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THE SOCIAL SECURITY & MEDICARE
ADVISOR

September/October 2023 • Vol. 28, No. 6

NEXT YEAR'S COLA MAY BE 3.2%

Here's What We Know So Far About Rising Part B Premiums…

According to the most recent consumer price data, your Social Security Cost-of-Living Adjustment (COLA) will likely be around 3.2% next year. That's lower than the 5.9% received in 2022, and the 8.7% COLA received this year—but it's higher than the 20-year average since 2004, which is 2.6%. This is just an estimate, and one more month of consumer price data will come in before the COLA is announced on October 12th.

The COLA is intended to protect the buying power of your Social Security benefits when prices rise, and it's determined by changes in the consumer price index in the third quarter—July, August, and September—as measured by the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W). Inflation for those three months is added together and averaged, then compared with the third quarter average from one year ago. The percentage of difference between the two is the amount of the COLA, which the Social Security Administration uses to determine the increase in Social Security checks to be sent in 2024. You can find an example of how the COLA is calculated at: https://www.ssa.gov/oact/cola/latestCOLA.html on the Social Security website.

A COLA of 3.2% would raise an average monthly benefit of $1,789.00 by a little more than $53.70. But Social Security recipients won't learn the bottom line until the Medicare Part B premiums are announced. Part B premiums are automatically deducted from most beneficiaries' Social Security benefit. In many years, the Part B premium increase can take most, or even all, of the COLA leaving little else to cover other rising prices.

In its annual report released in March of this year, the Medicare Trustees forecast monthly Part B premiums to increase from $164.90 in 2023 to $174.80 in 2024. But that estimate doesn't include any significant new costs after the estimate is released. One of the most significant new costs could be Medicare's coverage for another new Alzheimer's drug, lecanemab, known by the brand name Leqembi—which is expected to cost $26,000 per year without insurance.

Based on spending estimates, we forecast that the drug and related Part B services required to

continued on page 2

IN THIS ISSUE:

Next Year's COLA May Be 3.2%: Here's What We Know So Far About Rising Part B Premiums… continued from page 1

administer and monitor the patient for dangerous side effects would add about $5 per month to the Part B premium for everyone, potentially raising the 2024 premium to about $179.80 per month. Altogether most beneficiaries may see their Part B premium rise by about $15 per month from 2023. Other costs could drive Part B premiums even higher.

Part B premiums are not the only Medicare premiums to contend with. Medicare beneficiaries often enroll in Medicare Advantage plans or purchase a Medicare supplement known as Medigap, which can also charge premiums and raise co-pays and deductibles in response to rising Medicare costs.

Tip: *Your chance to compare your health and drug coverage options for 2024 is coming soon. Medicare's Annual Open Enrollment Period starts October 15, 2023, and runs through December 7, 2023. Adults aged 65 and up should watch for notifications in the mail from their health and drug plans and learn about what costs will be changing in 2024. Counseling is available through state health insurance assistance programs (SHIP)—https://www.shiphelp.org—to help you compare coverage, evaluate and understand your options, and switch to other plans when you find a better deal.* ■

What are your top retirement concerns in the coming months? Please take TSCL's 2023 Retirement Survey and let us know—https://seniorsleague.org/2023-retirement-survey/.

MEDICARE PRESCRIPTION DRUG COVERAGE IS CHANGING
But Seniors Still On Hook for High Out-of-Pocket Costs in 2024

Prescription drug provisions in the Inflation Reduction Act of 2022 make major changes to Medicare Part D prescription drug costs. The legislation caps spending on out-of-pocket costs for covered drugs at $2,000 starting in 2025.

Meanwhile, one early change that Medicare beneficiaries saw in 2023 is the capping of insulin costs purchased at pharmacies at $35 per prescription per month. Although that change is saving older diabetics hundreds of dollars on insulin costs this year, to get the savings, Medicare plan enrollees need to check and make sure their drug or health plan covers their insulin.

Tip: *If your health or drug plan does not cover your insulin, find out which insulin your plan does cover. Then ask your doctor if you can try insulins covered by your plan, or you can check for better coverage options during Medicare Open Enrollment starting October 15th and running through December 7th.*

Until 2025, Medicare beneficiaries need to be prepared for another year of steep out-of-pocket spending requirements for prescription drugs. Here's how Part D costs are changing in 2024:

- **Part D deductible: Up to $545 (up from $505 in 2023).** Medicare health and drug plans have a great deal of leeway about cost sharing and what they charge as deductibles and out-of-pocket costs. The deductible is the amount that must be paid before the initial coverage starts. It's often a major barrier for lower-income beneficiaries or those on a tight budget. But many drug plans cover preferred generics and even preferred brands "before" the deductible.

  Tip: *Drug plans are most likely to impose the deductible on the more expensive drugs found on higher tiers on the drug plan formulary. Watch for the notice from your health and drug plan and check with your insurers to learn if any of your drugs have been kicked to a higher formulary tier, where they will cost more in 2024. Be ready to compare plans during the October 15–December 7, 2023, Medicare Open Enrollment period.*

- **Out-of-pocket threshold required before catastrophic coverage: $8,000 (up from $7,400 in 2023).** This threshold refers to the amount individual beneficiaries must spend before

continued on page 3

Medicare Prescription Drug Coverage Is Changing; continued from page 2

reaching the "catastrophic phase of coverage." In 2023, if that phase of coverage is reached, Medicare will pay 80% of total drug costs, Part D plans pay 15%, and the Part D enrollee must pay 5%. There is no cap on beneficiary spending. But in 2024, for the first time, Part D enrollees will have no cost sharing during the catastrophic coverage phase. ■

Sources: "CMS Announces 2024 Medicare Part D Benefit Parameters Used For Creditable Coverage Disclosures," Fact Sheet, Thompson Reuters, April 20, 2023. "Changes to Medicare Part D in 2024 and 2025 Under The Inflation Reduction Act and How Enrollees Will Benefit," Juliette Cubanski, Tricia Neuman, Kaiser Family Foundation.

Have you ever gone without prescription drugs or medical services due to costs? Please take TSCL's 2023 Retirement Survey, and let us know! https://seniorsleague.org/2023-retirement-survey/.

PROFITS OVER PATIENTS?

Drug Manufacturers Launch Legal Fight Over Medicare Price Negotiations

The prescription drug industry is taking aim at Medicare's new powers to negotiate drug prices that seniors pay for their prescription medications at pharmacies. Pharmaceutical companies and their allies are filing lawsuits, calling Medicare's new authority "unconstitutional."

Undoubtedly, this is no surprise to older adults enrolled in Medicare or anyone at TSCL. Drug makers have fought legislation to lower prescription drug prices for decades.

… *Medicare by law* routinely negotiates *the cost of virtually all services, diagnostic tests, durable medical equipment, and just about everything else that is covered by the program, including the price of prescription drugs…*

Some 88% of participants in TSCL's surveys support allowing Medicare to negotiate Part D drug costs, and TSCL supported efforts to provide Medicare with this new authority. New changes also add a new Part D $2,000 cap on out-of-pocket spending starting in 2025—a provision supported by 62% of participants in TSCL surveys. Finally, the law limits any increases in the price of prescription drugs to the rate of inflation, which has overwhelming support in TSCL surveys.

Drug makers argue that Medicare's new powers are the equivalent of government "price setting," saying the law is unconstitutional because it violates the separation of powers and drugmakers' right to due process, as well as the Eighth Amendment's protection against excessive fines. But Medicare by law *routinely negotiates* the cost of virtually all services, diagnostic tests, durable medical equipment, and just about everything else that is covered by the program, including the price of prescription drugs such as chemo infusions, administered in doctors' offices covered under Medicare Part B.

The first ten drugs subject to price negotiations will be chosen in September. New pricing will take effect in 2026. The Congressional Budget Office estimates that the price negotiation authority will save Medicare about $100 billion over the first ten years.

The new prescription drug legislation reduced the out-of-pocket costs of insulin charged to Medicare beneficiaries to $35 per insulin prescription per month. ■

Sources: NICA, GCCA, PhRMA itigation Asserts Price Setting Provisions in the Inflation Reduction Act Are Unconstitutional, PhRMA, June 21, 2023. "Drugmakers Aim to Strike Down Medicare Drug Price Negotiations at Supreme Court," Spencer Kimball, CNBC.

Have you, your family, or your friends been able to save money in 2023 due to this new law? Please take TSCL's 2023 Retirement Survey and let us know! https://seniorsleague.org/2023-retirement-survey/.

BEST WAYS TO SAVE

Your Social Security Income Rose by 8.7% This Year—Will It Impact Your Taxes Next April?

You've heard the claim: "Seniors don't pay income taxes after age 70!" This is a bunch of baloney, so press the mute button when you hear it. Older Americans do pay income taxes, and most of you know it. This is true if you receive almost any income in ADDITION to Social Security benefits. Not only do you have a potential tax liability, but up to 85% of your Social Security benefits can be taxable if your income exceeds certain thresholds. It is only when Social Security is your SOLE source of income that you won't need to file a tax return.

To determine what *portion* of your Social Security benefits will be added to your *taxable income*, the IRS requires that you add your:

Adjusted Gross Income (AGI)
\+ nontaxable interest
\+ half of your Social Security benefits

= Your "combined income"

If you file a federal tax return as an "individual" and your combined income* is:

- between $25,000 and $34,000—you may have to pay income tax on up to 50 percent of your benefits.
- more than $34,000—up to 85 percent of your benefits may be taxable.

If you file a joint return, and you and your spouse have a combined income* that is:

- between $32,000 and $44,000—you may have to pay income tax on up to 50 percent of your benefits.
- more than $44,000—up to 85 percent of your benefits may be taxable.

For example: A married couple who receives $3,080 per month ($36,960 for the year) in Social Security and has $26,600 in taxable savings and pension income.

$26,600
\+ $18,480 (one-half of Social Security benefits)

$45,080.

Since $45,080 is over $44,000, the couple pays taxes on up to 85 percent of their Social Security benefits, or $31,416 ($36,960 x .85) is added to their taxable income.

Total taxable income:
$26,600
\+ $31,416

= $58,016

To help you determine what portion of your benefits are taxable, the IRS has an online tool: https://www.irs.gov/help/ita/are-my-social-security-or-railroad-retirement-tier-i-benefits-taxable.

Once you have figured that part out, you can get a quick idea of how much you might owe by using the standard deduction amounts for 2023, seen in the table below.

When your gross income exceeds the standard deduction for your filing status, you need to file a tax return. These rules apply to seniors, *no matter what age.*

There's an additional standard deduction if you are 65 or older and blind. The extra deduction is:

- If filing Single or Head of Household—$1,850 if 65 or older, or $3,700 if 65 or older AND blind.
- If filing Married Filing Jointly or Separately—$1,500 per qualifying individual if 65 or older or blind, or $3,000 per qualifying individual if age 65 or older AND blind.

Returning to our example of a married couple with an income of $58,056. Assuming both are over age 65, they qualify for a standard deduction of $27,700, plus $3,000 for each being over the age of 65 or $30,700 in a standard deduction. That would lower the taxable income amount to about $27,356, putting this couple into the 12% tax bracket, assuming no other reductions to their taxable income. ■

How did you fare this past tax season? Please take TSCL's 2023 Retirement Survey and let us know! https://seniorsleague.org/2023-retirement-survey/.

Standard Deduction Amounts For Tax Year 2023: Returns due by April 2024

Filing Status	2023 Standard Deduction
Single or Married Filing Separately	$13,850
Married Filing Jointly or Qualifying Widow(er)	$27,700
Head of Household	$20,800

**Source: Internal Revenue Service inflation adjustments for 2023, section 15, page 13.*

ASK THE ADVISOR

What Would the Income Thresholds Be if the Tax on Social Security Benefits was Adjusted for Inflation Like Tax Brackets?

Q: I support TSCL's efforts to enact legislation to adjust the income thresholds that cause a portion of Social Security benefits to become taxable. What would those thresholds be in today's dollars when adjusted for inflation back to the original 1984 effective date? Secondly, how much additional taxes do Social Security and Medicare Trust Funds need if these income thresholds are adjusted for inflation?

Today, even retirees with very modest middle incomes pay a tax on a portion of their benefits, which can grow bigger with COLA increases.

A: Up to 50% of Social Security benefits first became taxable in 1984, and a second tier of taxation making up to 85% of Social Security benefits taxable became effective in 1993. At that time, the tax was described as only affecting "high-income" seniors. Yet, unlike income tax brackets, those income thresholds were never adjusted for inflation. Consequently, over time a growing number of older taxpayers wind up paying taxes on Social Security benefits as incomes grow, and they pay tax on a larger portion of their Social Security benefits.

Little wonder so many view the tax on benefits as double taxation. Today, even retirees with very modest middle incomes pay a tax on a portion of their benefits, which can grow bigger with COLA increases. Here are the income thresholds according to filing status:

- **file a federal tax return as an "individual,"** and your *combined income** is:

  between $25,000 and $34,000, you may have to pay income tax on up to 50 percent of your benefits.

  more than $34,000, up to 85 percent of your benefits may be taxable.

  If the "individual" income thresholds are adjusted for inflation from 1984 to today's dollars, then the individual filing status of $25,000 would be—$74,614, and $34,000 would be $101,475 in today's dollars.

- **file a joint return,** and you and your spouse have a *combined income** that is:

  between $32,000 and $44,000, you may have to pay income tax on up to 50 percent of your benefits.

  more than $44,000, up to 85 percent of your benefits may be taxable.

  If the joint filing status is adjusted for inflation from 1984 to today's dollars, $32,000 would be $95,506, and $44,000 would be $131,320.

However, changing the taxation of Social Security benefits is a complex task. That's because the revenues form an important source of funding for the Social Security and Medicare trust funds.

Revenues from the 50% level of taxation go to the Social Security Trust fund, which is estimated to receive $840 billion in revenues from the tax on benefits from 2023–2032. The Social Security Trustees estimate that the Trust Funds will receive $51.50 billion in 2023, which will grow to $119.6 billion by 2032. That's about 3.8% of the funds required to pay benefits (including yours in 2023) and about 5.4% required to pay benefits in 2032.

Revenues from the 85% level go to the Medicare Trust Fund. Between 2023 and 2032, the Medicare Hospital Insurance Trust Fund will receive about $599 billion from the taxation of Social Security benefits. The Trustees estimate $35.6 billion in 2023, which represents about 8.9% of the funds needed to pay benefits which are estimated to rise to $87.4 billion in 2032, representing 11.9% of the funds required to pay benefits.

Over the years, TSCL has worked with many members of Congress willing to make the taxation of benefits more equitable. We've reviewed proposals that would abolish the tax on benefits altogether—but often, those proposals don't replace the revenues lost to such a tax cut, and that could wind up short-changing both Social Security and Medicare beneficiaries. To be responsible, the revenues need to be replaced with a new source of revenue.

TSCL's surveys have found strong support for adjusting these income thresholds. Our surveys have found that to provide extra revenues, 79% of those who participate in our surveys support lifting the payroll taxable maximum wage base and

continued on page 5

What Would the Income Thresholds Be if the Tax on Social Security Benefits was Adjusted for Inflation Like Tax Brackets? *continued from page 6*

applying the 12.4% tax to all earnings rather than capping the amount of wages taxed ($160,200) in 2023. ■

Resources: The income threshold estimates are based on the inflation calculator maintained by the U.S. Bureau of Labor Statistics: https://www.bls.gov/data/inflation_calculator.htm. To help you better understand the taxation of benefits, here's a great background brief by the Congressional Research Service: https://crsreports.congress.gov/product/pdf/IF/IF11397.

How should Congress address Social Security financing? Please take TSCL's 2023 Retirement Survey and let us know! https://seniorsleague.org/2023-retirement-survey/.

Have Retirees "Recovered" This Year? Help Answer This!

Mary Johnson, editor

What happens to people living on Social Security when inflation cools? Can retirees "recover" from the effects of inflation? I get this question from journalists every month. Is inflation something from which we can recover?

Inflation isn't going down; it's just slowing. Although prices aren't increasing as fast as a year ago, prices are *still higher* than one year ago. That means there will be a Cost-of-Living Adjustment (COLA). I'm estimating that the COLA in 2024 will be about 3.2%.

The COLA we are discussing is not necessarily a "low" one, at least by historical standards. After receiving the highest COLA in over 40 years, it may feel that way. The average COLA over the past 20 years is 2.6%.

The good news is that we aren't in the position of scraping the bottom of the deflation barrel and thus not receiving any COLA. Earlier in the year, as some economists forecast, I feared this might happen if our economy slid into recession. That happened in 2010, 2011, and 2016 when the COLA was zero, and just 0.3% in 2017. But it looks like we escaped that bullet—for now.

What can your household do to "recover" financially? Here are three key financial moves to make before the end of the year:

- **Review your health, prescription drug coverage, and cost changes during Medicare Open Enrollment.** Understanding how your Medicare drug and health plans are changing and comparing your options is one of the best ways to protect your finances. Medicare's Annual Open Enrollment Period starts October 15, 2023, and runs through December 7, 2023. *Free counseling* is available through state health insurance assistance programs (SHIP)—https://www.shiphelp.org—to help you compare coverage, evaluate and understand your options, and switch to other plans when you find a better deal.
- **Evaluate your potential tax liability.** If you have income in addition to Social Security benefits, now is the time to ensure you've had enough tax withheld from your Social Security benefits, savings, earnings, and/or pensions to avoid tax penalties later. This is especially true since Social Security benefits increased by 8.7% this year. According to the IRS, "taxpayers must pay at least 90 percent of their taxes throughout the year through withholding, estimated or additional tax payments or a combination of the two. If they don't, they may owe an estimated tax penalty when they file." *If you think you may owe more than you've had withheld, there's still time to send an estimated tax payment.* https://www.irs.gov/newsroom/what-taxpayers-need-to-know-about-making-2022-estimated-tax-payments.
- **Look into Senior Food Programs.** Home food delivery is available from food banks, food pantries, or local Meals on Wheels programs for those who meet income or medical requirements. Learn more about this and other food programs in your area from Feeding America. https://www.feedingamerica.org/our-work/hunger-relief-programs/senior-programs. ■

How well has your monthly household budget "recovered?" Take TSCL's 2023 Retirement Survey and let us know! https://seniorsleague.org/2023-retirement-survey/.

Benefit Bulletin

Need an Extra $300? Medicare Extra Help Prescription Drug Savings Expands in 2024

Edward Cates, Chairman of the Board, TSCL

Edward Cates, Chairman of the Board, TSCL

Looking for an extra $300 next year? Beneficiaries participating in the Medicare Extra Help program in 2024 can look forward to an estimated $300 in extra savings on drug costs as the program expands to include an estimated 3 million more beneficiaries whose income may be slightly too high to qualify in 2023. Under new legislative changes supported by a large majority of TSCL survey participants, Medicare recipients whose incomes are between 135% and 150% of the federal poverty level may qualify for full Medicare Extra Help benefits beginning January 1, 2024.

Medicare Extra Help is the program that helps people with modest and low incomes pay for Medicare drug coverage costs. In 2024, everyone who qualifies for Medicare Extra Help will pay:

- $0 for your Medicare drug plan premium
- $0 for your drug plan deductible
- And reduced co-pays for both generic and brand-name drugs.

People who get any level of Medicare Extra Help now (full or partial benefits) and who meet the qualifications will receive full benefits automatically in 2024. To qualify, the income limit is based on your income from the previous year.

Your annual income must be below $21,870 for an individual or $29,580 for a married couple in 2023.

Resources must be below $16,600 for an individual or $33,240 for a married couple in 2023. Resources include money in checking, savings or retirement accounts, stocks, and bonds. However, some resources are not counted, such as a home, one car, burial plots, up to $1,500 in burial expenses (if put aside), furniture, and other household and personal items.

Under new legislative changes supported by a large majority of TSCL survey participants, Medicare recipients whose incomes are between 135% and 150% of the federal poverty level may qualify for full Medicare Extra Help benefits beginning January 1, 2024.

How to apply for Medicare Extra Help

- Visit the Social Security website and apply online at: https://www.ssa.gov/medicare/part-d-extra-help.
- Call Social Security at 1-800-772-1213. TTY users can call 1-800-325-0778.

When you apply, the Social Security Administration will review your application and send you a letter if you qualify for Extra Help. Once approved, you will have a Special Enrollment Period to choose a Medicare drug plan. To receive coverage, you must enroll in a Medicare prescription drug Part D plan or a Medicare Advantage plan that covers your prescription drugs.

Counseling is available through state health insurance assistance programs (SHIP)—https://www.shiphelp.org—to help you:

- compare coverage based on the drugs you currently use,
- evaluate and understand your options,
- and switch to new drug and Medicare Advantage plans.

To learn more, visit the Medicare website: https://www.medicare.gov/basics/costs/help/drug-costs. ■

How much do you spend each month on essentials?
Please take TSCL's 2023 Retirement Survey and let us know! https://seniorsleague.org/2023-retirement-survey/.

Legislative Update

Social Security Benefit Boost Bill Reintroduced

By Daisy Brown, TSCL Legislative Liaison

Daisy Brown,
TSCL Legislative Liaison

A key deadline is looming for Social Security. Benefits may be reduced by around 22% in the next decade unless Congress takes action to fix Social Security's finances. A key issue is how Social Security will continue to pay scheduled benefits in full and on time.

Recently Representative John Larson (CT-1), Ranking Member of the House Ways and Means Subcommittee on Social Security, re-introduced the *Social Security 2100 Act.* The bill is estimated to provide an additional 32 years of solvency to Social Security while boosting benefits.

The legislation includes several provisions that are broadly supported by most participants in TSCL surveys, including the following:

- Provide an across-the-board 2% on average benefit increase, boosting Social Security benefits on average by about $35 per month.
- Would calculate the annual cost of living adjustment using the higher of the CPI-E or CPI-W in a given year. If this applied to the 2024 Cost-of-Living Adjustment (COLA), Social Security recipients would receive a substantially higher inflation adjustment using the CPI-E rather than using the CPI-W.
- Provides a 5% benefit increase for the oldest beneficiaries (who have received Social Security for 15 or more years).
- Provides an alternate survivor benefit option for surviving spouses if higher than their retirement benefit.
- Repeals of WEP and GPO provisions that unfairly penalize public servants such as police, firefighters, and teachers.

The new bill will extend the solvency of the Social Security Trust Fund by:

- Applying the Social Security payroll tax to earnings over $400,000
- Adding an additional 12.4% Net Investment Income Tax on incomes over $400,000

Clearly, the Social Security reform debate is heating up. But we need input from you! Please take TSCL's 2023 Retirement Survey and let us know what approaches you think Congress should take to fixing Social Security's finances! https://seniorsleague.org/2023-retirement-survey/. ■

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 https://seniorsleague.org/2023-retirement-survey/. ■

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