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# COLA Estimated to be 6% to 6.1% for 2022

*By Mary Johnson, editor*

The Social Security Cost-of-Living Adjustment (COLA) for next year is likely to be the highest seen by retirees since 1983. Based on the most recent CPI data through August, I estimate that the COLA will increase Social Security benefits by 6%– 6.1% in 2022. This would be the highest increase that I've forecast in more than 26 years of working as TSCL's point person on COLAs. There's a 15% chance it could be lower than 6%.

A 6% COLA would raise an average monthly benefit of $1,554 by about $93.20. That's a huge difference from the $20 per month that the 1.3% COLA raised the same amount of benefits in 2021. But the 2022 increase is sorely needed after retired consumers have been faced with soaring costs this year, coming right as the COVID-19 caused recession severely impacted the savings of many retired households.

*Despite the prospect of getting a high COLA in 2022, many of you still feel you're in bathtub with a drain that's stuck open—money goes out as quick as it comes in.*

TSCL has been getting plenty of comments about soaring costs and what that's doing to your standard of living, your health, and your peace of mind. For anyone retired prior to 2010, a year of a high COLA will not

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## ALZHEIMER'S DRUG COULD INCREASE MEDICARE PART B PREMIUMS

A newly approved drug to slow the progression of Alzheimer's disease is drawing criticism for it's $56,000 price tag, especially given its lack of proven effectiveness. Aduhelm stirred controversy when the Food and Drug Administration's own expert advisory panel was nearly unanimous in opposing the drug's approval due to mixed results in studies of effectiveness.

Now Medicare has launched a formal process to determine

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# Congressional Inaction Could Mean Lower Benefits for People Born in 1960

High unemployment during the COVID pandemic of 2020 could cause an estimated 4 million people who were born in 1960 to face permanent reductions to their Social Security benefits, due to a flawed feature of the Social Security benefit formula. Congress can prevent this from happening, but only if it takes action in time. To prevent benefit cuts, Congress may need to enact legislation by the end of this year, before the 1960 birth cohort turns 62 and first become eligible to claim Social Security retirement benefits.

The benefit reduction would be caused by a feature of the Social Security benefit formula that is sensitive to economic recessions and high unemployment. The first step in calculating benefits is to adjust the individual's earnings using the average wage index (AWI) in order to convert the value of past earnings into today's dollars. The AWI is also used to adjust the earnings levels that determine the portion of their average monthly earnings that people are allowed to keep as their benefit.

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# Most Look Forward to Boost; Low-Income Retirees Worry Benefits Could be Trimmed

*By Rick Delaney, Chairman of the Board*

*Rick Delaney,*
*Chairman of the Board, TSCL*

We have been hearing from hundreds of you who are watching the inflation numbers and eagerly looking forward to getting a high inflation boost next year. But a number of you point out an urgent problem that occurs when Cost-of-Living Adjustments (COLAs) raise the income of people with lower incomes. The higher inflation boost can sometimes disqualify people of modest means from receiving low-income benefits such as food stamps (SNAP) or rental assistance.

Recently we received the following example:

*I live on a fixed income of less than $900 dollars a month. I live in public housing for seniors, and during the pandemic, I had to rely on help from my children to eat every month. I was approved for $256 a month in food stamps. A blessing! However, when you live in public housing, and then get a $20 cost-of-living adjustment, it affects your eligibility for public benefits. In my state, the formula they use took 30% of my COLA. Then because of the COLA your food stamps can be lowered. What's the point of getting a raise? Something should change about the formula.* —A.R., IL

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 your income is right on the borderline, and you get a high COLA boost, that could potentially cause you to see trims to benefits from programs that have income restrictions. 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 itself is adjusted for inflation every year, using the Consumer Price Index for Urban Consumers (CPI-U). In most 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, it tends to keep pace with the COLA. But in 2020, the CPI-U grew more slowly than the COLA, growing just 1% instead of the CPI-W's 1.3%. Thus, SNAP benefits (food stamps) and many other types of benefits were reduced or even eliminated this year for some beneficiaries.

This occurred all over the U.S. at the very same time that food prices exploded. On December 21, 2020 the Louisiana Department of Children and Family Services, for example, announced that as of January of this year, *75,079 SNAP households would see an average reduction of $7 in monthly benefits due primarily to the COLA. Another 118 SNAP cases would close, as increased income pushes those households over the eligibility limit.*

TSCL hopes that most of these people who lost SNAP benefits at least received emergency stimulus payments in 2020 and 2021 to help cover the loss of these benefits. But we are highly concerned that a high COLA could have similar unintended consequences for low income retirees in 2022.

In advocating for emergency COLAs TSCL has in the past, recommended that legislation contain wording that such COLA increases and Social Security benefits boosts be disregarded or not counted, in determining eligibility for SNAP, rental assistance, and other low-income benefits. In addition, TSCL is calling on Congress to pass a $1,400 stimulus payment for Social Security recipients, to help offset potential reductions or loss of low-income benefits. ■

*Source: "Federal Cost of Living Adjustment Will Affect SNAP And Other Benefits Received Through DCFS," December 21, 2020.*

## Legislative Update

# Senate Haggles Over How to Pay for Adding Popular Benefits to Medicare

*By Shannon Benton, Executive Director*

*Shannon Benton, Executive Director*

Senate Democrats have committed to adding dental, vision, and hearing care to Medicare, in addition to expanding long term care benefits to help people receive home and community-based services. But the ambitious plan is forcing some tough discussions with colleagues from *both* parties over how to pay for the estimated $358 billion in proposed new Medicare spending over the next decade.

The gap in coverage for these benefits has existed since the program began in 1965, but this can come as a surprise for new Medicare beneficiaries and, all too often, catches people short.

Dental, vision and hearing services come with some hefty out-of-pocket costs as people age. In addition, everyday eyeglasses, contact lenses and hearing aids aren't covered by Medicare either.

To get that type of coverage, retirees and those with disabilities often enroll in Medicare Advantage plans, many of which offer some options for these benefits. But not all Medicare recipients have access to Medicare Advantage Plans with these options, and even those who do sometimes learn the benefits that are offered can be skimpy. In addition, some of you have reported that the extra benefits offered by the Medicare Advantage Plans in your area, aren't available to all beneficiaries, but rather only to folks whose incomes are low enough to also qualify for Medicaid.

> TSCL strongly supports provisions that would add dental, vision and hearing benefits to Medicare, while lowering costs for prescription drugs.

According to TSCL's Senior Surveys, more than half of older households have no dental insurance coverage, and 34% had not received routine dental care in two years or more. It's little wonder that 81% of survey participants support adding a dental benefit to Medicare.

Members of Congress are discussing paying for the new benefits by including a provision that would allow Medicare to directly negotiate lower prices for drugs. The Congressional Budget Office estimates that would save the government an estimated $345 billion over the first ten years. Medicare beneficiaries would save too, in lower out-of-pocket costs for prescription drugs. Eighty-eight percent of participants in TSCL's Senior Survey support allowing Medicare to negotiate drug prices.

TSCL strongly supports provisions that would add dental, vision and hearing benefits to Medicare, while lowering costs for prescription drugs. We encourage you to contact Members of Congress and to ask your lawmakers to add these important benefits to Medicare. ■

***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.

## FREQUENTLY ASKED QUESTIONS (FAQ)

# How Does TSCL Project the Social Security COLA?

**Q:** I would like to know how, at this point, you project a Social Security Cost-of-Living Adjustment (COLA) at 6.1%. Inflation would have to continue on an upward path through September for that to happen. —*R.Q., NJ*

**A:** You make an excellent point! The Senior Citizens League (TSCL) uses the most recent data for the consumer price index for urban wage earners and clerical workers (CPI-W), the index that is used to calculate the annual Social Security COLA. New data is released monthly from the Bureau of Labor Statistics.

Social Security policy analyst and *Advisor* editor Mary Johnson finds the average monthly rate of increase for the past 12 months. This rate of inflation is added to the current month, and each subsequent month through to September, in order to project inflation in those months. The SSA's COLA formula takes the third quarter data (July/August/September) and finds the average for the quarter. That is then compared that with the third quarter average from one year ago, and the percentage of difference is determined. That percentage of difference is the amount that the COLA would increase. The estimate of the COLA is updated every month, with the release of new CPI data, so our COLA

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*COLA Estimated to be 6% to 6.1% for 2022; continued from page 1*

make up for 12 years of stagnant growth in Social Security income due to an average COLA growth rate of just 1.4%. Twelve years is half of a typical retirement period.

The extra benefits are needed, and badly, just to cover essentials like food, healthcare and housing costs. Our new Retirement Survey recently asked "Which of the following financial actions have you taken during the COVID-19 pandemic? See the chart on the right for your responses.

There is still one more month of consumer price data to come in before the COLA increase for 2022 will be announced by the Social Security Administration in mid-October. Stay tuned to the news to see how close our 6% to 6.1% estimate comes to the actual increase. ■

### FINANCIAL ACTIONS TAKEN BY RETIREES DURING COVID-19 PANDEMIC; MARCH 2020 TO PRESENT

| Action | Percentage Reporting |
|---|---|
| Spent emergency savings. | 35% |
| Visited a food pantry or applied for SNAP benefits. | 20% |
| Drew down retirement savings more than usual. | 19% |
| Made changes to my retirement savings investments. | 19% |
| Provided room and board, childcare or other assistance for adult children and grandchildren. | 14% |
| Went back to work or took a new job. | 10% |
| Refinanced a home mortgage. | 10% |
| Applied for Medicare Savings Program or Extra Help to assist with medical or prescription drug expenses. | 9% |
| Applied for assistance with heating and cooling costs. | 9% |
| Applied for pharmacy assistance program for one or more expensive prescription drugs. | 8% |
| Applied for rental assistance. | 4% |

*Alzheimer's Drug Could Increase Medicare Part B Premiums; continued from page 1*

whether Aduhelm will be covered, after a widespread uproar spurred a Congressional investigation. The final decision isn't expected until next spring, although an initial ruling could come around January. Medicare's coverage process came on the same day that two House committees asked drug maker Biogen to turn over documents on how the drug was developed and priced, and on its dealings with government officials at the US Food and Drug Administration.

Patients and their families want to know if the medication will help slow the progression of cognitive decline, especially in view of the serious side effects it can cause, but doctors have no definitive answer yet. The rate and progression of cognitive decline varies widely among people who have started experiencing memory and thinking problems. Thus, it is difficult to quantify how much of a difference the drug would make for a given patient.

Senior advocates are concerned that all of Medicare's 60 million beneficiaries will likely see their premiums for Medicare Part B, and Medigap supplements, rise significantly to cover this one new medication. Because the drug is administered in a physician's office, it would be covered under Medicare Part B, not part D plans which pay for drugs purchased from pharmacies. Medicare typically reimburses doctors 103% of the list price of drugs administered in their office.

The non-partisan Kaiser Family Foundation estimated that, if 500,000 of the roughly 6 million Americans with Alzheimer's are prescribed Aduhelm, total Medicare spending on this one drug, for one year, would be nearly $29 billion. This would far exceed the spending on any other drug covered by Medicare Part B, or Part D, in 2019. Medicare spending for all Part B drugs was $37 billion in 2019. What's more the estimated $29 billion does not include the cost of any associated care. The drug can cause some people temporary brain swelling or small bleeding spots on the brain and requires pricey magnetic resonance imaging (MRI) scans to monitor treatment.

Many enrollees in traditional Medicare have purchased a supplemental Medigap policy that covers the out-of-pocket expenses of Part B. Premiums for those policies could also rise as insurers anticipate higher outlays for costs associated with Aduhelm. On the other hand, out-of-pocket costs would be the big cost issue for enrollees in Medicare Advantage plans.

According to experts at Kaiser Family Foundation, 500 thousand patients taking Aduhelm could add about $8 per month to the Medicare Part B premium, which in 2021 is $148.50 for most beneficiaries, to as much as $505 a month for higher income beneficiaries who pay a surtax on their premium.

When the Centers for Medicare and Medicaid Services establish the Part B premium for 2022, they could potentially factor in the expected costs for Aduhelm. Part B premiums were already on track to be higher. The Medicare Trustees recently estimated that Part B premiums would increase to $158.50 in 2022. ■

*Sources: "New Alzheimer's Drug Clouds Outlook for Medicare Premiums Next Year," Mark Miller,* Reuters, *July 12, 2021. "How Everyone On Medicare Could End Up Paying for the Pricey New Alzheimer's Drug," July 10, 2021. "Medicare Evaluating Coverage for $56,000 Alzheimer's Drug," Ricardo Alonso Zaldivar, Matthew Perrone,* The Associated Press, *July 13, 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.

## ASK THE ADVISOR

# Could the Social Security COLA be More Fairly Adjusted to Provide a Fixed Annual Dollar Amount?

**Q:** Could the annual Social Security COLA be more fairly adjusted to provide a fixed annual dollar amount? If the dollar amount of the increase were to be based on middle income, then low- and middle-income beneficiaries would be on more equal footing, and higher income beneficiaries would not be hurt any worse than we typically are anyway like this year with a 1.3% COLA!

**A:** What you propose is an interesting concept. It would be possible to design such a Cost-of-Living Adjustment (COLA) option in several different ways. For example, the COLA could be calculated based on the national average retiree benefit in the current year. This amount could be adjusted using the current method

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*Congressional Inaction Could Mean Lower Benefits for People Born in 1960; continued from page 1*

The AWI, however, is susceptible to causing permanent benefit reductions when it turns negative, which can happen in years of deep economic recession and extraordinarily high unemployment, as was the case in 2020. Last year, concerns were high that the reductions could be as high as 9.1%, according to an estimate by Social Security's Chief Actuary Stephen Goss. But since then the economy and wages have steadily recovered and the dip in the AWI, if any, is not expected to be so deep.

Employment and average earnings information from the Bureau of Labor Statistics (BLS) indicate that average wages were down about 4.4% in 2020. But BLS wage data can vary from the final wage data that employers report to the Social Security Administration. Adjusting for the difference, the AWI for 2020 may drop only slightly, by roughly 0.65 percentage point. We are closely watching for the new AWI for 2020 from the Social Security Administration, but that final number won't be known until the end of the year.

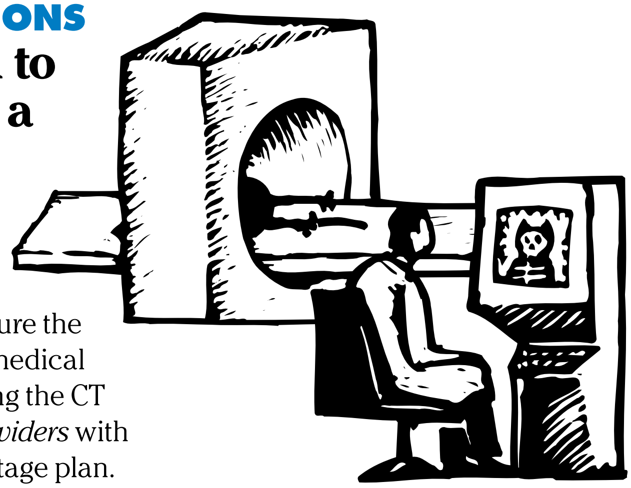
Only one other time in recent years, in 2009 at the peak of Great Recession job losses, has the AWI ever gone negative. The 2009 AWI dipped by 1.51% and retirees who were born in 1949 were affected. Although the problem was known at the time, the reductions to benefits were considered small and Congress took no action to prevent those reductions.

In reality, no Social Security reduction is small, because the loss compounds over time. The problem is especially unacceptable when this problem can be prevented by Congress in the first place. Individuals who were born in 1949 and who retired at age 66 with average benefits have lost about $1,915 through the end of 2021, due to the reduction in the AWI in 2009. Their benefits today are about $24 per month lower than what they otherwise would have received had they been born one year earlier. Even worse is the loss over time. Assuming that an individual lives to age 90, retirees born in 1949 would lose an additional $6,297 in lifetime Social Security benefits—or even more, if their benefits are higher than average. This type of benefit reduction is known as a "notch" in benefits, and those affected might be referred to as the "1949 notch babies."

Legislation was introduced in the last Congress to remedy the new benefit reductions affecting people born in 1960—"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). The Senior Citizens League strongly endorses legislation that would fix not only this notch but also provide permanent protection from this sort of recessionary reduction for past and future retirees as well. ■

SOCIAL SECURITY & MEDICARE QUESTIONS

# Why Does My Doctor's Office Need to Call My Insurer Before Scheduling a CT Scan?



**Q:** My pulmonologist ordered a CT scan, but the person scheduling appointments said they first had to check my insurance. Is this correct? I'm covered by Medicare and a Medicare Advantage plan. I thought I would be covered for any medically necessary CT scan.

**A:** Computed tomography or CT scans are diagnostic tests that are covered by Medicare when medically necessary and ordered by your healthcare provider. Medicare most typically covers the tests under Part B when you are an outpatient, or the tests would be covered by Part A if you receive the CT scan as an inpatient during a hospital stay.

Medicare Advantage plans combine both parts of Medicare, and the health plans are required to cover everything that is covered under original Medicare. However, your provider may be reporting your doctor's orders to your Medicare Advantage plan in order to get prior authorization for your CT scan. Most Medicare Advantage plans routinely require prior authorization to manage your care and to prevent excess use of care that has not been documented as medically necessary. This practice protects you from surprise bills, and confirms that the provider is authorized to bill your Medicare Advantage plans for your care.

The amount you pay for your CT scan *will vary by your Medicare Advantage plan and whether you get your CT scan from a preferred provider.* You will need to call your plan to learn the out-of-pocket cost details, and to make sure the facility, doctors, and medical technicians performing the CT scan are *preferred providers* with your Medicare Advantage plan. You could pay considerably more if you use providers who are not under contract with your Medicare Advantage plan. Call the customer service number on the back of your health plan's card, have your questions written down and be ready to take notes.

And, in case you had any doubts about why you need that Medicare Advantage plan in the first place, here are the general types of costs if you have Medicare Advantage plan coverage compared with having traditional Medicare with a Medigap supplement.

- **Deductibles:** This is the amount you pay out-of-pocket before your insurance coverage kicks in. Most people get CT scans as outpatients under Medicare Part B, which has a deductible of $203 in 2021, meaning you might be responsible for that amount. If your scan is part of a hospital stay as an inpatient, it would bill under Part A which has a deductible of $1,484. Because you are enrolled in a Medicare Advantage plan, your deductible amounts can vary from the standard Medicare amount. It's a good idea to call your health plan before getting any services, to get an idea about the cost. For people covered by a Medigap supplement, it will cover the Part A deductibles but, as of January 2020, insurers are no longer allowed to sell plans that cover the Part B deductible, Plans C and Plan F to new enrollees.
- **Co-pays and coinsurance:** This refers to the portion of the cost of services that you pay out-of-pocket. Co-pays are a fixed amount that you will pay for each service. For example, in a Medicare Advantage plan, you may be billed a co-pay of $25 to see a primary care physician and $50 to see a specialist. On the other hand, coinsurance is a variable amount. It is a percentage of the cost of the service. Theoretically if the total cost of the service is $2,000 and you pay 20% coinsurance, your cost could be about $400. Under Medicare Advantage your health plan negotiates the cost of service, thus you would want to call your plan to get an idea what your total out-of-pocket costs would be, and whether your provider is a preferred provider. Under most Medigap policies, the Part B co-insurance cost is covered in large part, but there still could be some "excess charges" that you pay out of pocket. ■

*How Does TSCL Project the Social Security COLA? continued from page 4*

estimates can change from month to month during the year. Based on the data through August we estimate that the 2022 COLA will be 6% to 6.1%. The actual COLA for 2022 will be announced October 13, 2021.

**Editor's note:** While I have a pretty reliable track record on estimating the COLA, this year's inflation is far different than at any previous time in the past 26+ years. Inflation has been so volatile that I worry my probability models may not work as well as they typically do. In most years I'm pretty certain about my September estimate of the COLA for the following year. But this time all bets are off. Be patient—I'm no psychic, and stay tuned to the news!

To learn more about how the SSA calculates the COLA you can find that info here: https://www.ssa.gov/oact/cola/latestCOLA.html. ■

## WHAT ISSUES MAKE IT HARDER TO MANAGE YOUR RETIREMENT INCOME?

| Issue | Percent Agree |
|---|---|
| Rising debt in retirement. | 73% |
| Fewer people have pensions through employers. | 82% |
| Lack of retirement savings. | 82% |
| Inadequate Social Security benefits at retirement. | 85% |
| Rising cost of long-term care, lack of affordable senior living options. | 87% |
| People are living longer and spending more time in retirement. | 88% |
| Rising cost of healthcare and prescription drugs. | 89% |
| Low annual Cost-of-Living Adjustments (COLAs) that don't adequately keep pace with rising costs. | 97% |

*Source: TSCL 2021 Retirement Survey*

*Could the Social Security COLA be More Fairly Adjusted to Provide a Fixed Annual Dollar Amount? continued from page 6*

the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W), or the use of a seniors' consumer price index such as the Consumer Price Index for the Elderly (CPI-E). The law could even add a provision that the COLA would never be lower than a certain amount—such as 3%.

Calculating the COLA in this manner would remove more of the uncertainty in years of economic recession and high unemployment and it would reflect inflation two ways—the growth in average wages which determine the average benefit, as well as the growth in prices. The national average Social Security benefit tends to rise most years, because new people coming onto the rolls tend to have higher wages than people who retired ahead of them. Indexing using this method would still tend to ensure a small boost to benefits even in years when inflation is so low that no COLA is payable.

Using this approach would put low to middle benefit recipients on more equal footing. The draw-back however, is that people with higher benefits would experience a benefit cut. They would not receive a COLA based on the benefit that they actually receive, and the dollar amount would be lower than what they would have received under current law. While that loss would be relatively small at first, it would compound and rapidly grow deeper over time. It would tend to lower the total amount of income that retirees with higher benefits could expect to receive from Social Security. This sort of proposed change to the COLA would quite likely encounter fierce push back, particularly from those affected, and even from middle-income people who delayed their retirement perhaps by as much as 4 years or more to allow their benefit to grow to its maximum.

The idea you propose is a good starting place for discussion though, and a great way to get people talking about how we can make Social Security COLAs fairer and more adequate for everyone! ■