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TSCL
Defending Your Earned Benefits

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Inflation Is Coming Down, But Will You "Catch Up?"

By Mary Johnson, Editor

Some financial experts theorize that retirees can look forward to an improvement in buying power this year. As the rate of inflation falls, that should mean the buying power of Social Security benefits will go a little further. That would be welcome news, but the reality is, catching up isn't going to be simple.

Before anyone can answer the question of whether Social Security buying power is improving, there needs to be a measure of how deeply benefits and Cost-of-Living Adjustments (COLAs) fell short of actual inflation in recent years. Since no such measure exists yet, I spent some time going through 36 months' worth of consumer price data to understand how retirees fared from the start of the COVID-19 pandemic until now.

The results startled even me, and I suspect that what we are looking at is unprecedented for today's Social Security recipients. Since the start of the COVID-19 pandemic in 2020, *the Social Security COLA fell short of inflation by an average of $1,054 through December 2022.* This is caused when there's a mismatch between the rate of actual inflation and the amount of the COLA received. I calculated how much benefits would have needed to increase each month from January 2020 to December 2022 to keep pace with actual inflation and compared it to the amount that was really received. Then I added the shortfalls together to find a total of $1,054.

Here are the details:

2020, the 1.6% COLA kept pace with inflation, but only after March when COVID-19 shut down the economy, gasoline prices plummeted, and deflation temporarily set in. Average benefits ended the year *ahead* by $53 before deductions for Medicare Part B premiums. The Medicare Part B premium increased from 2019's $1,626.00 annually to $1,735 annually—an increase of 6.7%. The annual Medicare Part B premium costs ate up the $53 which exceeded inflation.

2021, the 1.3% COLA left Social Security recipients with virtually no inflation protection, falling behind on average by 261% per month. In terms of dollars, the average benefit fell behind by $51 per month/$612 annually. This is before the deduction for Medicare Part B premiums of $148.50 per month/$1,782 annually.

2022, the 5.9% COLA fell short on average by 46% per month.

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In terms of dollars, average benefits fell behind $41.25 per month / $495 for the year. This is before the deduction for Medicare Part B premiums of $170.10 per month / $2,041.20 annually, and one of the largest increases in Medicare program history.

Total three year COLA shortfall since the start of 2020–2022 (not counting Part B deductions): $53.20 + (-)$612 + (-)$495 = (-)$1,053.60.

Can retirees recover? That's uncertain and a long shot because it depends on the inflation rate coming down to zero. The moderation of inflation in January and February will shrink the shortfall, but only by $XX.XX (based on an average benefit) before the deduction for Medicare Part B premium each month, which in 2023 is $164.90.

There's still a long way to go. Even though inflation is moderating, it's unlikely to eliminate a shortfall of this size. When inflation is below the level of the previous year, that would mean no COLA would be payable at all next year, but Medicare Part B and other healthcare costs may continue to climb.

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Older Americans need more reliable protection from inflation and more reliable ways of recovering from the recent inflation. The Senior Citizens League (TSCL) feels older adults could be helped to recover from inflation in four ways:

- Provide a one-time $1,400 payment for all Social Security recipients to offset shortfalls due to a mismatch between rising inflation and the COLA.
- Ensure the COLA is adjusted using a "seniors index" such as the Consumer Price Index for the Elderly (CPI-E) that more fairly tracks the portion of income that adults aged 65 and up spend on goods and services.
- Guarantee that the COLA is never lower than 3%.
- Adjust the income thresholds that subject Social Security benefits to taxation to today's dollars, and then automatically adjust annually in the same manner as the rest of the tax code. This will allow millions of retirees to keep more of their Social Security income.

How have you been impacted by high inflation? Please let us know by taking our annual Senior Survey at https://seniorsleague.org/2023seniorsurvey/. ■

Are Social Security Benefit Cuts Coming?

The chance of problems affecting the timely funding of Social Security benefits appears to be growing this year. The Republican majority in the House pushed through a new set of rules which would make it harder to raise the federal debt limit without corresponding spending cuts. That includes rules that would complicate the consideration of legislation that would increase mandatory spending without cuts. Mandatory spending provides the funding for Social Security, Medicare, and other safety net programs. A supermajority, or 290 votes out of 435, would be required in the House of Representatives to raise taxes. This increases the possibility of a confrontation over raising the debt limit and demands to cut Social Security benefits. It would also increase the chance that payment of Social Security benefits may be delayed or raise the risk that benefits might not be paid in full, should law makers stalemate over a budget agreement.

Prior to the midterm elections, the Republican Study Committee released a budget outline that included blueprints for reforming Social Security and Medicare. The Social Security options discussed include allowing employers and employees to divert payroll tax revenues, which are currently needed to pay the benefits of today's retirees, out of Social Security and into a system of private accounts. This option was highly contentious when a similar proposal was considered two decades ago under then-President George W. Bush.

This approach to the debt limit is still controversial for the same

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reasons, including the fact that the payroll taxes collected today pay the benefits of today's retirees. Under current law, 94% percent of the cash funding for Social Security benefits comes from payroll taxes and the income taxes on Social Security benefits. In addition, there is one further source of funding from the federal general budget—"interest" for money owed to the Social Security Trust Fund.

As employers send payroll taxes to the U.S. Treasury, the Treasury issues special non-marketable bonds (I.O.U.s) to the Social Security Trust Fund, and by law, pays the current interest rate to the Trust Fund. In 2023, the Trust Funds are estimated to receive $59.4 billion in funds on these I.O.U.s.

TSCL works with Members of Congress and is recommending solutions most supported by older voters. You can help with the effort by telling us what you think! Take our 2023 Senior Survey online at https://seniorsleague.org/2023seniorsurvey/. ■

Source: "Blueprint to Save America, Fiscal Year 2023 Budget" Republican Study Committee, U.S. House of Representatives, 2022.

Medicare Beneficiaries and Taxpayers Are Getting Ripped Off, and Our Government Lets Too Many Get Away With It

Waste, fraud, and abuse is estimated to have cost Medicare $47 billion in 2022 according to a report from the U.S Government Accountability Office. That's an astonishing $721 for every Medicare beneficiary. Since beneficiaries pay about one-quarter of Part B costs, that means beneficiaries will spend an estimated $180 in higher Part B costs this year— slightly more than one entire month's Part B premium—due to improper Medicare payments.

Medicare's problem with waste, fraud, and abuse takes many forms, but it appears to be worsened by untargeted Congressional budget cuts.

Our federal government hasn't been good at stopping fraud, waste, or billing abuse, and Medicare *budget cuts* may be helping unscrupulous providers get away with it. From telemarketing calls illegally offering free Medicare-covered genetic cancer tests, to some of the nation's largest insurers pressuring and misleading older adults about Medicare Advantage coverage, seniors are besieged by increasingly sophisticated efforts to get their money.

Medicare's problem with waste, fraud, and abuse takes many forms, but it appears to be worsened by untargeted Congressional budget cuts. The automatic 2% budget cuts that followed the 2011 debt limit showdown wound up leaving Medicare with fewer resources to fight fraud and abuse from 2013 to 2021, according to the Fiscal Year 2021 report from the Department of Health and Human Services and the Department of Justice. The bottom line has been a significant drop in funds recovered from fraud and waste cases and returned to Medicare.

Medicare's track record prior to the start of the automatic cuts was a return of $5 for every $1 expended in anti-fraud, waste, and abuse efforts in Fiscal Year 2012. The Fiscal Year 2021 report estimates, however, that the return on investment to fight fraud and abuse for 2019–2021 has dropped to $4 for every $1 expended.

While some attempts at fraud tend to be more obvious, such as suspicious telephone calls offering "free" services covered by Medicare, abusive or wasteful billing by providers can be more deceptive and hard to spot. Here are a few examples of how Medicare waste and abusive billing can occur:

- **Prescription drugs:** Doctors often prescribe drugs that can cause serious side effects which may then require follow-up treatment or even another prescription. Healthcare providers need to review medication lists regularly to weed out prescriptions that are ineffective or no longer required. Doctors may prescribe pricey drugs that aren't covered by the patient's drug plan, but there

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Medicare Beneficiaries and Taxpayers Are Getting Ripped Off, and Our Government Lets Too Many Get Away With It; continued from page 3

might be equally effective, less costly drugs that can be tried.

- **When the medical practice has been bought out by another firm.** Calling it the "golden age of colonoscopies" Kaiser Health News reports that private equity firms are buying up colonoscopy and other types of specialty medical practices. With profit as those firms' primary objective, patients are finding they may pay much more for the same or even receive less care. Medicare covers the full cost of preventive colonoscopies without patient cost sharing, but when there is an existing condition, patients can be on the hook—often for considerably higher costs when the practice is controlled by private equity-backed investors. A shortage of experienced nurses, administrative staff, and even doctors can be a red flag. Asking a doctor for a referral to a different provider may not even be an option in some areas, where private equity companies have bought up all the practices to ensure they are the only game in town.
- **The federal system meant to stop corrupt health care business owners from bilking Medicare fails to do so.** *Kaiser Health News* recently reported on a public list maintained by the Office of Inspector General for the U.S. Department of Health and Human Services of those it has barred from receiving any payment from Medicare and Medicaid. Even though the federal government reports excluding more than 14,000 individuals and entities since 2017, it does little to track or police the future endeavors of those it has legally banned due to fraudulent or illegal behavior. *Kaiser Health News* sampled 300 healthcare businesses that appeared on the Inspector General's exclusion list and found *those excluded* had continued to own or operate companies that submitted false claims, received kickbacks for referrals, billed for care that was not provided and harmed patients, in some cases by stealing their medication and selling unnecessary medical devices.

TSCL supports stronger investigation and enforcement efforts to return improper payments to Medicare. ■

Sources: "CMS Needs to Address Risks Posed By Provider Enrollment Waivers And Flexibilities," U.S. Government Accountability Office, December 19, 2022. "Betting On 'Golden Age' of Colonoscopies, Investors Buy Up Gastroenterology Practices, Fortune, May 31, 2022. "The Department of Health and Human Services and The Department of Justice Health Care Fraud and Abuse Control Program, Annual Report for Fiscal Year 2021," July 2022.

80% of Older Americans Say Their Standard of Living Has Worsened

One of the most frequent questions that TSCL receives in our meetings with Members of Congress and from news outlets is "How has inflation impacted older households?" To find out, we posed the following question to over 1,429 survey participants last year in TSCL's 2022 Retirement Survey. We asked:

Which of the following statements most closely describes your standard of living from the start of the COVID-19 pandemic in March of 2020 through the present in 2022?

Here's how you answered:

Answer Choices	Responses
My standard of living today is worsening. I have no savings, have taken on debt and/or I've turned to low-income assistance programs.	41%
My standard of living today is worsening and I have drawn down savings more rapidly than planned.	39%
My standard of living today is about the same as it was prior to the start of the pandemic.	17%
Not certain	2%
My standard of living today is better than at the start of the pandemic	1%

ASK THE ADVISOR

Did Congress Change the Age For Required Minimum Distributions From Retirement Accounts?

Q: Can you confirm whether Congress changed the age for required minimum distributions from retirement accounts? I am currently age 71 and will turn age 72 in April of 2023.

A: It was easy to miss, but yes, budget legislation that was signed into law on December 23, 2022, included bipartisan provisions affecting retirement savings—the SECURE 2.0 Act of 2022. The age for starting Required Minimum Distributions (RMDs) was increased from age 72 to age 73 starting January 1, 2023. This law also gives you one additional year to delay taking a mandatory withdrawal from your retirement accounts without incurring a big tax penalty.

RMD rules allow owners of retirement accounts such as traditional IRAs, 401(k), and other types of retirement accounts to delay taking their first RMD until April 1 of the following year, but that also means that a second RMD would need to be taken for the year. Previously you may have planned to take your first RMD by December of this year, or no later than April 1 of 2024. Now you may delay until December of 2024 or by April 1 of 2025, taking a second RMD by December 2025.

Starting this year, the punishing penalty for failing to take an RMD will decrease from 50% to 25% of the amount not taken on time.

Organizing your retirement budget will help you and your financial advisor develop a withdrawal plan that could help you reduce taxes and stay within your budget. Uncertain financial conditions are expected to continue well into this year and seeking good advice and planning could be one of the best investments you make this year. ■

BEST WAYS TO SAVE

New FDA Rule Could Save You $3,000 On a Pair of Hearing Aids

By Mary Johnson, editor

A new rule recently announced by the U.S. Food and Drug administration (FDA) approved the sale of over the counter (OTC) hearing aids for people with mild to moderate hearing loss. OTC hearing aids can now be purchased in retail stores and online without an appointment for a hearing exam, prescription, or fitting by an audiologist. According to the National Council on Aging (NCOA), OTC hearing aids are expected to save consumers about $3,000 when compared to prescription hearing aids. This change took effect in October of 2022.

TSCL welcomes the news since basic Medicare benefits don't include coverage for hearing aids or exams. An estimated 30 million adults in the U.S. could benefit from hearing aid use according to the FDA.

But while OTC hearing aids could make them more affordable and potentially help millions of Medicare beneficiaries, choosing the right hearing aid appears to be confusing and complicated. That's my first reaction, after spending a mind-numbing hour or so, checking an online retailer. Consumer reviews are often unreliable since companies often provide incentives or pay for positive reviews. And when you think about it, those reviews would be of zero help in selecting the best hearing aid for yourself, since hearing loss and the best type of hearing aid to address it, such as fit and adjustment, differ among individuals.

Fortunately for us all, the NCOA has developed *The Complete Hearing Aids Buyer's Guide for 2023* which is available free on their website. In addition, NCOA Advisors have tested and evaluated OTC hearing aids and picked out 6 of the best choices for seniors in *The 6 Best Over The Counter Hearing Aids of 2023.*

I may be finally giving hearing aids a try this year, but before I make any selection, I plan to spend some time learning as much as I can about our options before I click on the "Place Your Order" button. ■

Sources: "FDA Finalizes Historic Rule Enable Access to Over-the-Counter Hearing Aids for Millions of Americans," U.S. Food And Drug Administration, August 16, 2022. "The Complete Hearing Aids Buyer's Guide for 2023," National Council On Aging, November 7, 2022.

CONGRESSIONAL CORNER

Congress Capped Insulin Prices for Folks on Medicare. Why this Matters.

By Representative Sharice Davids (KS-3)

Representative Sharice Davids,(KS-3)

When I came to Congress in 2019, one of my first priorities was to lower the cost of prescription drugs, especially on insulin, a medication millions of Americans take every day. My office produced a report on the high prices seniors in my district were paying for the drug, finding approximately 17,000 Medicare beneficiaries in the Kansas Third had been diagnosed with diabetes and were paying significantly more for insulin than those living overseas. This confirmed what many Kansas families know all too well: insulin prices in our country are soaring.

Simply put, this new insulin cap will save lives. It will also put money back into the pockets of our country's seniors and allow them more freedom to spend that money on other essentials.

Year after year, insulin costs continue to rise and drug companies continue to rake in massive profits, while hardworking Americans are forced to choose between life-saving medications and feeding their families or putting gas in their cars. It's an impossible choice—but for too many Americans, it's the reality, and that was true for my new friend Julie.

While Julie has had Type 2 diabetes for many years, she started taking insulin three years ago, right after retiring. The cost for this new prescription upended her daily life and created a huge strain on her finances. Julie was now paying $700 for insulin alone some months, not including two additional medications. Because of that high price tag, she had to cut back on other areas of her budget to afford the necessary medicine.

Relief came on January 1st of this year, when a new law took effect, capping Julie's out-of-pocket costs for insulin at $35 a month. The Inflation Reduction Act drastically lowers insulin costs for Medicare enrollees like Julie and the millions of other seniors who rely on insulin. Not only that—this new law creates the first-ever out-of-pocket cap on seniors' overall drug prices and finally gives Medicare the power to negotiate down prescription drug costs, putting patients above profits.

I voted for this crucial piece of legislation with folks like Julie in mind. When she heard the news, she cried happy tears thinking about how the high insulin costs, which had a seemingly unbreakable grip on her wallet, were a thing of the past. I'm sure she wasn't alone.

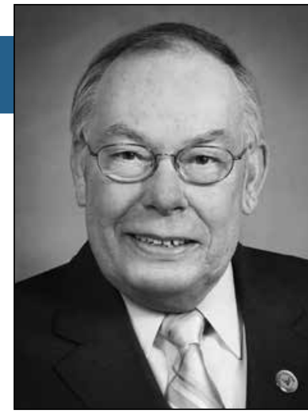
Simply put, this new insulin cap will save lives. It will also put money back into the pockets of our country's seniors and allow them more freedom to spend that money on other essentials.

Now, I'm focused on extending these savings to patients of all ages and strengthening programs like Medicare and Social Security, which working Americans have paid into their whole lives and depend on to support their livelihoods. Prices for groceries and gas are already high right now, so while I work to lower costs across the board, I'm glad to provide some relief on health care and insulin costs for our seniors.

The above article represents the opinion and position of the writer and necessarily those of The Senior Citizens League (TSCL).

Another Way Your Social Security Benefits Lose Buying Power: The Tax Bite

Edward Cates, Chairman of the Board, TSCL



Edward Cates, Chairman of the Board, TSCL

It's one of our biggest pet peeves, and a lot of you share it—the taxation of our Social Security benefits. In fact, 57% of participants in recent TSCL surveys report that they are worried that their 2022 Social Security Cost-of-Living Adjustment (COLA) will result in higher taxes this tax season. At least one-out-of-five survey respondents tell us that due to the historically high COLA last year, they may pay tax on their Social Security benefits for the first time this tax season.

According to a background brief from the Congressional Research Service approximately half of all Social Security beneficiaries owe income tax on a portion of their benefits and that number is rising. In 2020, the Congressional Research Service estimated that beneficiaries would pay about 6.6% of their Social Security benefits in federal income taxes—a portion TSCL expects to climb this year as well. This is yet another way that your Social Security benefits lose buying power—because you wind up having to pay more in taxes when your Social Security income grows.

TSCL feels this is double taxation and a gross inequity in our tax code that discriminates against older taxpayers. In fact, the tax on Social Security benefits is one of the most regressive aspects of the U.S. tax code because the income thresholds that determine whether benefits are taxable are fixed and haven't been adjusted for inflation since the law was first enacted. That means, more older taxpayers pay the tax on their benefits each year. In addition, as COLAs raise Social Security benefit income, the taxable portion of benefits can increase even when other income stays the same.

Social Security recipients can owe taxes on their Social Security benefits when their "combined income" is greater than $25,000 (single filers) or $32,000 (couples filing jointly). Had these income thresholds been adjusted since the tax on Social Security benefits became effective in 1984, the $25,000 level today would be about $73,040 and the $32,000 level would be $93,491.

To end this double taxation, TSCL supports legislation that would adjust income thresholds and/or allow taxpayers to exclude some, or even all, of their Social Security benefits from gross income for tax purposes. TSCL is carefully watching the findings of our latest Senior Survey, which you can take online at https://seniorsleague.org/2023senior survey/, and will be meeting with Members of Congress to convey our support for finding a solution to this growing tax inequity. ■

Sources: "Social Security Benefit Taxation Highlights," Congressional Research Service, June 12, 2020.

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/. ■

Legislative Update

Daisy Brown,
TSCL Legislative Liaison

Inflation Is Coming Down. But Will There Be a COLA Next Year?

By Daisy Brown, TSCL Legislative Liaison

It's been two years since prices started a stratospheric climb in 2021 at a pace that hasn't been seen in more than 40 years. Although Social Security recipients received two of the highest Cost-of-Living Adjustments (COLAs) since 1982, 5.9% in 2022 and 8.7% in 2023, it remains to be seen whether retirees can recover financially. New research released by TSCL indicates that COLAs fell short of actual inflation by an estimated $1,054 from 2020 to 2022.

Recently moderating inflation and longer-term price trends suggest the COLA for 2024 will plummet, assuming that a COLA will be payable at all. TSCL is gearing up to ask Members of Congress to enact legislation this year that protect Social Security recipients in three ways:

- By providing a minimum annual COLA guarantee of no less than 3%,
- By providing a one time $1,400 payment to help Social Security recipients recover from the shortfall due to inflation out pacing the COLA over the past two years, and
- By adjusting the income threshold that subjects a portion of Social Security benefits to taxation, allowing retirees to keep more of their benefits.

Some Members of Congress have recently vowed to call *any* legislation that increases federal spending "inflationary." We would like to remind all Members of Congress that 94% of Social Security benefits are financed through payroll taxes withheld from the earnings of workers and the taxation of Social Security benefits. A third source of income comes from the interest earned by special non-marketable bonds (I.O.U.s) held by the Social Security Trust Fund.

That's right. By law, the Social Security Trust Fund has loaned money to the rest of the federal government for decades and now the interest payment, which will account for about 6% of program funding this year, is due. In the past, some policymakers have misleadingly stated that seniors are "overpaid" because the COLAs are too generous. Data proves this is simply not the case.

The fact that Social Security COLAs fall short is known by Members of Congress. They hear it from their older constituents, organizations like The Senior Citizens League (TSCL), who confirm it with the data. That fact is also understood by younger family members who are trying to ensure their elders have the essentials needed to live safely, and stay fed and healthy, often at the expense of their own jobs and savings.

New research released by TSCL indicates that COLAs fell short of actual inflation by an estimated $1,054 from 2020 to 2022.

Please help us educate the public and lawmakers about the facts of the matter. We feel the data clearly indicate that Social Security benefits fell short of inflation over the past two years. How do you feel about your Cost-of-Living Adjustment (COLA)? Take our 2023 Senior Survey at https://seniorsleague.org/2023seniorsurvey/. ■

***The Social Security & Medicare Advisor* © 2023** 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.* 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.