAs have been low as well. But, since February of this year, consumer prices in almost every category leapt into hyperspace, especially gasoline and transportation services, as business started to gear back up this year. Social Security recipients will receive a higher COLA than in recent years for this reason.

Meanwhile, the COLA still doesn't adequately reflect the portion of income that Social Security recipients spend on housing and healthcare costs. And the COLA doesn't directly measure increases in Medicare Part B premiums at all. Yet research for TSCL has found that Medicare Part B premiums and out-of-pocket spending on prescription drugs are the two fastest growing costs in retirement.

TSCL supports several bills that would address in several ways the growing problem of inadequate Social Security benefit growth:

- Enact legislation to guarantee that the COLA is never lower than 3%.
- Provide a one-time boost to all retirees and tie future COLAs to an index that more fairly represents prices experienced by older Americans, such as the Consumer Price Index for the Elderly (CPI-E).
- Adjust the income thresholds that subject Social Security benefits to taxation so that Social Security recipients can keep more of their benefits.

What do you think of the 2022 COLA? *Send us your comments* at www.SeniorsLeague.org. ■

## How to Calculate Your COLA Boost

To figure out how much your COLA will be worth, you will need to know your gross Social Security benefit in 2021 before deductions for Medicare Part B and other costs. Take the gross amount and multiply it by .059. Add the amount you get to your gross benefit in 2021, in order to get the gross for 2022. The Social Security Administration sends out notices which provide information about your gross benefits and deductions early in the year. If you can't find your notice for 2021, you can look this information up online by setting up a mySocialSecurity account. Set up an account at https://www.ssa.gov/myaccount/ to save time and reduce the need to visit your local Social Security office.

## ASK THE ADVISOR

# What is the Financial Impact of Widowhood?

**Q:** What is the financial impact of widowhood? I became a widow in 2019 and within days, Social Security notified me that I would receive my husband's benefit but would also lose all of mine. In 2020 I got financially whiplashed at tax time by being thrown into the "single" tax rate category. No young dependents, so no "qualifying widow" for me. Between Social Security and IRS rules I lost $13,000!—M.S., CA.

**A:** When a spouse dies, not only is there the profound emotional loss, but also there's frequently a financial one as well. While a widow receives Social Security survivors benefits, she can't receive the same amount of Social Security income that she and her deceased spouse enjoyed before. And, while Social Security income drops, the effective tax rate tends to increase due to the change in filing status. To top it all off, there are a host of bureaucratic hoops to jump through when a spouse passes away. Here's a few of the most important:

- **You must return the Social Security benefit that your deceased spouse received for the month of death, and any received thereafter.** You are not allowed to keep Social Security checks received for the month a person dies, even when the death was on the last day of the month. If your spouse passed away in September, the September benefit is the check received in October. That money must be returned to the Social Security Administration, even if you were dealing with piles of medical bills in your spouse's last month of life.
- **You will not receive a survivor benefit in addition to your own retirement benefit.** You receive the higher of the two and, for the overwhelming majority of women, that means giving up your own retirement benefit to receive the higher survivors benefit.
- **If you receive your own retirement benefit, rather than a spouse benefit, your benefit will not automatically convert to a survivors benefit—you must apply.** You cannot apply online however,

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*Buying Power of Social Security Benefits Plummets in 2021; continued from page 1*

cost of goods and services typically used by retirees, found that Social Security benefits have lost 32 percent (nearly one third of buying power) since 2000. During that period, data indicate that, while COLAs have increased Social Security benefits by 55%, typical senior expenses over the same period grew by 104.9%.

The Senior Citizens League has been conducting this study for 12 years. The study typically looks at data from the 12-month period of January of the previous year to January of the current year. But with record - setting inflation in 2021, COLA researcher Mary Johnson has updated the survey this year in order to help the public and Members of Congress understand the impact that high inflation could have on Social Security buying power.

Would a 5.9% COLA restore buying power of benefits in 2022? Not completely. This is especially the case for older retirees, anyone retired prior to 2000. The average Social Security benefit in 2000 was $816 per month. That benefit grew to $1,262.40 by 2021 due to COLA increases. However, because retiree costs are rising at a far more rapid pace than the COLA, this study found that a Social Security benefit of $1,671.70 per month—an extra $409.30 per month more—would be required, just to maintain the same level of buying power as in 2000. A 5.9% COLA would increase $1,262.40 by about $74.50 per month before deductions for Medicare premiums. That is substantially higher than any COLA in recent years, but still not enough (by a long shot) to completely restore buying power for people have been retired for the past 20 years. ■

*How a High COLA Really Impacts Social Security Income; continued from page 1*

of $3.90 per month, from $144.60 in 2020 to $148.50 in 2021. However, as Medicare beneficiaries make-up care that was postponed in 2020 due to the pandemic, Medicare costs are expected to climb in 2022. The Medicare Trustees recently forecast that the Part B premium for 2022 would jump by 6.7% rising to $158.50 per month. That would still outpace the growth of the COLA.

- **Higher income can mean Medicare Part B and Part D premium surcharges that could absorb most, if not all of your COLA:** The level of Medicare premium that individuals pay is related to income. The COLA will increase Social Security income and, for some higher-income beneficiaries, that could potentially push their incomes into the range subject to the income-related premiums, or a higher premium surcharge, if an individual already pays higher premiums. Beneficiaries won't know for sure until they do their income taxes for 2022 which can affect the cost of Medicare premiums for 2024. *See table, right.*
- **A high COLA could subject a larger portion of your Social Security benefits to taxation:** Depending on your income, Social Security benefits can be taxable, and a higher COLA could increase both your Social Security and taxable income. Under current law, individuals with incomes of more than $25,000 and married couples filing jointly with more than $32,000 pay taxes on a portion of their benefits. Because these thresholds are not adjusted for inflation over time, a growing number of beneficiaries pay the tax, and on a growing portion of their benefits. How much more you pay in taxes probably won't become apparent until 2023 tax season.
- **Extra Social Security income could result in benefit trims for SNAP, rental subsidies and other low-income programs.** Virtually all low-income programs such as food stamps, rental assistance, and Medicare Extra Help come with complex eligibility rules and income restrictions that are tied to a percentage of the federal poverty level, such as 100%, 135% or 150%. If income is right on the borderline, and a high COLA is received, that potentially could cause trims to benefits from programs. Some individuals might lose access to certain low-income benefits altogether because the COLA boosts their income over the limit. The effect tends to be tempered by the fact that the federal poverty level is adjusted for inflation every year as well, using the Consumer Price Index for Urban Consumers (CPI-U). In many years the CPI-U grows slightly faster than the index used to adjust Social Security benefits, the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W). Thus, the poverty level tends to keep pace with the COLA in many years. But in 2021, the CPI-U has grown more slowly than the COLA, which could lead to widespread reductions of low-income program benefits for 2022. ■

## MONTHLY MEDICARE PREMIUM PAID BY SOCIAL SECURITY BENEFICIARIES IN 2021

| If your yearly income *in 2019* was… | | | Each month *in 2021* you pay… |
|---|---|---|---|
| *Filed individual tax return* | *Filed joint tax return* | *Filed married & separate tax return* | |
| $88,000 or less | $176,000 or less | $88,000 or less | $148.50 |
| above $88,000 up to $111,000 | above $176,000 up to $222,000 | Not applicable | $207.90 |
| above $111,000 up to $138,000 | above $222,000 up to $276,000 | Not applicable | $297.00 |
| above $138,000 up to $165,000 | above $276,000 up to $330,000 | Not applicable | $386.10 |
| above $165,000 and less than $500,000 | above $330,000 and less than $750,000 | above $88,000 and less than $412,000 | $475.20 |
| $500,000 or above | $750,000 and above | $412,000 and above | $504.90 |

*Source: www.Medicare.gov*

# Should I Replace My Medigap Insurance?

**Q:** What's the best way to compare what I currently spend on my Medigap supplement and Part D plan, with the costs I would pay in a Medicare Advantage plan? My Medigap premium has increased by double digits over the past 5 years.

**A:** Comparing Medicare Advantage costs with what you are currently paying with a Medigap and a Part D plan is a good thing to do once a year, in order to get the best coverage for the money you must spend. It's an essential first step to take before making any decision to drop your Medigap insurance to enroll in Medicare Advantage. If you drop your Medigap insurance, you probably won't be able to get your supplement back again if you change your mind about your Medicare Advantage plan a few years from now. Unlike almost every other type of health insurance, Medigap insurers can impose waiting periods, and may deny coverage for preexisting health conditions.

Although it takes some bookkeeping work, don't guesstimate your current expenses and healthcare needs. Take time to confirm important details. Here are some tips to get you started:

- **Get your health expense records up to date:** You may keep a record of medical expenses for tax purposes, and that's a great place to begin. In order to compare costs, break down what you pay for all premiums, Medicare Part B, Medigap, your Part D plan, as well as premiums for dental, vision and hearing services insurance, if any. List any out-of-pocket costs that you typically pay. This includes the Medicare Part B deductible, and any co-insurance or excess payments, as well as deductibles and out-of-pocket for Part D prescription drugs. List what you spend out-of-pocket on dental, vision and hearing services as well as expenses such as eye glasses and hearing aids. To compare with Medicare Advantage, you will need to know what sort of services you are using and what you typically pay out-of-pocket now for those services, if anything.
- **Learn all your options for Medicare Advantage plans by using Medicare's health plan finder FIRST:** We recommend using this tool rather than attempting to check plans or insurers individually, which can quickly overwhelm ANY human brain and exhaust all of your patience. You can talk to insurers later to get details when you are ready, and when you have narrowed down your best bets.
- **Free one-on-one counseling is available to assist you in comparing health plans through your State Health Insurance Program (SHIP):** Check this link for your local program and make an appointment with a counsellor. Medicare Open Enrollment starts October 15 and runs through December 7, 2021.
- **Search for health and drug coverage based on the drugs you actually take:** If you have good internet skills, then try a search on Medicare.gov, and input the drugs you take to help pull up a list of the most appropriate plans. You may want to print out the list for later reference.
- **Understand the type of plan:** If you live in an area with multiple choices, you will likely find different types of Medicare Advantage Plans such as Health Maintenance Organizations (HMOs), Preferred Provider Plans (PPOs), Private Fee for Service plans (PFFS). HMOs tend to have the smallest networks of participating doctors and hospitals, PPOs tend to cover bigger networks. Private Fee for Service plans may offer more flexibility, but the out-of-pocket costs can be higher—even more than what you would pay under basic Medicare.
- **Select about two or three Medicare Advantage plans and compare details between these plans:** You will need to check the plan to learn if your preferred healthcare providers participate in the plan—this is one point where you may need to check the insurers' website to learn if your providers participate in your plan. You may learn that your doctor or the hospital that you tend to use are not listed. Would you be willing to change doctors and other healthcare providers to join the plan? If you have several complex health conditions, be very careful to find out if there are specialists available for your conditions, and all the charges.

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*What is the Financial Impact of Widowhood? continued from page 6*

and you must get an appointment from the Social Security Administration. Survivors must contact Social Security at 1-800-772-1213 to request an appointment. News reports suggest this has been huge problem for many eligible beneficiaries during the COVID-19 pandemic, due to staffing shortages and closed local offices. TSCL is still sorting through Social Security survivor data, which appears to be lower than the 5,886,000 forecast by the Social Security Trustees in 2020. We are not certain whether some of this is because of deaths due to COVID-19, or problems that eligible beneficiaries may have had in scheduling appointments to file claims for survivor benefits, or both.

- **Your tax filing status and exemptions change.** Tax rates and exemptions tend to be more favorable for married couples filing jointly. When a spouse passes away, you will file as a "single" taxpayer in the following tax year. Single taxpayers often must pay a higher effective rate than married couples, and you don't qualify for the more generous standard exemption for joint filers.

Several approaches to modify Social Security benefits in order to aid widows are available to Congress. One widely discussed option would boost the widow's benefit to a percentage of the couple's combined Social Security benefit (such as 75% of the combined benefit) when the deceased spouse was alive, allowing the widow to choose the higher of the new boosted benefit or what she would otherwise receive as a widow's benefit. ■

## 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.

*Should I Replace My Medigap Insurance? continued from page 8*

- **While you pay more for premiums with Medigap, there are lower or even no out of pocket costs, you have higher out of pocket spending with Medicare Advantage plans and the annual out of pocket limits are often thousands of dollars:** Look beyond the low or zero premiums and get detailed information about co-pays and co-insurance. Often, you will pay considerably more for hospital stays under a Medicare Advantage plan than you would with a Medigap supplement. If you have several chronic health problems and require expensive treatments, Medigap may be a more cost-effective choice over time.
- **The cheapest plan is cheap for a reason, and not always a good one:** For example, it may be a new plan and is enticing you with no premiums. However, you may quickly discover problems, such as lack of coverage for a key pricey drug, or the doctors and hospitals are located two hours away. ■