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Some Social Security Beneficiaries Need an Extra $6,200 in 2023 Just to Maintain Buying Power— But COLA for 2024 Could Be Just 3.1%

By Mary Johnson, Social Security and Medicare Policy Analyst

The Senior Citizens League's (TSCL) latest study on Social Security Buying Power found that the average person who retired before 2000 (those age 85 and older) would need an extra $516.70 more per month ($6,200 in 2023) than he or she is currently getting just to maintain the same level of buying power as in 2000. In fact, Social Security benefits have lost 36% of their buying power since 2000.

Inflation is moderating, but a lower rate of inflation doesn't necessarily mean that bills will slow down or that older households will see some improvement in household budgets, at least not right away. Our study confirms that the prices consumers pay simply aren't growing as fast as a year ago. On the other hand, declining prices are pointing to a significantly lower Social Security Cost-of-Living Adjustment (COLA) for next year of 3.1%.

In 2022, our Social Security Buying Power research, which compares how well COLAs keep pace with typical senior costs over time, found that Social Security benefits lost 40% of buying power since 2000. That was the deepest loss in buying power since the start of this study in 2010. This year, the study found that the loss of buying power moderated by 4 percentage points to 36%. But that is still one of the deepest losses recorded by this study, exceeded only by 2022.

Our study compares the growth in the COLA since 2000 with increases in the price of 38 goods and services typically used by retirees over the same period. This year buying power was most impacted by the sharp increase in food items, electricity, rental housing, repair, maintenance of vehicles, and a stunning 16% increase in the cost of dental care. Topping our list of fastest-growing items? Eggs! (See "The Top Ten Fastest Growing Costs," on page 2.)

Our study examines expenditures that are typical for people ages 65 and up, comparing the growth in the prices of these goods and services to the growth in the annual COLAs. It includes cost increases in Medicare premiums and out-of-pocket health care costs that are not tracked under the consumer price index currently used to calculate

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the COLA—the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W).

The study found that, since 2000, COLAs have increased Social Security benefits by a total of 78%, yet typical senior expenses through February of 2023 grew by 141.4%. The average Social Security benefit in 2000 was $816 per month. Due to COLA increases, that benefit grew to $1,453.20 by 2023. But because retiree costs are rising so much faster than the COLA, this study found that a Social Security benefit of $1,969.80 per month, $516.70 more per month than currently paid, would be required *just to maintain the same level of buying power as in 2000.* The following table illustrates the top ten fastest-growing costs for older consumers from March 2022 to February 2023.

THE TOP TEN FASTEST GROWING COSTS

Item	Cost in Feb. 2022 *Average cost $ or numeric data**	Cost in Feb. 2023 *Average cost $ or numeric data**	Percent increase since Feb. 2022
1. Eggs, Grade A, large (doz.)	$2.01	$4.21	110%
2. Apples, all varieties (lb.)	$1.68	$2.09	24%
3. Bread, white (loaf)	$1.61	$1.90	18%
4. Coffee (lb.)	$5.41	$6.35	17%
5. Dental visits, out of pocket, over 65	$1,029.55	$1,073.82	16%
6. Electricity (kilowatt hr.)	$.15	$.17	13.3%
7. Motor vehicle maintenance and repair	329.992*	372.572*	13%
8. Pets and pet products	192.891	213.861	11%
9. Chicken (lb.)	$1.72	$1.89	10%
10. Rental housing	361.083*	391.141*	8%

**Source: U.S. Bureau of Labor Statistics, data through February 2023. Where no average prices are available, numeric data are used.*

Social Security benefits do not buy as much today as in 2000. For every $100 of goods or services that retirees bought in 2000, they could only buy $64 worth today.

TSCL supports four reforms to protect the buying power of Social Security benefits:

- Provide a modest boost to the benefits of all retirees, to better protect them from falling into poverty and to strengthen retirement income.
- Tie the annual COLA to a seniors' consumer price index such as the Consumer Price Index for Elderly (CPI -E). This index tends to show inflation growing at a modestly faster rate than the CPI-W in many years.
- Guarantee a minimum COLA of no less than 3%. The guarantee is especially important in years when inflation goes negative, and no COLA is payable at all.
- Adjust the income thresholds that subject Social Security benefits to taxation for inflation to allow beneficiaries to keep more of their benefits. ■

MISSING MEDICARE TAX NEVER MADE IT TO MEDICARE

76% of Older Voters Who Took TSCL 2022 Survey Want It Fixed

TSCL recently confirmed that a Medicare tax that became effective in 2013 never made it into the Medicare Hospital Insurance Trust Fund. Tens of billions in revenues wound up going into the U.S. General Budget Fund instead of Medicare. A recent survey by TSCL found that 76% of adults aged 65 and up think that needs to be fixed—the Medicare tax needs to be re-routed to the Medicare Hospital Insurance Trust Fund where it was originally intended to go.

In 2013, Medicare taxation changed in two ways. A 0.9% surtax was added to the amount of Medicare payroll taxes paid by high-earning individuals on wages over $200,000 (individuals) or $250,000 (married filing jointly). This was in addition to the 1.45% tax that workers paid on their wages. At the same time when the surcharge on earnings was enacted, a new 3.8% tax was applied to net investment income over the above amounts. For the first time, interest, dividends, capital gains, rental, royalty income, and non-qualified

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annuities would be taxed for Medicare purposes. The provisions were part of the Healthcare Education and Reconciliation Act of 2010 which provided funding for provisions of the 2010 Affordable Care Act.

TSCL recently confirmed that a Medicare tax that became effective in 2013 never made it into the Medicare Hospital Insurance Trust Fund.

The legislation specifies that net investment income for those with wages over $200,000/$250,000 would be subject to the 3.8% tax and that net investment income would be taxable for Medicare purposes. A summary of the legislative provisions on www.Congress.gov reads: "(Sec. 1402) *Includes net investment income in the Medicare taxable base* and imposes a 3.8% tax on such income, beginning in 2013." The legislation specified that taxpayers with adjusted gross incomes of less than $200,000 ($250,000 for joint returns) were excluded from this tax. "Net investment income" is defined to include interest, dividends, annuities, royalties, rents, passive income, and net gain from the disposition of non-business property.

Despite those specifics, the 3.8% "Medicare" net investment tax never went to Medicare but wound up going straight into the U.S. General Fund instead. According to the Federal Register, *"Amounts collected under [26 U.S.C.] section 1411 are not designated for the Medicare Trust Fund. The Joint Committee on Taxation in 2011 stated that's because 'No provision is made for the transfer of the tax imposed by this provision from the General Fund of the United States Treasury to any Trust Fund.'"*

Today, the revenues from that tax can be spent on any government budget item, and because the revenues weren't earmarked for the Medicare Hospital Insurance Trust Fund, those revenues aren't earning any interest from the non-marketable bonds that the Trust Fund would typically receive for surplus tax revenues.

Medicare Part A is facing insolvency around 2032 according to trust fund projections of the Congressional Office's latest Budget & Economic Outlook for February 2023. In his FY2024 budget, President Biden proposed that the revenues raised by the 3.8% net investment income tax should be "re-directed" to the Part A Trust Fund rather than the federal government's general revenue.

A big majority of older voters think it's about time. A 2022 survey of more than 2,550 older Americans by TSCL indicates that 76% support doing so. TSCL believes that Medicare healthcare costs already cause many beneficiaries to shoulder a heavy financial burden in retirement. Cutting Medicare benefits, while shifting more costs to beneficiaries, would be the wrong way to strengthen program financing. The revenues from this tax could help strengthen solvency without cutting access to hospital services. ■

How Much Do Medicare Beneficiaries Spend on Healthcare?

Q: What portion of your total household budget do you spend on healthcare costs including Medicare premiums and out of pocket?

A: It turns out to be a lot more than our government's measurement of inflation accounts for. According to the U.S. Bureau of Labor Statistics, households age 65 and up spend 7% of their budget on healthcare. But according to TSCL's latest Senior Survey, 60% of survey participants say they spend more than double that amount, spending at least 16% of their income (or more) on healthcare.

Why does it matter? In most years, Medicare premiums and out-of-pocket costs are among the fastest-growing costs in retirement. An inflation measure that does not accurately account for the portion of income spent on healthcare tends to undercount the actual rate of inflation, and shortchange your Social Security Cost-of-Living Adjustment (COLA)! ■

BEST WAYS TO SAVE
Does Medicare Provide a Grocery Benefit?

Q: I keep seeing ads for a Medicare grocery benefit. How do I qualify?

A: We keep seeing the ads too. Unfortunately, Medicare does not provide money for groceries, but some Medicare Advantage plans might do so. Medicare Advantage plans are run by private insurers, and they have the leeway to offer additional benefits to their plan enrollees. The number of Medicare Advantage plans that do offer a grocery benefit, however, is very limited. Most often the plans are only located in certain areas of the country and offer groceries as a supplemental benefit to certain individuals with low incomes and those with certain serious health conditions.

Older Americans are often affected by multiple diet-related chronic diseases such as hypertension, diabetes, heart disease, and acid reflux. In fact, many older patients are frequently discharged from the hospital, or leave doctor visits, with a pile of dietary instructions.

Often the bigger challenge is not knowing which foods to choose and how to prepare meals that heal. That assumes one can afford fresh fruits and vegetables to begin with since better quality, healthy foods often cost the most.

One of the most common comments we hear is, "I'm down to one meal a day!" Do not give up. There's growing interest in the use of healthy foods to treat certain chronic and diet-related diseases, and whether insurance companies will cover "medically tailored foods." Some states are rolling out test programs that will provide people with healthy foods in the hopes that improved nutrition will potentially lower healthcare costs for low-income beneficiaries as well as state and federal Medicare and Medicaid budgets. These initiatives come as food prices continue to remain stubbornly high even while the prices of other consumer goods and services have started to come down.

Prescribing fresh fruits and vegetables is the hard part for hospitals and doctors. The two biggest barriers that need to be addressed appear to be the lack of good research demonstrating what specific conditions best respond to food, and regulatory requirements since traditional Medicare is barred from covering food.

To learn more about food programs in your area, we suggest you contact your Area Agency on Aging, the local department of Social Services, or the Medicaid office. A helpful tool that can pre-screen you for food assistance and provide local contact information is www.BenefitsCheckUp.org. ■

Sources: "Can Food Cure High Medical Bills? Pilot Food As Medicine Programs Aim to Prove Just That," Medora Lee, USA TODAY, *February 15, 2023.*

ASK THE ADVISOR
When Will New Prescription Drug Price Savings Start?

Q: I keep seeing information that recent legislation will lower the cost of my prescription drugs, but I haven't seen much of any change yet, other than the $35 cap on insulin costs which is helping a friend of mine. What else should we be watching for over the next year?

A: The Inflation Reduction Act of 2022 made changes to Medicare that are expected to expand benefits, lower drug costs, and improve the financing in coming years. For the first time, Medicare has the authority to negotiate the prices of certain high cost "single source" drugs that have no generic or biosimilar equivalents.

As you noted, insulin costs for Medicare Part D recipients are capped at $35 per monthly prescription, which became effective in January 2023. According to early comments

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that we've received, that change is resulting in some significant savings. We note this change has also led to patients discovering the need to switch insulin prescriptions, when appropriate, to ensure their insulin is covered by their drug plan.

Starting last month, some Medicare beneficiaries now pay less out of pocket for 27 prescription drugs that have prices that increased faster than inflation. The drugs include the anti-inflammatory drug Humira, and the CAR-T cancer treatment Yescarta. The Centers for Medicare and Medicaid Services (CMS) estimates that Medicare recipients with Part B coverage who take one of the drugs affected by inflation rebates could save between $2 and $390 per average dose depending on their circumstances, thus it appears to us the savings could be relatively modest at first.

This new inflation rebate applies to certain Medicare Part B drugs which are administered through a doctor's office or outpatient clinic. According to the fact sheet released by CMS, those who use these prescriptions may pay a reduced amount for their co-insurance than paid before the new law. TSCL is closely watching the roll-out since many Part B patients are covered by Medicare Advantage plans or have a Medigap plan that covers much of these costs on their behalf.

Starting last month, some Medicare beneficiaries now pay less out of pocket for 27 prescription drugs that have prices that increased faster than inflation.

Thus, we're concerned that despite the hype about savings, patients may not immediately see much in the way of savings right away. We believe it's quite possible that insurers may see more of the savings on these drugs than beneficiaries—at least in 2023.

Finally, as of this year, all Medicare-covered vaccines should be free to you. Medicare beneficiaries do not owe any co-pays, coinsurance, or deductibles, such as your drug plan deductible if your doctor recommends a Medicare-covered vaccine.

More savings on prescription drug prices are in the pipeline, including a $2,000 cap on Part D out-of-pocket spending that is due to go into effect in 2025. To learn more, here is a slideshow about the prescription drug provisions in the Inflation Reduction Act prepared by the nonpartisan Kaiser Family Foundation. ■

Source: "Reduced Coinsurance For Certain Part B Rebatable Drugs Under the Medicare Prescription Drug Inflation Rebate Program," Center For Medicare and Medicaid Services, March 2023.

Beware: Nothing Is Off the Table When It Comes to Social Security Cuts

By Mary Johnson, Editor

Are you following the debate over the debt limit? Congress recently agreed to keep its hands off Social Security and Medicare. But it would be premature—even dangerous for your benefits—to get too comfortable with the notion that Social Security or Medicare benefits are "off the table."

In politics, nothing is ever completely off the table. All too often it just gets called something else.

In the late 1990s, for example, lawmakers working to reduce budget deficits managed to keep their hands off Social Security and still significantly reduce the Cost-of-Living Adjustments (COLAs). This feat was accomplished not by passing any law which reduced the COLA, but by prodding the U.S. Bureau of Labor Statistics (BLS) into *changing the way our government measures inflation.*

A series of changes to the methodology used by the BLS to calculate the consumer price index were recommended by the 1996 "Cost of Living" Commission, chaired by economist Michael Boskin. At the time, the commission made the controversial finding that the CPI overstated inflation by 1.1% and in its report discussed the implications for the government

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due to "over-indexing" (and thus overpaying) those who received Social Security and other COLA adjusted benefits. The recommendations of the Commission were, for the most part, adopted and implemented by the economists at the BLS, with most becoming effective by the end of 1999.

The changes made to the CPI methodology during this time tended to show inflation as growing more slowly than under earlier methods. Since 2000, this led to more slowly-growing Social Security COLAs and a significant 36% drop in Social Security buying power since those changes became effective in 2000.

Congress recently agreed to keep its hands off Social Security and Medicare. But it would be premature—even dangerous for your benefits—to get too comfortable with the notion that Social Security or Medicare benefits are "off the table."

We need to stay vigilant that this back-door approach to reducing Social Security benefits isn't put into play again as budget negotiators struggle to reach a budget agreement to lift the U.S. debt limit by the deadline. That deadline could come as early as June according to Treasury Secretary Janet Yellen.

The threat is still there. To assist budget negotiators, the Congressional Budget Office last December issued two volumes of budget options that this Congress might consider for reducing the deficit. One option which has formed a key feature of virtually every plan for cutting the growth of Social Security benefits over the past 22 years is to use an "Alternative Measure of Inflation to Index Social Security and Other Mandatory Programs." That measure is known as the "chained" CPI, which would cut the growth in Social Security benefits over the next ten years by an estimated $175.2 billion.

The proposal saves far greater amounts ($256.6 billion) should Congress use the chained CPI to index other programs such as SNAP (food stamps), Medicaid, and other benefit programs linked to federal poverty guidelines which are adjusted for inflation. Such a change would tend to make it harder to qualify for low-income assistance in the future because income and asset restrictions would grow more slowly.

The chained CPI is already used to index federal tax brackets and standard deductions. That tends to slow the growth in both, and it means that when incomes increase, such as they have for Social Security recipients in 2022 and 2023, taxpayers get bumped into higher tax brackets and pay more in taxes.

TSCL is carefully monitoring legislation and proposals for Social Security Reform that would mandate this sort of back-door COLA cut. Many retirees tell us they want stronger protection from inflation for their Social Security benefits, not weaker—and support tying the annual inflation adjustment to a CPI that better measures senior costs. ■

Sources: Letter to The Honorable Keven McCarthy, Speaker, U.S. House of Representatives, Janet Yellen, Secretary of the Treasury. Options For Reducing the Deficit, 2023–2032—Volume II: Smaller Reductions, Congressional Budget Office, December 2022.

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-seniorsurvey/. ■

58% of Older Taxpayers Say Income Thresholds for Taxation of Social Security Benefits Should Be Adjusted

Edward Cates, Chairman of the Board, TSCL

You said it! We recently learned that 58% of older taxpayers think the income thresholds that subject Social Security benefits to taxation are long overdue for an adjustment to today's dollars, according to our most recent Senior Survey.

Unlike income tax brackets and standard deductions which are adjusted annually, the Social Security income thresholds have never been adjusted for inflation since benefits first became taxable almost 4 decades ago, in 1984. This failure to adjust the income thresholds is negatively viewed by older taxpayers as a form of double taxation and even described by some as "ageist."

The number of older taxpayers who pay taxes on a portion of their benefits is far higher today than the 10% that was originally estimated to be affected by the tax in 1984 when the tax became effective. Social Security recipients can owe taxes on up to 85% of their Social Security benefits when their "combined income" is greater than $25,000 (single filers) or $32,000 (couples filing jointly.)

As many as half of older households can be subject to the tax on Social Security benefits according to a background brief by the Congressional Research Service. The number is growing as Cost-of-Living Adjustments (COLAs) increase Social Security benefits and income from pensions, savings, and other sources has increased as keeping up with inflation meant bigger withdrawals for many retirees. Had these income thresholds been adjusted like tax brackets, the $25,000 level today would be roughly $73,000 and the $32,000 level would be $93,200.

The share of Social Security benefits that will be paid in taxes was estimated to be 6.6% by the Congressional Research Service in 2020. That share of benefits paid in federal taxes could climb this tax season and next year due in large part to the unusually high COLA increases in 2022 and 2023.

Unlike income tax brackets and standard deductions which are adjusted annually, the Social Security income thresholds have never been adjusted for inflation since benefits first became taxable almost 4 decades ago, in 1984…. Had these income thresholds been adjusted like tax brackets, the $25,000 level today would be roughly $73,000 and the $32,000 level would be $93,200.

Changing these thresholds would not be simple in a divided Congress because changes affecting Social Security benefits and financing are subject to special rules that require 60 votes in the Senate to pass. The taxation of benefits is an important source of revenue for Social Security and Medicare. The revenues from the taxation of Social Security benefits at the 50 percent level are estimated by the Social Security Trustees to provide about $48.8 billion in income for Social Security in 2023 and cover about 4 percent in program costs. Revenues from the 85 percent level of taxation go to Medicare. Trustees estimate Medicare will receive about $34.9 billion in revenues from the taxation of Social Security benefits covering an estimated 8.5 percent of program costs in 2023.

TSCL has supported legislation that would adjust these income thresholds in the past and is working to get Members of Congress on board with the idea that the time has come to make our tax system fairer and more equitable. Adjusting the income thresholds can be paid for by eliminating the cap on wages that are subject to payroll taxes or by creating a new stream of revenue by applying the 6.2% Social Security payroll tax to dividends, interest, and certain other types of investment income. ■

Legislative Update

Daisy Brown,
TSCL Legislative Liaison

Emergency SNAP Benefits Ended, But Older Americans Still Need to Eat. TSCL Working For $1,400 Stimulus Payment

By Daisy Brown, TSCL Legislative Liaison

A temporary boost to SNAP benefits (food stamps) that was put into place during the COVID-19 pandemic recently came to an end on February 28, 2023. This ending of emergency food stamps couldn't have come at a worse time for millions of financially fragile older Americans who are trying to cope with multiple economic pressures.

Because of the significant 8.7% Cost-of-Living Adjustment (COLA) for Social Security benefits that took effect in January, eligibility for SNAP benefits has also been trimmed due to rising incomes, as well.

No one can honestly deny the rising poverty numbers. Poverty rose among Americans aged 65 and older from 8.9% to 10.3% in 2021, according to the latest statistics from the U.S. Census Bureau. Older adults are the only age group that experienced an increase in poverty.

Even though inflation appears to be moderating for some items, food prices remain high—still about 10% higher in February than a year ago. The drop in emergency SNAP benefits alone is expected to be about $92 per month per person on average according to the nonpartisan Center for Budget and Policy Priorities. We are highly concerned that many older households aren't getting enough nutritious meals.

But it doesn't end there. Because of the significant 8.7% Cost-of-Living Adjustment (COLA) for Social Security benefits that took effect in January, eligibility for SNAP benefits has also been trimmed due to rising incomes, as well.

TSCL is highly concerned that older and disabled Social Security recipients are the hardest hit by these benefit trims. As many as 47% of participants in TSCL's surveys reported applying for SNAP benefits or visiting a food pantry during the height of the COVID-19 pandemic in early 2021 through early 2022. That number has fallen to 36% in our latest survey who report seeking food assistance. Meanwhile, more friends and family members may be stepping in to help. The number of older households reporting that they have provided food, transportation, cash, or other assistance to family members or others in need climbed from 23% in 2022 to 29% in 2023.

The temporary emergency SNAP benefit cut-off was signed into law late in December of last year leaving little to no time for states or individuals to prepare. TSCL is working to get a stimulus payment of *at least* $1,400 for all Social Security recipients back on the Congressional agenda as quickly as possible. Because stimulus payments are not counted as income, those payments don't create more benefit-trim headaches and are not taxed. ■

Source: "The Supplemental Nutrition Assistance Program (SNAP)" Center On Budget and Policy Priorities, February 2023.

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