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Social Security Benefits Estimated to Increase by 1.6% in 2020

By Mary Johnson, editor

The Social Security Cost-of-Living Adjustment (COLA) for 2020 will be announced October 10th and, according to the latest consumer price index data, it's likely to be considerably lower than the COLA received this year which raised benefits 2.8%. The government's consumer price index data indicates that inflation has fallen, and, that COLA recipients can expect to get a boost of about 1.6% in 2020. That would raise an average benefit of $1,460.00 by about $23.40 per month, a big drop from the $40.90 that people with that level of benefits received this year.

While retirees won't be getting as much in their Social Security checks in 2020, the Part B premium is expected to go up considerably more. In 2019 most beneficiaries paid $1.50 per month more than in 2018. In 2020, however, the Medicare Trustees forecast that Part B premiums will increase from $135.50 to $144.30 per month—an estimated $8.80 per month more. After the deduction for Part B premiums, that would leave the retirees with average benefits, roughly $15.00 per month more to cover all other rising costs.

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Medicare Advantage Insurers Overcharged Medicare By Nearly $30 Billion

Medicare Advantage plans have overcharged Medicare by almost $30 billion in recent years, but so far officials have only recovered a small fraction of that money. The federal government has announced it is stepping up efforts to recover those funds and TSCL is closely watching to see that it does.

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How Rising Medicare Part B Premiums May Impact Your Social Security Benefits

Medicare Part B premiums are automatically deducted from Social Security benefits, and older households are frequently surprised at how much rising Medicare premiums can take out of those monthly payments. TSCL estimates that the deduction for rising Part B premiums in 2020 is likely to leave at least a little something left over, for most retirees, but that won't be the case for roughly 1.4 million with the lowest benefits.

According to the most recent Medicare Trustee Report, Medicare Part B premiums for 2020 are expected to rise $8.80 from $135.50 to $144.30 in 2020. If premiums rise by that much, and if the Cost-of-Living Adjustment (COLA) is 1.6% as we estimate, then Social Security recipients with benefits of about $550.00 or less are at risk of seeing the Part B premiums take their entire COLA, leaving nothing extra to deal with other rising costs.

When an individual's Part B premium rises more than the dollar amount of their COLA, that doesn't necessarily mean that Social Security benefits will be reduced. Due to a special provision of law known as the

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Rick Delaney,
Chairman of the Board, TSCL

Could Social Security Solvency Issues Be Even Worse?

By Rick Delaney, Chairman of the Board

Recently we received a comment from Steve F. of California, who noted that, by his understanding, if Congress takes no action, Social Security benefits would have to be cut 30% by 2030. Steve asked what projections are available that estimate how fast Social Security will grow by the year 2030, that would lead to cuts of 30%.

This is a good question. Our government experts often differ on both the projected insolvency dates and the amount of reductions that would be required to fix solvency issues. It's not at all uncommon for estimates of insolvency dates to change from year to year. But no matter what the date, without changes to strengthen Social Security's financing, at some point benefits would need to be reduced in order to match Social Security revenues coming in. In order to bring Social Security into balance, there are two means that Congress has available—cut benefits or increase revenues.

The two sources of estimates on Social Security's financing and solvency that Members of Congress frequently turn to are the annual Social Security Trustees report, and the non-partisan Congressional Budget Office (CBO). Currently the Social Security Trustees estimate that the combined Social Security Trust Fund, retirement, survivors, and disability would become depleted in 2035. To resolve the deficit by using only benefit cuts, they estimate that scheduled benefits would have to be *reduced immediately* by 17% for all current and future beneficiaries, or 20% if the cuts are applied to just future beneficiaries. If Congress were to put off action, the Trustees estimate that changes that begin in 2035 would require a reduction of 23 percent in all benefits starting that year.

The CBO's June 2019 Long Term Budget Outlook differs from Social Security Trustee estimates, saying that Social Security benefits would need to be reduced beginning two years sooner, in 2033. The CBO estimates the total reduction would amount to 24 percent in 2033 and that reductions would grow even deeper to *29% by 2049* if Congress takes no legislative action.

TSCL is working for enactment of legislation that would address Social Security's insolvency without cutting benefits. According to our surveys, the approach is strongly supported by adults at or near retirement age. We support legislation that would lift the taxable wage amount subject to Social Security taxes, so that high earning workers pay their fair share into Social Security. Currently the highest paid employees pay nothing on earnings over $132,900—that includes even CEOs earning millions per year. This change, in addition to very gradually increasing the Social Security payroll tax rate, would provide 75 years of solvency to the program. There would be enough income to pay a more fair and adequate COLA by using the Consumer Price Index for the Elderly, while providing a modest boost in benefits for all current and future retirees.

To dive deeper into this topic and see the estimates frequently used by Members of Congress:

- 2019 Social Security Trustees report: https://www.ssa.gov/OACT/TR/2019/
- June 2019 CBO Long Term Budget Outlook: https://www.cbo.gov/publication/55331

To keep up with TSCL's legislative efforts, visit www.Seniors.League.org. ■

Legislative Update

New Prescription Drug Legislation in Senate Requires Rebates When Prices Rise Faster Than Inflation

By Shannon Benton, Executive Director

Shannon Benton, Executive Director

Retirees' budgets take a beating when prescription drug prices rise faster than the annual Cost-of-Living Adjustments (COLAs). But new legislation moving in the Senate would address that problem. Lobbying groups for drug manufacturers don't like the idea.

The Senate Finance Committee recently passed The Prescription Drug Pricing Reduction Act out of committee and now it heads to the floor for further action. The bill, which has support of both Democrats and Republicans would, among other things, cap drug prices based on the rate of inflation.

Medicaid already uses this strategy to lower drug costs, and pays much lower prices than Medicare for the same drug. In June we reported that Medicare spending on the highest price category of prescription drugs, called "specialty drugs," increased from $8.7 billion in 2010 to $32.8 billion in 2015. Spending on the same drugs under Medicaid, the program that provides healthcare for low-income Americans, grew much more slowly over the same period, rising from $4.8 billion to $9.9 billion.

TSCL's surveys have found that moving Medicare Part D to a pricing system that has similarities with Medicaid has strong support among older adults. Seventy percent of those who participated in our 2019 Senior Survey support allowing Medicare to negotiate prices for prescription drugs using a similar system to Medicaid's.

The Senate bill also would change Medicare Part D by adding an out-of-pocket maximum for beneficiaries of $3,100 starting in 2022. No such out-of-pocket cost cap currently exists. According to our 2019 Senior Survey, about one-in-five survey participants report out-of-pocket spending this high for prescription drugs. *Advisor* editor Mary Johnson estimates that this legislation would protect almost 14 million Medicare beneficiaries from out-of-pocket drug costs exceeding $3,100 in the first year of enactment if signed into law.

In addition, the bill would help finance Part D benefits. The nonpartisan Congressional Budget Office estimates the bill will save Medicare $85 billion over a decade and save beneficiaries $27 billion in out-of-pocket costs over the same period.

PhRMA, the drug industry's lobbying group, called the bill "the wrong approach to lowering prescription drug prices" and said it "imposes harmful price controls in Medicare Part D." But with drug prices for many brand and specialty drugs running into the hundreds and even thousands of dollars for a single fill, TSCL believes that restricting the rate of increase on prescription drugs, and capping out-of-pocket costs, could help save lives and improve the health of older Americans.

In the months ahead, The Senior Citizens League will continue to work for enactment of legislation that would strengthen Medicare and lower costs for current and future beneficiaries. For progress updates, follow The Senior Citizens League on Twitter. ■

Sources: The Prescription Drug Pricing Reduction Act of 2019, Description of the Chairman's Mark, Senate Committee on Finance, July 25, 2019. "GOP Senators Distance Themselves From Grassley and Trump's Efforts to Cut Drug Prices," Emmarie Huetteman, Kaiser Health News, *July 25, 2019.*

***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.

CONGRESSIONAL CORNER

Fighting Back Against Senior Scammers

By Representative Josh Gottheimer (NJ-5)

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It's always heartbreaking to hear firsthand about how fraudsters and scammers have gone after your hard-earned savings. No senior should ever have to worry that picking up the phone could mean being scammed out of thousands of dollars.

Unfortunately, for too many members of our communities, that's exactly what is happening, and it's something that I hear about far too often. Millions of seniors across the country, including my own mother, have been the victims of financial scams and they are being cheated out of their rightful retirement.

According to a report from the Senate Special Committee on Aging released this year, older Americans lose approximately $3 billion each year to financial scams and abuse. It's appalling. It's offensive. It's unacceptable. And I'm working to do something about it.

The House recently voted to pass my bipartisan Senior Security Act, which takes senior fraud and scams head on and will help the Security Exchange Commission (SEC) and, federal prosecutors, crack down on these senior-preying criminals. I introduced this bill with Republican Congressman Trey Hollingsworth of Indiana.

Firstly, the Senior Security Act will create a Senior Investor Taskforce at the SEC that will exclusively focus on how seniors are being targeted by fraudsters and those who seek to take financial advantage of them. This new Taskforce will identify challenges that senior investors encounter and will identify areas within the SEC or other organizations where senior investors would benefit from changes. The Senior Investor Taskforce will also coordinate with other offices within the Commission and the Elder Justice Coordinating Council. When appropriate, the Taskforce will consult state securities and law enforcement and state insurance regulators to ensure we're all doing as much as we can, at every level of government, to stop this.

Second, every two years, the Taskforce will submit a report to Congress outlining trends and innovations that are impacting the investment for senior investors. This will keep a cop on the beat to make sure we keep up with changes in financial scams. The report will also include recommendations for changes to rules of the SEC or other organizations, and any legislative actions needed to resolve senior investors' problems.

Companion, bipartisan legislation has been introduced in the Senate by Senator Kyrsten Sinema of Arizona and Senator Susan Collins of Maine. I'm incredibly thankful for their leadership on this issue in the Senate and I hope our bill is brought to a vote there soon, so it can head to the President's desk.

In today's environment, working together—whether that's across the aisle, across the country, or across generations—is the only way to keep our communities safe. That spirit and attitude is what America is all about, in the greatest country in the world, and that's thanks, in no small part, to the many accomplishments of our seniors.

I'll always have the backs of our seniors, and I will ensure you all have the help you need and to protect against those who seek to take advantage of you. We all know this is going to take a fight. I'm hopeful that, with the Senior Security Act, we will help create real and lasting change, and I will be here, fighting by your side, every step of the way. ■

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

CONGRESSIONAL CORNER

As Congress Fights Robocalls, Take Steps to Protect Yourself

By Representative Bradley Byrne, (AL-1)

Seniors are the most civically engaged age group in our country. Since getting elected to the House of Representatives in 2013, I have held over 150 town hall meetings across my district in Southwest Alabama, and local seniors overwhelmingly participate at a higher proportion than others.

At almost every one of these town halls, I hear concerns from seniors about robocalls and phone scams. Unfortunately, data shows that seniors are more susceptible to fraud and therefore are disproportionately targeted by criminals seeking sensitive information.

In recent years, the problem has gotten out of control. I'm sure, like me, you are getting countless spam phone calls every day. Many of these numbers even show up on caller ID as local calls despite often coming from overseas.

It is time we do something about it! Fortunately, blocking robocalls and spam calls is one area where I believe we can find bipartisan support.

This summer, the House passed the *Stopping Bad Robocalls Act*. This bill would take the simple but important step of updating existing definitions of a robocall to aid in enforcement of existing laws. Importantly, this bill also includes provisions requiring callers to verify the accuracy of their information and other protections for you and me.

The Senate passed a similar bill called the *Telephone Robocall Abuse Criminal Enforcement and Deterrence (TRACED) Act*. This legislation, which I also support, will allow federal fines of up to $10,000 per call for those who break telemarketing laws. It is time we hold these crooks accountable.

If you remember your civics lessons, you know that the House and Senate must agree on a final bill before it is sent to the President's desk for his signature. I am hopeful these bills will be combined, or that both will be passed, so we can get these protections against robocalls and spammers passed into law.

While Congress continues working on these issues, there are steps you can take to protect yourself:

- First, you can learn to recognize fraud. If a caller informs you of a problem with your health insurance coverage or social security, an outstanding warrant for your arrest, or an expiring computer software license, your antenna should go up.
- If the caller asks for action on your end, particularly for any personal or financial information, you should be wary. Ask questions to confirm the caller's identity or ask for the information in writing.
- Don't be intimidated. If the caller gets aggressive and warns that you will be taken into custody if you do not supply a credit card number, ask yourself if that is a realistic scenario. The bottom line is to use common sense and never be afraid to push back.
- Finally, if you believe you are being targeted by fraudsters or robocallers, you can report it by filing a complaint with the Federal Trade Commission, the National Do Not Call Registry, and your local law enforcement.

Representative Bradley Byrne, (AL-1)

Stopping robocalls will bring an end to an annoying practice, but it will also help crack down on fraud and scams. With these criminals always utilizing new methods and technology to break the law, Congress must address this serious and growing problem in a bipartisan manner. ■

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CONGRESSIONAL CORNER

We Cannot Cut Medicare and Medicaid

By Representative Jim McGovern (MA-2)

Representative Jim McGovern (MA-2)

This Spring, I spent my weekends crisscrossing Massachusetts and visiting coffee shops, town halls, and senior centers to hear directly from the people I work for. One thing that I've heard time and again from seniors is that we cannot cut Medicare and Medicaid.

Unfortunately, many in Washington continue to look for ways to attack or privatize these vital programs. And all too often, our leaders forget why they were created in the first place.

Before the Social Security Act of 1935, getting old usually meant being poor. And before Medicare was launched in 1966, only 51% of Americans age 65 and older had health care coverage.

Through hard work and years of dialogue and debate, we decided to put an end to that. Our seniors have worked hard—and paid for—the guaranteed benefits that Medicare and Social Security provide. Together, these programs have lifted millions of Americans out of poverty.

I believe that instead of cutting these entitlements which we fought so hard to create, we ought to be increasing benefits, improving the annual Cost-of-Living Adjustment (COLA) formula to better reflect the costs incurred by seniors, and cutting taxes for beneficiaries who have paid into the system for their whole lives.

That's why I'm a strong supporter of the Social Security 2100 Act, which would expand Social Security by making a small, simple change: asking millionaires and billionaires to pay the exact same payroll tax rate as everyone else does.

I also strongly believe that we need to give Medicare the ability to directly negotiate with pharmaceutical companies to stop the outrageous increases in prescription drug prices that seniors are facing.

Another thing I've heard is that older Americans are taking on a bigger role in raising their grandchildren. This month, over 2.5 million children in America are in a household where a grandparent is the primary caregiver. The opioid epidemic that has affected so many communities is only expected to increase that number. It goes without saying that these grandparent-led households face unique challenges. They may not have time to plan financially, or it may be difficult for them to access school or healthcare information.

So last year, I led my colleagues in the House and Senate—Democrats and Republicans—to introduce the "Supporting Grandparents Raising Grandchildren Act"—which I'm proud to report was passed by the Senate and signed into law by President Trump. Our bill creates a new federal advisory council focused on developing and disseminating information designed to help grandparents. Currently, the Department of Health and Human Services is in the process of setting up this council, and I look forward to working with them to ensure that grandparent-led households have access to the tools and support they need.

I want you to know that our new Democratic majority in the House of Representatives is committed keeping the promises America has made to our seniors and fighting for you in Washington. We are going to do everything we can to support and expand the programs you rely on. And we are going to work our tail off so that every single person in this country is treated with the fairness, dignity and respect they deserve. ■

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Social Security Benefits Estimated to Increase by 1.6% in 2020; continued from page 1

But did consumer price inflation really go down by that much?

We turned to you folks for the answers. I asked whether you have experienced consumer prices falling or rising. The response was immediate. Virtually every email insisted that consumer prices over the past 12 months are going up—not down. We received many examples of rising costs, that frequently included prescription drug and medical costs. I even received multiple e-mails that complained about "shrinking" bottled orange juice. Major brands of orange juice that used to come in 64 oz. bottles are now being sold in 52 oz. bottles at a higher price.

In the coming months, TSCL will be sharing many of your comments with journalists, the public, and Members of Congress. To get us started, see the examples sent in by Dr. Roger W.L. who tracks his own personal consumer price "market basket," in the adjacent chart.

Dr. Roger W.L. also sent this example of how costs for a specific item increased over a period of almost 13 years: Water heater, 40 gal. August 2006: $772; May 2019: $1,774.

"Same water heater, parts and installation," Roger says. "Most of the inflation was the installation cost which went up about 4 times."

This is an increase of $1,002 or 143% over almost 13 years—an average annual inflation rate of more than 10% per year.

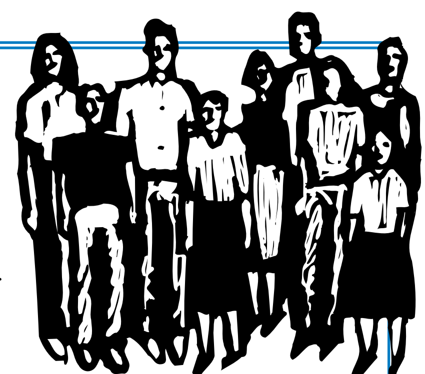
A big thank you to all of you who sent your comments and examples. Your examples can help us confirm findings in our research data and to make the case to journalists, the public, and Members of Congress that strengthening Social Security COLAs is overdue, in order to improve the buying power of benefits. Please continue to send in examples of your "market basket" of cost increases! Send us an email at www.SeniorsLeague.org. ■

WHILE THE CONSUMER PRICE INDEX WENT DOWN THESE COSTS WENT UP

*Source: Sent in by Dr. Roger W.L.

Item or service	Past Year Change	Past 3 Year Average
Total health care spending	5.5%	15.7%
Water	13.8%	7.3%
Garbage pickup	10.1%	11.2%
Electric and gas utilities	2.9%	–0.3% (after blocking off 1/3 of house & adding insulation)
Homeowners association dues	0.0%	4.8%
Food	11.9%	4.4%
Cable & Internet	3.1%	6.6%
All items* CPI-W through July 2019 Source: Bureau of Labor Statistics	1.7%	2.2%

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 www.SeniorsLeague.org.

ASK THE ADVISOR

Can You Explain the Pros and Cons of Switching to a Medicare Advantage Plan?

Q: A new Medicare Advantage plan is available in my area and the premiums are extremely low. It would save me a lot of money this year, so I'm thinking about dropping my Medigap and Part D plan to enroll in the new Medicare Advantage Plan during the fall Open Enrollment period. Can you explain the pros and cons of doing this?

A: A growing number of Medicare beneficiaries are choosing to receive their coverage through private Medicare Advantage plans, rather than traditional Medicare with a Medigap supplement and Part D plan. The choice requires careful evaluation of costs and an understanding of how the prospective Medicare Advantage works, because once you give up your Medigap plan, you probably won't be able to get another one, or if you do, you could be charged significantly more. No matter what you decide, you will still be required to pay the Part B premium.

Under traditional Medicare, most people need to buy a supplemental Medigap policy to cover Medicare's considerable out-of-pocket costs, and need to enroll in a private Part D plan for drug coverage. Medicare Advantage plans receive a lump-sum from Medicare to provide enrollees with all Medicare Part A and Part B benefits and usually have lower premiums than Medigap insurance. Many of the plans also provide drug coverage and are

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BEST WAYS TO SAVE

How You Can Get Help With Heating Costs

The Low-Income Home Energy Assistance Program (LIHEAP) is a federal program that can help eligible households with their heating and cooling costs. The program varies by state and, depending on where you live, can help with such things as:

- Paying heating or cooling bills,
- Providing help in emergencies, such as utility shutoffs, and
- Assistance in paying for low cost home weatherization to make your home more energy efficient.

The program is not meant to pay for all your energy costs, and in many places only provides assistance for your main heating source. For example, if you heat with oil, your local program may approve delivery of only a specific amount of heating oil and that may only fill a portion of your fuel tank.

The amount of help you get depends on where you live, your income, your energy costs and needs, and your family size, in addition to other factors such as your age. In addition, in many areas of the country, the program runs out of funding quickly and operates on a first come, first serve basis.

Each state operates their own LIHEAP program and has different rules about when to apply, how to apply, and the criteria to be met in order to get help. Although income requirements vary by location household incomes must be less than:

Household Size	Maximum Income Level (Per Year)
1	$18,735
2	$25,365

To apply; contact your local LIHEAP office. The programs often operate through local Social Services departments. Learn more and find contact information for your area here:

- https://www.benefits.gov/benefit/623
- LIHEAP Frequently Asked Questions: https://www.acf.hhs.gov/ocs/resource/consumer-frquently-asked-questions#Q11

More than 55% of participants in TSCL's 2019 Senior Survey support federal programs that help with energy assistance. ■

Medicare Advantage Insurers Overcharged Medicare By Nearly $30 Billion; continued from page 1

The issue is of huge importance to every Medicare beneficiary even those who have never enrolled in a Medicare Advantage plan, because Part B premiums are determined by all program costs. When Medicare overpays the private insurers who run Medicare Advantage plans, Part B premiums go up faster and the government wastes precious Medicare finances, which also drives up costs for taxpayers. *Advisor* editor Mary Johnson estimates that the overpayments cost each Medicare beneficiary roughly $3 per month more in higher Part B premiums over 2016, 2017, and 2018—the same three years when Part B premiums took the entire COLA of most Medicare beneficiaries.

Medicare Advantage plans are a private alternative to Medicare. They cover all Medicare Part A (hospital) and Part B (doctors and outpatient services) and usually cover prescription drugs as well. The plans are popular because they typically have low premiums, and sometimes offer supplemental coverage for other benefits such as vision or dental care which are not covered by traditional Medicare. The tradeoff, however, is the requirement to use in-network providers and there are copayments for every service. The plans now cover more than 22 million older Americans.

Medicare provides a capitated or fixed payment amount to the insurers for covering each enrolled beneficiary. The amount is adjusted by the enrollee's health status. Plans receive bigger payments for beneficiaries in poorer health, and lower payments for those who are in better health.

Officials have known for years that some Medicare Advantage plans exaggerate how sick their patients are by inflating the "risk scores" in order to collect higher payments from Medicare. Congress approved higher rates for sicker patients in 2003 to ensure that health plans didn't try to avoid enrolling sick patients who could incur higher costs, but some insurers have found ways to boost their "risk scores." Audits of 37 health plans by CMS revealed that, on average, auditors could only confirm 60% of the 20,000 medical conditions that CMS had paid the plans to treat. Meanwhile a 2018 report by the Inspector General of the U.S. Department of Health and Humans Services found that some private plans have an incentive to deny claims in order to boost their profits.

While CMS has conducted audits of Medicare Advantage plans in the past, officials say the agency only expects to collect $650 million in penalties—a tiny fraction of actual losses, for payments made in 2011, 2012 and 2013. Centers for Medicare and Medicaid Services recently announced a proposal that would vastly expand their audit and recovery efforts, but health insurers are challenging the new initiative.

TSCL supports strong anti-fraud and waste oversight, as well as audits in order to reduce abusive billing practices in Medicare. Because Medicare premiums are one of the fastest growing costs that older Americans face in retirement, we urge Congress to provide funding for thorough audit and recovery initiatives, in order to slow the rise of Medicare costs due to inflated billing abuse. ■

How Rising Medicare Part B Premiums May Impact Your Social Security Benefits; continued from page 1

Social Security "hold harmless" provision, the Medicare Part B premium is adjusted to prevent a reduction in Social Security benefits from December of the previous year. But the provision only applies to about 70% of all Medicare beneficiaries. Those who are not protected include people whose overall income is so low, that their Medicare Part B premium is paid by state Medicaid programs, and individuals with incomes above $85,000 or married couples with incomes of $175,000.

If you receive a low benefit and think you might be affected by hold harmless, please send us an email and let us know! TSCL supports legislation that would provide a more fair COLA by tying the annual increase to the Consumer Price Index for the Elderly (CPI-E). In most years this index tends to grow slightly faster than the CPI currently used to determine the COLA. ■

Ask the Advisor: Can You Explain the Pros and Cons of Switching to a Medicare Advantage Plan? continued from page 8

popular for providing a range of additional services that Medicare doesn't cover, such as discounts on eyeglasses or dental care. The most critical differences between Medigap and Medicare Advantage plans are in the out-of-pocket costs required (especially if you have a chronic condition, or require hospitalization) and, access to doctors and other healthcare providers.

There are several types of Medicare Advantage plans, and not all are available in all areas. Many are health maintenance organizations (HMOs), but there are also preferred provider organizations (PPO) and special needs plans, among others. Under traditional Medicare with a Medigap plan, you may go to any doctor who accepts Medicare (about 90% of doctors do). But in a Medicare Advantage HMO plan you need to use network healthcare providers in order to get coverage. If you are treated by non-network providers, you would be responsible for 100% of the out-of-pocket costs, and Medicare would not cover the cost of the claim. If the plan is a PPO, however, you would have greater flexibility to go out of network, but you would pay higher co-pays or co-insurance. Before selecting any Medicare Advantage plan, check the lists of network doctors, hospitals and other providers! It is not unheard of for Medicare Advantage plans to market to people who live a good distance from the nearest in network health care provider.

Under traditional Medicare with Medigap, you have greater freedom to select providers and to travel and still get coverage. Medigap is the better choice for people who divide their time between homes in two different states, or who like to travel outside the U.S. Several Medigap plans cover foreign travel emergencies. On the other hand under many Medicare Advantage plans, you would need to follow your plan rules to get in-network care and would be more limited to specific geographic areas. If you join a Medicare HMO and then have a medical emergency in other part of the country where your plan does not operate (such as Alaska which has no Medicare Advantage plans) you would foot 100% of the medical bill.

As you have experienced, one of the biggest appeals of Medicare Advantage plans are low, or sometimes no, premiums. However, you would still have deductibles to satisfy and co-payments for most, if not every service. In addition, plans are allowed to charge you an out-of-pocket maximum up to $6,700 in 2019, an amount that varies and tends to grow each year. Under Medigap, your premiums are higher and, depending on the policy, can increase annually. On the other hand, covered out-of-pocket costs are minimal to nothing. Medicare Advantage is more affordable when you are healthy, but can cost significantly more per year if you require a lot of healthcare services.

Before making such a major decision, we strongly recommend that you get free, one-on-one counseling from your State Health Insurance Program (SHIP) Medicare Counselor. Your counselor can help you compare plans to ensure that the choice you're considering is right for you. Many local area agencies on aging or senior centers host counseling programs. To find a program near you check the SHIP Locator here: https://www.shiptacenter.org. ■

SOCIAL SECURITY & MEDICARE QUESTIONS

How Do Distributions From a 401(k) Affect my Social Security Benefits?

Q: I'm 62 and doing some retirement planning. Can you tell me how distributions from a 401(k) would affect my Social Security benefits? Does the Social Security Administration use income from a 401(k) to calculate benefits? Would income from a 401(k) cause my Social Security benefits to be reduced?

A: The Social Security Administration (SSA) does not use distributions from any type of retirement account (IRA or 401(k)) in calculating your initial retirement benefit. Your benefit is based on your earnings and wages record reported by your employers over your working years.

When you file a claim for benefits, the SSA will use your top 35 years of earnings to determine your benefit. If you have taken time

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Social Security & Medicare Questions: How Do Distributions From a 401(k) Affect my Social Security Benefits? continued from page 10

out of the workforce to start a family or provide caregiving for an older family member, your record may show a gap for years when you had no earnings or low earnings. It's important for you to get a copy of the earnings history that the Social Security Administration has on file for you. You can get that when setting up an online mySocialSecurity account at https://www.ssa.gov/myaccount/.

Continuing to work past age 62 is especially important if you have a short work history, or years in which your earnings were low due to working part time. Working an additional five years could potentially translate into significantly higher Social Security income over the course of a retirement, and might also give you additional years to contribute to a 401(k).

The Social Security Administration has "earning restriction" rules that limit the amount you may *earn* in wages and still receive benefits when you are under your full retirement age. Those rules, however, do not apply to distributions from retirement accounts like a traditional IRA, Roth or 401(k). Assuming you have held your 401(k) long enough, you may take distributions that will not reduce your Social Security benefits.

Starting Social Security benefits before your full retirement age (which in your case is 66 and 6 months), however, would *permanently* reduce your Social Security benefits by roughly 25%. Thus, it would be to your advantage to delay starting Social Security until you are at least 66 and 6 months to avoid reductions. And once you turn your full retirement age, if you continue to delay starting Social Security, your benefit continues to grow by 8% per year until age 70.

Distributions from traditional IRAs and a 401(k) are subject to taxation, and that income can also subject your Social Security benefits to taxation as well. To determine if your Social Security benefits are taxable, use your adjusted gross income, add nontaxable interest and dividends plus half of your Social Security benefits. If your combined income is $25,000 or more (single) or $32,000 or more (joint) up to 85% of Social Security benefits could be taxable.

Since you have a 401(k), you may want to ask your company if the administrator of the plan offers help with retirement planning. If that's not available, check your local senior center, library, or even community college to learn of workshops on retirement planning in your area. The Social Security Administration website (https://www.ssa.gov) is full of information that would greatly assist with your planning. ■

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