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THE SOCIAL SECURITY & MEDICARE ADVISOR©

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Retirees to Get Highest COLA in 7 Years

Retirees will finally start to see more money in their Social Security benefits next year, after years of record low inflation. The Social Security Administration recently announced a 2.8% Cost-of-Living Adjustment (COLA) effective January 1, 2019. That's the highest COLA since 2012, and much higher than many recent retirees have ever seen. Since 2013, COLAs have averaged just 1.2%.

A COLA of 2.8% will increase the average retirement benefit of $1,400 by $39.20 per month in 2019. Just as importantly, Medicare Part B premiums, which are automatically deducted from Social Security benefits, are expected to increase by only a very small amount. In June, the Medicare Trustees forecast that the base 2019 Part B premium for individuals with incomes under $85,000 would be $135.50/mo. In 2019, that's just $1.50/mo. more than this year. Although the current base premium today is $134/mo., many retirees are paying less than that amount, due to a special provision of law called the "hold harmless provision."

The hold harmless provision applies to about 70% of retirees, and is triggered when the dollar amount of the increase in an individual's Part B

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WHAT THE SOCIAL SECURITY TRUST FUND IS MISSING FROM TOP PAID CEOS

In the debate over Social Security's long-term finances, some argue that the program is unsustainable because it is paying out more in benefits than it takes in. They say that benefits, including Cost-of-Living Adjustments (COLAs), should be reduced to bring the program back into balance. Others say that the program is unsustainable because revenues

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Should Congress Limit Health Insurance Company Profits?

By Mary Johnson, editor

The question of limiting the profits of health insurance companies is sparking renewed national debate. The nation's biggest health insurers have reported robust growth in recent years, due in large part to Medicare. All of the "big five" insurers, United Health Care, Anthem, Aetna, Cigna and Humana have seen increases in enrollment growth and revenues, with profits rising. At the same time, a growing number of Medicare beneficiaries report that Medicare premiums, deductibles and out-of-pocket costs are consuming an increased share of their Social Security benefits. In our 2018 Senior Survey, 77% of survey participants said they support establishing a cap on the maximum amount of profit that private insurers may earn. Survey participants support requiring excess profits to be put towards lowering premiums and out-of-pocket costs. It's not clear however, that this solution is working as intended.

Health insurers that operate Medicaid managed care plans for example, must spend at least 85% of their revenues on medical care as opposed to distributing it as dividends to shareholders or multimillion

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Benefit Bulletin

Poverty Among Older Americans Getting Hard to Ignore

Arthur "Coop" Cooper, Chairman, TSCL

For a growing share of older Americans, retirement has come to mean a lower standard of living as they age. Fewer people are retiring with pensions or adequate retirement savings, and at the same time, medical expenses are soaring. In 2017, the U.S. Census Bureau's annual poverty report found that adults aged 65 and older were the only population group shown to experience an *increase* in the number of people in poverty, from 16.0% in 2015 to 18.1% in 2016. Meanwhile the national poverty rate declined marginally for other groups.

To help address this problem, TSCL supports recently introduced legislation "The Elder Poverty Relief Act" (S.2653) that would help alleviate poverty among older Americans by creating a new Poverty Relief Benefit for the most vulnerable individuals. This benefit would provide an additional $85 per month, and it would increase every year by roughly 4%. Individuals would qualify for the monthly poverty relief benefit under *any* of the following set of requirements:

- Social Security beneficiaries who are 82 or older.
- Individuals who have received Social Security benefits for at least 20 years.
- Social Security beneficiaries at full retirement age with low monthly benefits (roughly $944 a month, adjusted annually).

The poverty relief benefit would increase annually by changes to the average wage index, rather than changes in consumer prices. Because the wage index increases more quickly than prices, the Social Security Chief actuary says the $85 boost would compound faster than COLAs and would become a larger share of benefits over time. The Social Security Administration estimated that 96% of people age 82 and older would receive the benefit.

To stay up to date on this proposal, watch your mail, and visit TSCL's website at www.SeniorsLeague.org. ■

Should Congress Limit Health Insurance Company Profits? continued from page 1

dollar salaries for CEOs. Similar limits, called the "medical loss ratio" were imposed during the implementation of the Affordable Care Act, for plans sold on the federal health exchange to people under the age of 65.

A recent investigative report by Marshall Allen for ProPublica, an independent nonprofit newsroom, reports that the medical loss ratio sounds good in theory, but can contribute to rising healthcare costs due to "perverse incentives." Allen explores how a hospital charged $70,000 for partial hip replacement surgery, more than three times the Medicare rate for surgery saying:

"If the insurance company has accurately built high costs into the premium, it can make more money. Here's how: Let's say administrative expenses eat up about 17 percent of each premium dollar and around 3 percent is profit. Making a 3 percent profit is better if the company spends more. It's as if a mom told her son he could have 3 percent of a bowl of ice cream. A clever child would say, 'Make it a bigger bowl.'"

Clearly, how these limits on health insurers' profits are designed have a big impact on how effective they are in bringing down costs—or not. A greater amount of administrative oversight on the part of Medicare and Congress is needed to ensure that insurers and providers aren't gaming the system. This situation suggests that the medical loss ratio system, as we know it today, still needs a lot more work before it can save the money that it was intended to. ■

Sources: "Why Your Health Insurer Doesn't Care About Your Big Bills," Marshall Allen, ProPublica, *May 25, 2018.*

Legislative Update

Jessie Gibbons, Legislative Director

Family Leave Proposal Could Shortchange Social Security Now and Retirees Later

By Jessie Gibbons, Legislative Director

The Senior Citizens League is monitoring a legislative proposal that would negatively impact the future of the Social Security program and weaken retirement security in America if adopted. The *Economic Security for New Parents Act* was recently introduced in the House and Senate, and it's quickly gaining steam on Capitol Hill. The bill would use Social Security's finances to create a new federal paid family leave program, and it would require young workers who claim the benefit to pay for it with reduced Social Security benefits in retirement.

The *Economic Security for New Parents Act*, which was introduced earlier this year by Senator Marco Rubio (FL) and Congresswoman Ann Wagner (MO-2), would cause Social Security to become insolvent more quickly in the short term, and it would lead to significantly reduced lifetime benefits for future retirees who receive paid parental leave.

Here's how the program would work. Following the birth or adoption of a child, new parents—both working and stay-at-home parents—would be eligible to claim up to twelve weeks of paid family leave. To cover the cost, individuals would essentially borrow against their future Social Security benefits by delaying the claiming of their Social Security benefits in retirement.

Those who take twelve weeks of paid family leave would see their full eligibility ages in retirement increase by around twenty-five weeks—that's more than double the duration of the leave. The full eligibility ages of those who take two leaves would increase by nearly a year, from age sixty-seven to sixty-eight. And those who take three or four leaves after having children would see even more significant long-term impacts on their Social Security benefits in retirement.

The Senior Citizens League opposes the *Economic Security for New Parents Act,* and our legislative team is advocating against its adoption on Capitol Hill for these six reasons …

It would lead to permanent cuts in retirement benefits. According to the Urban Institute, parents who take paid leave one time would see a 3.2 percent cut in their Social Security benefits in retirement. A reduction of that size is substantial for individuals living on fixed incomes for thirty years or more, especially since research shows Social Security benefits are already failing to keep up with rising costs.

It would penalize those who have more children and take more leaves. The Urban Institute estimates that those who take two paid leaves would see permanent Social Security benefit cuts in retirement of around 5.5 percent, and those who take paid leave four times would see cuts of 10 percent in retirement. With fertility rates in the United States currently at record-low levels, lawmakers should be cautious about reducing future retirement benefits for those with more children.

It would be a bad deal for women and low-wage workers. This program is expected to be utilized more frequently by women and low-income earners—the two populations who can least afford future benefit reductions due to paid leave. Women and low-wage workers already tend to receive significantly lower Social Security benefits in retirement than do men and those with higher earnings.

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CONGRESSIONAL CORNER

Fighting for Our Nation's Seniors

By Senator Deb Fischer (NE)

Senator Deb Fischer (NE)

Recently, actress Marcia Gay Harden testified before the Senate Special Committee on Aging. Ms. Harden is known for her performances in comedies like *The First Wives Club* and biographies like Pollock. Her appearance before the committee drew attention to a different topic: ending Alzheimer's.

It was heartbreaking to hear how she has watched her mother's memories disappear as a result of Alzheimer's. Tragically, the Hardens are not the only family dealing with this difficult situation.

According to the Alzheimer's Association, 5.7 million Americans have Alzheimer's and that number is predicted to reach nearly 14 million by 2050. My own family has been touched by this disease and I know firsthand that beyond these numbers is a struggle that patients, families, and caregivers face daily.

Addressing the Alzheimer's crisis is a steep climb. Congress has expanded research, and with additional legislation to address this crisis pending in the Senate, we hope the cure will be easier to reach.

As a member of the Aging Committee, I'm supporting the *Building Our Largest Dementia (BOLD) Infrastructure for Alzheimer's Act.* In her testimony, Ms. Harden highlighted the importance of early detection and diagnosis. Right now, the infrastructure needed to increase awareness, education, and analyze the facts on Alzheimer's and other dementias just isn't enough. The BOLD Act would expand that infrastructure so that we can make more progress in this fight.

Alzheimer's is a terrible disease, but it's hardly the only issue affecting our seniors. Telemarketing scammers target older Americans and trick them into handing over their life's savings or Social Security checks. In an effort to stop these crimes, I have supported two pieces of legislation that are now law.

We've all answered a phone call only to hear a pre-recorded voice on the other end. Because of caller ID, you can see from where the call was placed. But there are ways to 'spoof' caller IDs, which hides a caller's true identity and origin. Modern phone technologies allow calls to appear as legitimate institutions like a bank or charity, or coming from a nearby location, but the real identity of the caller is a scammer who is trying to take advantage of the person on the other end of the line.

I led bipartisan legislation that closed loopholes in the legal system allowing falsified caller ID information from calls originating overseas and through text messages. I was also a cosponsor of the Senior Safe Act, which provides protections for individuals who report financial abuse against senior citizens.

On behalf of families in Nebraska and around the country, I am proud to continue my fight for our nation's seniors in the U.S. Senate. ■

Deb Fischer represents Nebraska in the U.S. Senate and serves on the Special Committee on Aging.

The opinions expressed in "Congressional Corner" reflect the views of the writer and are not necessarily those of TSCL.

SOCIAL SECURITY & MEDICARE QUESTIONS

Q: Can you tell me how Social Security benefits are figured? I'm 63 and my wife is 61. Both of us are still working.

A: Social Security benefits are based on your lifetime earnings, age at retirement, and number of years worked. You will need at least ten years of earnings to qualify for retirement benefits based on your own work record.

The Social Security Administration (SSA) keeps a record of your earnings, and they will adjust your actual earnings to account for changes in average wages since the year that the earnings were received. The SSA then uses the *35 years* of your highest earnings to calculate your average indexed monthly earnings. The SSA applies a

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BEST WAYS TO SAVE

Are You Making These Costly Medicare Mistakes?

Scientific research has confirmed that the human mind is basically lazy, and an abundance of choices, (more than 3) completely shuts down the decision-making process. Drug and Medicare Advantage insurers know this, and take advantage of this tendency. Insurers low-ball rates of new plans, and then increase premiums and out-of-pocket costs every year thereafter, because they know few people will ever switch plans to save money. But this does not have to be you.

Comparing and switching plans isn't hard, especially when you can call and get free, unbiased help. Checking your health and drug plan options during Medicare's fall Open Enrollment period October 15–December 7, 2018 is your chance to save your household budget and get access to more affordable prescription meds.

Here are a few Medicare goofs that you can avoid:

Failing to read the Annual Notice of Change from your health and drug plans. Medicare Part D drug plans and Medicare Advantage health plans send a fat letter and booklet about the changes for the following year by September or early October. *Read it*—or at the very least, the pages listing changes in premium, deductible, cost sharing or co-pays, drug tiers and coverage changes. Check for increases in premiums, changes in deductibles, or co-pays for the drugs you take. Check that your doctor and hospitals continue to participate in your Medicare Advantage health plan. You will need to be familiar with these items in order to compare other plans.

Enrolling in the same drug or Medicare Advantage plan as your spouse, or because you recognize the name of the company. Does your spouse use the very same drugs as you do? To find your lowest-costing drug plan, you need to choose based on the prescriptions that you take. A good plan for your spouse may be terrible choice for you. It's particularly important to compare options if you use a high-priced brand name drug. Prices can vary significantly between plans, and some plans may not even cover the drugs you need. If you are looking for the lowest-costing Medicare Advantage plan, you also need to know if your doctors and hospitals are participating providers.

Failing to use Medicare's drug and health plan finder to track down your lowest-costing plan. On average, most people covered by Medicare have 21 Medicare Advantage plans or a similar number of Part D plans to wade through—too many to make sense of. The quickest and best way to find your lowest-costing choice based on your prescriptions is online, using the Medicare drug and health plan finder at www.Medicare.gov. Click the box that says "Find health & drug plans". Look for the tutorial video to help you get started, or follow the prompts and enter the prescriptions that you take. Your search results will start with your lowest-costing choices at the top of the list.

Failing to get free, one-on-one counseling. Even if you are tech savvy and comfortable using the Medicare drug and health plan finder, it's still worth getting professional counseling, at least the first time you go through the process of comparing plans. There may be some information that you are missing or haven't thought through. For example, your premium and drug costs may be less if you opt for a plan with a deductible. Or, you may not be worried enough about the highest tier co-insurance because you use generics. Pause to think at least how a 50% co-insurance could break the bank if your doctor discovers diabetes, or some other expensive condition, and your co-pay could exceeds $300 a month for just one drug. You can get free one-on-one counseling through your State Health Insurance Assistance Program (SHIP). Many of these programs operate through your regional area agency on aging, local community health or senior centers. You can find a contact near you at: https://www.shiptacenter.org. ■

ASK THE ADVISOR

How Does the New Tax Legislation Affect People Age 65 and Over?

Q: I'd like to do some tax planning before the end of the year. What can you tell me about the impact on people over the age of 65?

A: The new tax law makes significant changes, some of which may be valuable for older taxpayers. Here are a few of particular importance for retirees:

Higher standard deductions. Since many older taxpayers don't have a mortgage, and only limited deductions, the standard deduction is often more valuable than itemizing. The tax law roughly doubled the size of the standard deduction. For 2018 it will be $12,000 (individuals) and $24,000 for (married filing jointly). In addition to the standard deduction, tax filers over the age of 65 may claim an additional standard deduction. The new rules increase the additional standard deduction to $1,600 for individuals and to $2,600 married filing jointly. Because the law reduced tax rates, retired taxpayers may have less taxable income at lower tax rates for the 2018 tax year.

Rules for the taxation of Social Security benefits remain unchanged, but tax rates are lower. From 50 to 85 percent of Social Security income can be subject to taxation depending on two income thresholds. For taxpayers with incomes between $25,000 and $34,000 (individual) or $32,000 and $44,000 (married filing jointly), up to 50 percent of Social Security benefits may be taxable. For individuals with incomes above $34,000 or married couples filing jointly with incomes above $44,000, up to 85 percent of benefits may be taxable. To quickly determine whether a portion of benefits is taxable, taxpayers should take their adjusted gross income, and add any nontaxable interest, plus one-half of Social Security income. If the amount is over the thresholds, then a portion of benefits are taxable.

More generous deduction for medical expenses in 2018. The new tax law retains the deduction for medical expenses. For 2018, retirees age 65 and over will be able to deduct medical expenses that exceed 7.5 percent of adjusted gross income. In 2019 this deduction will become less generous, and taxpayers will only be able to deduct medical expenses that exceed 10 percent of adjusted gross income. Unless taxpayers have a very high amount of medical expenses, the new standard deduction may be the better choice for filing.

(Remember this column does not constitute legal or tax advice. Please consult tax advisors with your tax questions and for assistance in making decisions.) ■

Retirees to Get Highest COLA in 7 Years, continued from page 1

premium is greater than the dollar amount of the increase in their COLA. The law requires that when this occurs, the individual's Part B premium be reduced to prevent reductions to Social Security benefits from one year to the next. While this protects Social Security benefits from reduction, it also means that benefits remain unchanged or relatively flat until a year in which the COLA increases benefits enough to exceed the Medicare Part B premium increase.

To improve the adequacy of Social Security benefits, The Senior Citizens League supports legislation that would strengthen the COLA in three ways:

- Calculate COLAs based on the consumer price index that better reflects the spending patterns of retirees—the Consumer Price Index for the Elderly (CPI-E).
- Provide a modest boost in monthly benefits to retirees to make up for years when no COLA or only a negligible COLA was payable.
- Guarantee a minimum COLA of no less than 3 percent. ■

Legislative Update: Family Leave Proposal Could Shortchange Social Security Now and Retirees Later, continued from page 7

It would disregard others in need of paid leave. TSCL understands the importance of paid leave—not just for new parents, but also for caregivers who provide care to older family members and younger family members with serious medical conditions. Congress might want to consider a more comprehensive proposal that includes all populations in need—including those caring for aging parents.

It would worsen the solvency of the Social Security Trust Fund, threatening the benefits of people who are already retired. Despite claims that this program would not cost one penny, research shows that it *would* strain the Social Security Trust Funds. According to a report from the American Action Forum, this proposal would have a net cost of around $226 billion.

It could set a dangerous precedent. Allowing individuals to borrow against their future Social Security benefits for non-retirement purposes would undermine the program's mission of providing financial protection to older and disabled Americans. Similar programs offering education benefits or student loan forgiveness to young adults in exchange for reduced retirement benefits would likely follow, if this program were implemented.

For these six reasons, The Senior Citizens League is urging lawmakers to reject this proposal and to consider others that would include benefits for those who also care for aging or ill family members. Most importantly, TSCL believes that fiscally responsible legislation must rely on sources of funding other than that from Social Security. This could potentially include new tax revenues or tax credits for employers.

A paid family leave program is important to grow the work force, increase population numbers, and ultimately strengthen the financing of the Social Security program with more payroll tax revenues. However, The Senior Citizens League firmly believes the *Economic Security for New Parents Act* is neither a responsible or realistic answer.

In the months ahead, The Senior Citizens League will continue to oppose this paid leave proposal on Capitol Hill, and we will advocate for legislation that would strengthen retirement security in America. For progress updates, visit the Legislative News section of our website, or follow TSCL on Twitter. ■

What the Social Security Trust Fund is Missing From Top Paid CEOs, continued from page 1

need to be increased. With new sources of revenues, Social Security would be better able to pay program obligations, provide a modest boost to COLAs, or increase benefits for people who are the most vulnerable to poverty.

Under current law, employers must withhold a 6.2% Social Security tax from workers' earnings, an amount that they match for a total of 12.4%. That money is used to pay benefits to today's retirees. The majority of U.S. workers pay Social Security taxes on every dollar earned.

But that's not the case for the roughly 12 million employees with the highest salaries in the country. Unlike the Medicare payroll tax, which applies to all earnings, Social Security payroll taxes apply only to the first $128,400 in earnings. Employees earning more than $128,400 (the "taxable maximum") and their employers pay no Social Security taxes on earnings in excess of that amount. The Congressional Budget Office has forecast that the earnings of people who make more than the taxable maximum is growing faster than the earnings of those who earn far less. That means even though revenues will rise in the short term, the Social Security Trust Fund will receive a declining share of payroll taxes in terms of the gross domestic product over the next 30 years as incomes of the highest-paid employees climb.

What sort of money is at stake? We took a sampling of the 20 top CEOs of our nation's top 80 corporations and downloaded each company's public 2018 proxy information that contains the executive summary compensation table as required by the Securities and Exchange Commission (SEC). Our analysis uses only the actual salary and performance pay, both of which are subject to payroll taxes up to the limit. We did not include the value of stock awards, which often far exceeds the CEO earnings.

Here's what we learned…

Of the 20 CEOs, annual income not taxed for Social Security totaled $121,545,322 and averaged $6,077,266 per CEO.

If all that income was taxable, the value in revenues based on the 12.4% Social Security tax would be $15,071,619, an average of $753,581 per CEO.

The total revenues in the sample could support 897 retirees with an average monthly benefit of $1,400 for an entire year. Or, the revenues could be used to provide a modest boost to the COLA of 448,560 retirees in the first year, by tying the annual inflation adjustment to the Consumer Price Index for the Elderly (CPI-E). The average CEO's revenues would cover the entire benefit of 45 retirees with an average benefit of $16,800 for a year, or, boost the COLA of 22,428 retirees with average benefits in the first year.

Our example just looked at the salaries and performance pay of 20 CEOs. According to the Social Security Administration there are 12 million people who earn above the taxable maximum in 2018. TSCL strongly supports legislation that would lift the taxable maximum to pay for a more fair COLA. ■

THE FOLLOWING CHART ILLUSTRATES 5 EXAMPLES

Company and CEO or CCO*	Annual income NOT taxed for Social Security	Value if taxed for Social Security at 12.4%	Could Boost COLAs for following number of retirees*
Apple Tim Cook	$12,256,292	$1,519,780	45,232
Comcast Brian L. Roberts	$12,099,650	$1,500,357	44,653
Boeing Dennis A. Mullenburg	$10,012,639	$1,241,567	36,951
Bank of America Thomas K. Montage**	$8,200,767	$1,016,895	30,265
Allstate Thomas J. Wilson	$7,872,210	$976,154	29,052

*In the first year. **Chief Compliance Officer.

Social Security & Medicare Questions, continued from page 4

formula to these earnings, and arrives at your basic "primary insurance amount." At the end of this article, we provide a link to a worksheet from the SSA if you want to try calculating this yourself, or you can get a copy of your benefit estimate online by setting up a "my Social Security account." Visit: www.ssa.gov/myaccount/.

Factors that affect how much you get include the following:

The amount you earn and the number of years you work. The more you earn, up to the taxable maximum—which is $128,400 in 2018—the higher your benefits. But achieving 35 years of earnings may be a stretch for some retirees, especially moms and caregivers. For example, if your wife took time away from work to have kids, or, if she would need to care for you if you get sick, this would potentially leave years in which earnings are much lower than others, or worse, years with no earnings at all. Working longer can help fill in gaps in the earnings records and, for many workers, the highest earning years are the ones later in their careers.

The age at which you choose to retire. Social Security benefits are reduced if you start benefits prior to your full retirement age. Depending on when you were born, your benefits can be reduced by as much as 30%. It's to your advantage to keep working at least until your full retirement age. Your full retirement age is the age at which you are eligible to receive unreduced benefits, and it depends upon the year you were born, as illustrated in the table:

Full retirement age, however, is not the age at which you qualify for your *maximum* benefit, which is at age 70. People who work past

Year Born	Full Retirement Age
1943 – 1954	66
1955	66 and 2 months
1956	66 and 4 months
1957	66 and 6 months
1958	66 and 8 months
1959	66 and 10 months
1960 and later	67

full retirement age qualify for delayed retirement credits of 8% per year or 2/3 of 1% for each month delayed past full retirement age until age 70. ■

RESOURCES

For a worksheet to figure your benefit, see *Your Retirement Benefit: How It's Figured* at https://www.ssa.gov/pubs/EN-05-10070.pdf.

Find Social Security retirement calculators at: https://www.ssa.gov/planners/calculators/.

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