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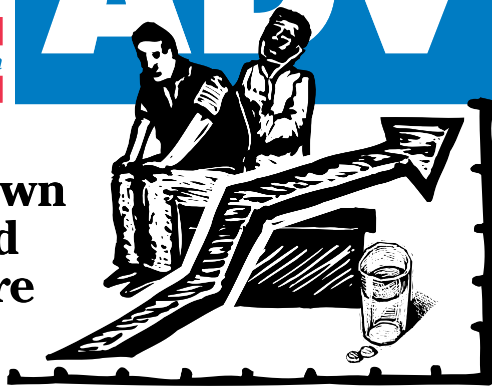
THE SOCIAL SECURITY & MEDICARE
ADVISOR©

February/March 2019, Volume 24, Number 2

What Striking Down Obamacare Could Mean for Medicare



The recent decision by a federal judge in Texas to declare Obamacare unconstitutional is likely to become the center of a lengthy legal battle that could reach the Supreme Court. If the decision to strike down Obamacare is upheld, it could affect the coverage of the 60 million older Americans who get their healthcare coverage through Medicare, and that would result in Congress reconsidering healthcare legislation for better or worse.

Based on information from the non-partisan Kaiser Family Foundation, striking down the 2010 Affordable Care Act (ACA) could be expected to affect Medicare in the following key ways:

• It could increase Medicare Part A deductibles and copayments, as well as Part B premiums and deductibles paid by beneficiaries. The ACA included provisions that adjusted the rate of growth in hospital

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HIGHER TAXATION OF SOCIAL SECURITY AMONG OPTIONS TO REDUCE THE DEFICIT

The Congressional Budget Office (CBO) recently reviewed a proposal that would boost the taxable amount of Social Security benefits, as one of the options for Congress to consider to reduce the federal deficit. The proposal, which the CBO has reviewed in prior versions of its *Options to*

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Can We Depend On the Social Security Trust Fund?

Mary Johnson, editor

Since enactment 84 years ago, Social Security has been the most reliable source of retirement income that most retirees have. That said, our current Social Security program has a funding imbalance that's creeping forward. In 2018 the Congressional Budget Office reported that Social Security's total benefit costs exceeded its total income, including (for the first time) the "interest" income on the special obligations bonds, or I.O.U.s that are held by the trust fund. According to the Social Security Trustees, from here forward, Social Security benefits will be financed with a combination of payroll taxes, revenues from the taxation of Social Security income, "interest" income from the special obligation bonds, and *net redemptions of those bonds,* until the reserves held from the Trust Funds are depleted.

Let's consider what the I.O.U.s held by Social Security represent. The I.O.U.s are bookkeeping entries, a lot like entries in checking accounts, but are not represented by real cash sitting in a strong box anywhere. The U.S Treasury collects Social Security payroll taxes from employers. In turn, the

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Proposal Would Reduce Widows' Poverty

When a spouse passes away, widows are more much more vulnerable to poverty than married women. The poverty rate for widows ages 65 and up is three times higher than it is for married women—about 15%. A key reason why widows end up poor is the loss of Social Security income when the husband dies.

Widows are entitled to receive a Social Security survivor's benefit that's equal to 100% of what her spouse received, or her own retirement benefit, whichever is higher. This policy cuts the couple's former Social Security benefit to as much as one-half.

High medical costs and bills frequently accompany this drop in income. A recent study by the Centers for Retirement Research at Boston College says that husbands of women who eventually become widowed, often reported poor health going back as many as 10 years before their death. Poor health is associated with reduced ability to work, meaning lower household income prior to retirement. Such households face higher-than-average medical expenses over many years, depleting retirement savings, and further contributing to poverty of widows.

Researchers found that one way to improve the adequacy of widow's benefits would be to increase the surviving spouse's benefit to 75% of the couple's combined monthly benefit when both spouses were alive. For a one-earner couple, the widow's benefit would increase from 67% to 75% of the couple's benefit. For a two-earner couple with similar earnings histories the surviving spouse's benefit would increase from roughly 50% to 75%.

Sixty percent of participants in TSCL's 2018 Senior Survey support improving the adequacy of survivors benefits in this way. This type of change could be financed through making the Social Security payroll tax more equitable, and by applying the payroll tax to a greater portion of, or all, wages.

Have you have experienced a loss of income when a spouse died? TSCL would like to hear about your experience. Your story can help inform the public and Members of Congress of the challenges facing today's older women when a spouse passes away. ■

Arthur "Coop" Cooper, Chairman, TSCL

Source: "Modernizing Social Security: Widow Benefits," Alicia H. Munnell and Andrew D. Eschtruth, Center for Retirement Research at Boston College, September 2018, Number 18–17.

67% OF OLDER AMERICANS SUPPORT ELIMINATING SOCIAL SECURITY'S WAITING PERIODS

More than 10,000 people died waiting for a disability decision from the Social Security Administration in 2017. The rising death toll coincides with the growing backlog of people awaiting a decision about their eligibility for Social Security disability insurance benefits. But even after a disabled individual has been found eligible, he or she must wait 5 months for benefits to begin, and 2 whole years before Medicare benefits start. The long waits, especially for Medicare, have forced many low to middle-income disabled beneficiaries to deplete their savings while they wait.

When asked whether the waiting periods for disability and Medicare benefits should be eliminated, 67% of TSCL's poll participants support *eliminating* the waiting periods for both Social Security and Medicare. Only 18% supported *keeping* both waiting periods, 9% supported eliminating the 2-year wait for Medicare alone, and 5% supported eliminating the 5-month wait for Social Security alone.

Please participate in the 2019 Senior Survey! Visit www.SeniorsLeague.org. ■

Legislative Update

Jessie Gibbons, Legislative Director

TSCL's Board of Trustees Visits Capitol Hill

By Jessie Gibbons, Legislative Director

In December—just before the 115th Congress came to a close—The Senior Citizens League's (TSCL's) Board of Trustees member and Legislative Liaison Joe Kluck traveled to Capitol Hill to thank lawmakers who sponsored key legislation that would strengthen and protect the Social Security program for current and future beneficiaries.

Mr. Kluck and The Senior Citizens League's legislative team met with several congressional offices—including the offices of House Veterans' Affairs Committee Ranking Member Phil Roe (TN-1) and House Ways and Means Social Security Subcommittee Chairman John Larson (CT-1)—to discuss goals and strategies for the 116th Congress, which officially began on January 3rd, 2019.

The following four bills were the focus of Legislative Liaison Kluck's meetings on Capitol Hill in December…

The Consumer Price Index for Elderly Consumers (CPI-E) Act—Congressman John Garamendi (CA-3) introduced the bipartisan *CPI-E Act* in the 115th Congress, and in TSCL's December meeting with his office, he committed to re-introducing the bill once again in 2019. If adopted, his bill would enhance Social Security benefits by basing Cost-of-Living Adjustments (COLAs) on an inflation index specifically for seniors. Under current law, COLAs are based on the way young, urban workers spend their money.

The Guaranteed 3% COLA Act—Like the *CPI-E Act*, this critical bill would base Social Security COLAs on an inflation index for seniors. However, it would also provide much-needed financial relief to older Americans by ensuring that beneficiaries never receive an annual benefit increase that is less than 3%. TSCL was disappointed that this essential bill did not gain the support it needed to win passage in the 115th Congress, but in December, the bill's sponsor—Congressman Eliot Engel (NY-16)—confirmed that that it will be re-introduced as soon as possible in the 116th Congress.

The Social Security Fairness Act—Under current law, millions of teachers, police officers, and other retired public servants see their Social Security benefits cut by hundreds of dollars due to two unfair provisions of the *Social Security Act:* the Government

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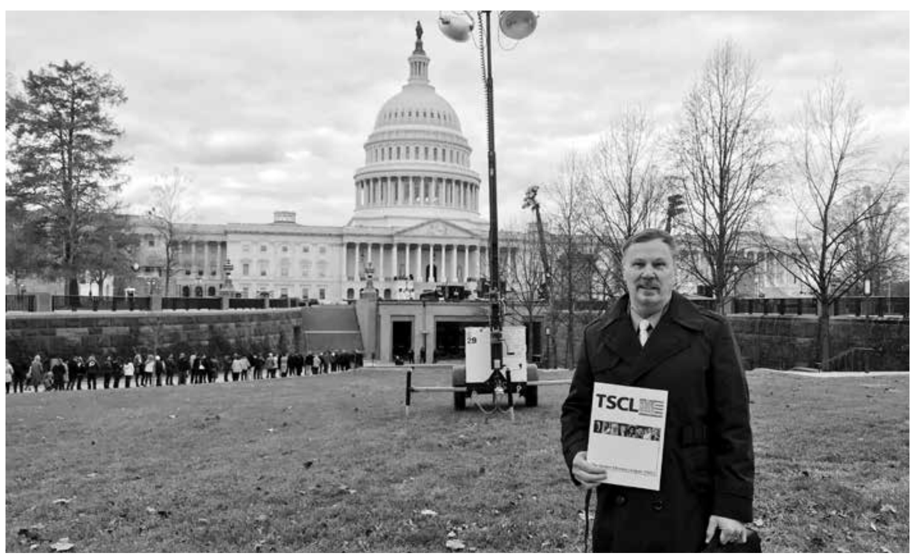

The Senior Citizens League's Legislative Liaison Joe Kluck visited Capitol Hill on Tuesday, December 4, 2018.

***The Social Security & Medicare Advisor* © 2019** 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.

What Striking Down Obamacare Could Mean For Medicare; continued from page 1

payments and other healthcare providers. Government data indicates that healthcare costs, which included Medicare, have been growing more slowly since 2010 and this has resulted in slowing the growth rate of Part B premiums. From 2010 when the ACA was passed, to 2019, Medicare Part B premiums increased by 23%. During the decade prior to the passage of the ACA, from 2000 to 2009, Medicare Part B premiums increased almost five times faster—112%. Should the ruling be upheld, provider costs could be expected to resume growing at faster rates. Because the Part B premiums are set to cover 25% of overall Part B costs, and the deductible is indexed to grow at the same rate as Part B premiums, out-of-pocket costs could start climbing more rapidly for beneficiaries.

• Medicare premiums would take a greater share of Social Security benefits. Part B premiums grow several times faster than annual Cost-of-Living Adjustments (COLAs), which in some years can mean less Social Security to meet other household budget needs. Worse, in years when there's been a low, or even no COLA, beneficiaries have seen little-to-no growth in their Social Security benefits as well. This flat growth in retirees' Social Security benefits could occur with increasing frequency if Medicare Part B premiums increase at rates greater than currently estimated, (about 5% per year) because the Congressional Budget Office estimates than COLAs are forecast to grow about 2.5% per year on average.

• Increase cost-sharing for Part B preventive benefits. The ACA included a number of provisions that provide free coverage for some preventive benefits, such as screenings for breast and colorectal cancer, cardiovascular disease, and diabetes. These free screenings could end; and beneficiaries would be expected to have higher costs in screening for these diseases.

• Increase spending by Part D enrollees who hit the doughnut hole coverage gap. Prior to passage of The Affordable Care Act, beneficiaries who had drug spending high enough to reach the Part D doughnut hole paid 100% of the full retail cost of brand and generic drugs until they spent the annual out-of-pocket threshold to qualify for catastrophic coverage. The ACA provided new 70% discounts on brand name drugs in the coverage gap, and slowed the growth in the out-of-pocket threshold required to qualify for catastrophic coverage. In 2019, that threshold is $5,100, and beneficiaries who reach the doughnut hole, pay co-insurance of 25% of the discounted retail cost of brand name drugs, and 37% for generics in the doughnut hole. Should the Obamacare ruling be upheld, it could be expected that beneficiaries would be charged 100% of the undiscounted full retail price of their prescription drugs.

• Ends new sources of funding for Medicare Trust Funds, giving tax cuts to high-salaried workers and drug manufacturers. The ACA established a 0.9% increase in the Medicare payroll tax on earnings of high-earnings workers, who earn more than $200,000 individually (and $250,000 per couple). It also established a fee on manufacturers and importers of brand name drugs, which generated additional revenue for the Part B Trust Fund of $3 billion in 2015 alone. Prior to passage of the 2010 ACA, the Medicare Trustees forecast that the Medicare Hospital Insurance Trust Fund would not have sufficient revenues to pay all Part A benefits by 2017. The current insolvency date is projected to be 2026, but if the ACA were overturned, the stream of revenue keeping the Trust Fund solvent today could cease.

If the ruling is upheld, Congress will be forced to re-examine Medicare changes that were made in the ACA. Most Medicare recipients already struggle to keep up with rising Medicare premiums and prescription drug prices, and all could see higher out-of-pocket costs for their healthcare, and Medicare would face almost immediate insolvency. The Senior Citizens League is keeping a close eye on the status of the Affordable Care Act in the days ahead, and continues to advocate on Capitol Hill for legislative solutions that would protect the Medicare benefits older Americans have earned and deserve. ■

Sources: 2018 Medicare Trustees Report, June 5, 2018. "What Are the Implications of Repealing the Affordable Care Act For Medicare Spending and Beneficiaries?" Cubanski, Neuman, Jacobson, and Boccuti, Kaiser Family Foundation, December 2016. "Potential Impact of Texas v. U.S. Decision on Key Provisions of the Affordable Care Act," Kaiser Family Foundation, December 14, 2018.

BEST WAYS TO SAVE

How Would You Document Your Losses After a Catastrophe?

It's the one thing that every person who has been through a fire, flood, tornado hurricane or other major disaster wish they had. Every firefighter and first responder says that a *home inventory* is the most important thing a household can do to plan for a total loss. To expedite your insurance payouts after damage or disaster you will need to provide proof of what you owned and what your personal effects are worth.

A home inventory is a list of what you own, which can include both paper and digital records including photos or video for added security. A comprehensive home inventory lists your belongings including make, model and serial number, when applicable, value and date acquired. Home inventory checklists can be downloaded online from the big home insurance company websites. A visual record of photos and a video walk through of your home is proof of ownership, and particularly important for more valuable items or things that would be hard to replace, such as art and antiques.

It's important to thoroughly document your belongings to help the claims process, should you have a loss. That will mean pulling items out of storage, if necessary, so this is a good task to plan along with your spring cleaning or when decluttering. Keep documentation like receipts, credit card statements, appraisals or other types of valuation documents together with your list, and make sure to update it as you acquire or get rid of items over time. Keep your inventory safe. Make a duplicate and store it somewhere off your property, such as a bank safe, deposit box or other secure location. ■

Source: WhatHappensNow.com

Higher Taxation of Social Security Among Options to Reduce the Deficit; continued from page 1

Reduce the Deficit, would tax Social Security and Railroad Retirement benefits the same way that distributions from defined benefit pensions are taxed. This is expected to increase (perhaps considerably) the taxable income of older Americans.

Under current law, Social Security beneficiaries whose total income exceeds specific thresholds are required to claim a portion of their Social Security benefits as taxable income. Depending on income, as much as 50% to 85% of Social Security benefits could be taxable. A bulletin from the Social Security Administration estimates that the median share of benefits owed as tax for most retirees would be far less than that, however, remaining close to 12% over the period 2020 to 2050.

The revenues raised from the taxation of Social Security benefits are used to pay Social Security and Medicare benefits. In 2017, the Social Security trust fund received $35.9 billion of its $825.6 billion in revenues from the taxation of benefits and the Medicare trust fund received $24.2 billion of its $299.4 billion in revenues.

The CBO option would change the taxation of Social Security to be more like distributions from defined benefit pension plans. Those distributions are fully taxable except for the portion that represents the recovery of "basis," or what an employee paid in—that is, his or her after-tax contributions to the plan. Once the recipient has recovered his or her entire "basis" all subsequent pension distributions are fully taxed.

The Joint Committee of Taxation estimates this option would increase revenues, in other words, raise your taxes, by $411 billion from 2019 through 2028. The increase would be even greater after the temporary provisions of the 2017 tax legislation, that lowered rates and increased the standard deduction, expire at the end of 2025.

TSCL's annual Senior Surveys indicate that roughly 56% of retiree households pay tax on a portion of their Social Security benefits. About the same number support reducing the taxation of Social Security benefits by lifting the threshold for taxation of Social Security benefits from $25,000 to $50,000 for single filers and from $32,000 to $100,000 for joint filers.

The Senior Citizens League continues to monitor the CBO's tax proposal. TSCL supports bills that would reduce the taxation of Social Security benefits while making Social Security payroll taxes more equitable through ensuring that all workers pay their fair share of taxes on all earnings. ■

Source: Options for Reducing the Deficit: 2019 to 2028, Congressional Budget Office, December 2018.

ASK THE ADVISOR

When Should Single People Move to Assisted Living?

Q: My sister lives alone at age 78. She has no children. I've noticed a growing number of changes in her health over the past two years. She seems to have problems with anxiety, and recently became immobilized with fear of evacuating her home, prior to a severe hurricane. Fortunately she was OK, despite four days without power. Home maintenance tasks are becoming a huge burden for her and I worry about her vulnerability to scams. When should single older people start making plans for moving to assisted living?

A: Determining when to move to a senior living facility is a complicated decision-making process that involves being able to think dispassionately and realistically about long-term needs. That's a tall order for anybody. It often means talking to others, getting outside opinions, and help from professionals.

Yet according Sara Zeff Geber, PhD, author of *Essential Retirement Planning for Solo Agers,* very few childless adults reside in assisted living or continuous care communities today. That's because it's the adult children, who are the primary caregivers, who help make the decision when mom and/or dad needs more care than can be safely provided at home. It's the adult children who assist with the tasks of helping parents shop for the right senior housing, help with the downsizing and moving, and assist with the complicated transaction of selling a parent's home and financing senior housing.

Senior housing experts say they frequently hear clients say they want to live in their own homes. But over time, it can become a great burden, especially when people don't have family that lives close by. Health and physical changes can make it difficult to climb stairs, keep the home clean, and keep up with paying bills. There may be a growing need for help with simple chores like driving to the pharmacy or grocery store. Home maintenance and repairs can even become a source of exploitation from unscrupulous vendors.

People frequently say they are "not ready" to move into a senior living facility, but the thoughtful solo adults who cherish their independence might be convinced that, by making decisions ahead of time when they are still healthy, is how one preserves that autonomy. Waiting until a health crisis could mean winding up where someone else decides she or he needs to be.

For example, you may want to suggest that your sister put a simple plan into writing. The plan should outline how she wants to live. It's important for your sister to consider who is going to take care of her, if there's an emergency, or, if she needs someone to drive her to or from doctors' appointments. Do you have such a plan for your own long-term care? Perhaps this is something the two of you can do together. Your sister is not too young to start her plan. In fact, age 78 is an ideal age to put a plan in place, and, even to consider moving into a senior living community.

In shopping for housing you will find that many senior living communities have medical criteria for acceptance. Since your sister has no children, she may need a facility that provides a continuum of care. As her health declines, she would move from independent living to assisted living, and finally nursing or memory care as her health declines. If her income is limited, all the more reason to start looking for affordable facilities ahead of time. It's not uncommon to encounter waiting lists at the most desirable facilities.

By doing her research now, your sister can start learning about her options in the area where she would like to live. She needs to get an idea of how much senior living options cost, how the options are financed, and what she needs to do to get ready for such a move. There are companies that specialize in helping older adults downsize, and she may need to talk to a financial planner and real estate agents to get her home ready to put on the market.

By making decisions now before her health changes, your sister can have more choices and a better chance of telling you "she only wished she would have moved sooner." Doing this together may have you saying the same thing. ■

Source: Essential Retirement Planning for Solo Agers, A retirement and aging roadmap for single and childless adults, *Sara Zeff Geber, PhD.*

Can We Depend On the Social Security Trust Fund?continued from page 1

U.S. Treasury issues I.O.U.s to the Social Security trust fund. In the meantime, those payroll taxes are immediately used for other federal budget operations. When more payroll taxes were collected than needed to pay benefits, that reduced the amount of borrowing from the public that was needed for the general revenues, and lowered taxes. Now, however, the situation has reversed, and the Treasury must increase borrowing from the public to redeem the I.O.U.s held by the trust fund in order to pay benefits. Increased borrowing, and the cost of interest on the debt, further drives up our federal spending. According to many economists, that can weaken our economy, and our nation's ability to respond to a crisis.

Actuaries aren't in agreement over how many more years of solvency Social Security has left. The 2018 Social Security Trustees Report estimates that the Social Security Trust Fund will become insolvent in 2034, about 15 years from now. The more pessimistic Congressional Budget Office (CBO) estimates the depletion date would be two years sooner in 2032, only 13 years away. If Congress does nothing, and allows the Social Security Trust Fund to become insolvent, the program could still pay benefits, but benefits would be cut to coincide with the amount of revenue received—by about 25%.

In 2018, 74% of participants in TSCL's 2018 Senior Survey said to improve Social Security's financing, they support applying the full 12.4% Social Security payroll tax to all earnings, rather than just limiting the amount of wages that are taxable, which is $132,900 in 2019. Fifty nine percent of survey participants support very gradually raising the Social Security payroll tax by 1% each for workers and employers. TSCL is working to acquaint Congress with Social Security financing changes that have the broadest support among older Americans. ■

Source: "The 2018 Long-Term Budget Outlook," The Congressional Budget Office, June 2018.

Legislative Update: TSCL's Board of Trustees Visits Capitol Hill; continued from page 3

Pension Offset and the Windfall Elimination Provision. TSCL has been advocating for the repeal of these two provisions for several years, and in our December meeting with the bill's sponsor, Congressman Rodney Davis (IL-13) said he will continue to work tirelessly towards its passage in the 116th Congress.

The Social Security 2100 Act—
In the 115th Congress, Congressman John Larson's (CT-1) *Social Security 2100 Act* gained the support of more than 170 cosponsors, but unfortunately it was not brought to the House floor for a vote. In TSCL's December meeting with Congressman Larson's staff, he agreed to re-introduce the bill at the start of the 116th Congress, and to convene several hearings on the bill as the new Chairman of the House Ways and Means Social Security Subcommittee in the 116th Congress. TSCL is confident that the bill will be advanced by the House of Representatives by the end of this year.

The Senior Citizens League is pleased that key Social Security bills like the four mentioned above will be re-introduced early in the 116th Congress, and we look forward to building momentum for them on Capitol Hill in the months ahead. For progress updates or for more information on these important bills, visit our website at *www.SeniorsLeague.org.* ■

Can You Help?

Social Security's financing imbalance threatens the long-term solvency of the program, and the benefits of more than 60 million beneficiaries. You can help us in the fight to protect Social Security from benefit and COLA cuts.

Help us help you with a donation.
☐ $10.00 ☐ $5.00

Send your donation to: The Senior Citizens League, PO Box 97173, Washington, DC 20090-7174

Or donate online at: www.SeniorsLeague.org.

SOCIAL SECURITY & MEDICARE QUESTIONS

Use Retirements Savings or Start Social Security Earlier to Cover Medical Expense?

Q: I will be 66 in April and still work at a small company. I get my healthcare through a Medicare Advantage plan. I've learned I will need to have surgery and expect to have extensive out-of-pocket health care expenses this year. In order to cover my healthcare costs, would I do better by taking money from my retirement savings in order to delay starting Social Security (allowing my benefit to grow) or should I start Social Security retirement benefits now to reduce what I need to take from savings?

A: This is one of the many retirement questions for which there is no straightforward answer. Many financial advisors recommend delaying the start of Social Security until you are at least your full retirement age or better yet, to wait until age 70. At your full retirement age, (66 in your case), you would be eligible for 100% of the benefit to which you are entitled. However, for every year you delay until age 70, your Social Security benefit will grow 8%. Your benefit at age 70 would be 32 percent higher than you would get at 66. That's a return that's very hard to find these days.

A major factor in delaying Social Security is your life expectancy, and the age at which you would come out ahead. Chances are you would be ahead by your early 80s. Average life expectancy for men is 84 and nearly 87 for women, and more people these days are living well into their 90s.

From a tax perspective, your distributions from a traditional IRA or 401(k) are 100% taxable, while distributions from a Roth IRA or 401(k) are not taxable. Up to 85% of Social Security benefits may be taxable but, for many people, the taxable percentage is much lower.

Starting distributions from your retirement savings ahead of age 70½ may tend to lower your tax bill later, by reducing the required minimum distribution amount that you must take in order to avoid tax penalties after age 70½. Large required minimum distributions could also trigger taxes on up to 85% of your Social Security benefits in addition to a surcharge on your Medicare Part B and Part D premiums.

This is the type of question that you should discuss with a professional financial advisor and a tax professional.

The full retirement age is based on the year when you were born. To learn more about the full retirement age see this chart from the Social Security Administration—https://www.ssa.gov/planners/retire/retirechart.html. ■

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