TSCL—Defending Your Earned Benefits For 25 Years

THE SENIOR CITIZENS LEAGUE
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House Drug Bill Would Save Medicare $345 Billion

Legislation that would give Medicare authority to negotiate drug prices would save Medicare $345 billion over ten years, according to a preliminary analysis from the Congressional Budget Office (CBO). The CBO says the bill would also result in lower costs for Medicare's 61 million beneficiaries.

The Lower Drug Costs Now Act (H.R. 3) introduced in the House by Representative Frank Pallone, Jr. (NJ-6) would allow Medicare to negotiate lower prices on certain prescription drugs. Under the legislation, prices for up to 250 of the most expensive drugs could not exceed 120% of the average international market price (AIM). AIM is an international drug index based on prices in Australia, Canada, France, Germany, Japan and the United Kingdom where governments negotiate lower drug costs. Additional provisions would restrict prices of drugs when no international prices are available. If manufacturers do not enter into negotiations, they could be subject to an excise tax of up to 95% of the sales of these drugs.

The CBO estimates that the negotiated prices would be at or below the current net prices that prescription drug plans currently negotiate with

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MILLIONS OF RETIREES SPENT $5,000 ON JUST MEDICARE PREMIUMS IN 2019

An estimated 10 million Medicare beneficiaries who are covered by a Medigap policy and Part D plan, spent $5,000 in 2019—$416 per month—just for Medicare premiums according to findings from TSCL's 2019 Senior Survey. That's a significant percentage of a retiree's household budget when the average Social Security benefit in 2019 was just $1,460 per month.

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Special Issue!
2020 Senior Survey—
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THIS REALLY HAPPENED—
A 77% Social Security COLA!

By Mary Johnson, editor

Social Security beneficiaries are receiving a Cost-of-Living Adjustment (COLA) of just 1.6% this year. For many, that won't be enough to keep up with healthcare costs, let alone items like homeowners and auto insurance or rising real estate taxes. That leaves retirees digging deeper into savings—if they have any, or—going deeper into debt.

The more you learn about the COLA, however, the more the anemic annual boosts of our past decade raise questions. The very first COLA ever paid was 77%. No, you read that right, this is not a typo. It became payable in 1950, one year before I was born, and a full ten years after Ida May Fuller received the nation's very first Social Security benefit check for $22.54—the equivalent of $420.90 today.

From 1950 through 1974, Social Security benefits were increased 11 times through separate pieces of ad hoc legislation at irregular intervals. The increases varied just as they do today but *averaged 8% per year* over the 24-year period although there were long lapses between COLAs during some periods.

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Benefit Bulletin

Your Survey Responses are Helping to Change Attitudes About Social Security

By Rick Delaney, Chairman of the Board

Rick Delaney, Chairman of the Board, TSCL

Over the past 25 years, Congress has periodically debated plans to fix Social Security's financing, that rely heavily on benefit cuts. But for the first time in 2019 and 2020, Congress is considering a plan to strengthen Social Security and its benefits while making the program solvent by beefing up the payroll tax revenues flowing into the program.

Proponents of cutting benefits argue that Social Security, as it is currently structured, is unstainable because there are fewer workers to support current retirees. Social Security is estimated to run short of funds in about 15 years. Without changes and soon, Social Security benefits would have to be reduced by about 22% to match the amount of revenues that the program receives.

But TSCL's polls, surveys, and stories on the Cost-of-Living Adjustment in the media have played a key role in helping to change that debate from one in which benefit cuts are inevitable, to one which explains why benefits should be made more adequate and payroll taxes should be increased. We could not have accomplished this without the hundreds of you who take time to send in your comments and stories, and who take our annual Senior Surveys.

Our surveys are the key means to educate the public on issues, and for Members of Congress, to gauge how people think. Survey results can turn up the heat during an election year. This month, TSCL launches our annual 2020 Senior Survey, and we urge you to participate. This is our most important survey of the year, and your responses count.

TSCL is non-partisan and we are listening! This is exactly the time when your voice counts the most. Please take time now to participate in TSCL's 2020 Senior Survey starting on page 7. ■

House Drug Bill Would Save Medicare $345 Billion; continued from page 1

manufacturers. The legislation requires that the Medicare-negotiated "maximum fair price" must be made available to beneficiaries at the point of sale, estimating that consumers would save about $27 billion over the first decade in drug costs. The CBO expects that the lower drug costs will also result in lower drug plan premiums and cost sharing but is still working on quantifying the average amount of that reduction.

Because of the reduced out-of-pocket spending, the CBO estimates that beneficiaries would fill more prescriptions. This in turn, the CBO estimates, would tend to reduce federal spending for services covered by Medicare Part A and Part B by about $42 billion over the 2023–2029 period.

The drug pricing approach used in the legislation has broad support among retirees. Seventy-two percent of participants in TSCL's national Senior Survey support tying prices to an international drug pricing index in order to lower drug costs. TSCL supports legislation that allows Medicare to negotiate drug costs.

Your input on drug costs can help shape the fate of this bill. TSCL is sharing our survey results with the media and as well as with lawmakers in Congress. Please take our new 2020 Senior Survey and help us collect data on Medicare beneficiaries' out-of-pocket drug costs! Turn to page 7 for the survey or visit us online at: SeniorsLeague.org/2020survey.

Thanks to all of you who participate, from all of us at TSCL! ■

Source: "Effects of Drug Price Negotiation Stemming from Title 1 of H.R. 3, the Lower Drug Costs Now Act of 2019," letter to Honorable Frank Pallone Jr., Chairman, Committee on Energy and Commerce, Congressional Budget Office, October 11, 2019, https://www.cbo.gov/publication/55722.

Legislative Update

New Legislation Aimed At Fixing Social Security and Medicare

By Shannon Benton, Executive Director

Shannon Benton, Executive Director

Senator Mitt Romney (UT) recently led a bipartisan Senate group in introducing legislation aimed at fixing Social Security and Medicare's funding shortfalls. If nothing changes, the programs' trust funds are expected to become insolvent in 15 years. If that should occur, benefits would be reduced by about 22 percent in order to match the amount of payroll taxes coming in.

Romney's bill would not tackle changes to the programs directly but would require Congress to set up "rescue" committees. The committees would be tasked with evaluating proposals and writing legislation to extend the solvency of the Trust Funds—which include the Social Security retirement, survivors, and disability trust funds and Medicare hospital insurance. At least two members of each party would be required to work on the legislation, and any qualifying bills that are written, would get expedited consideration in both the House and the Senate.

While TSCL strongly agrees that the time has come for Congress to take action on Social Security and Medicare, we question whether rescue committees would work as desired. Over the past 25 years there have been numerous committees and commissions that developed (often) contentious plans to change Social Security and Medicare. None have been successful in getting their plans adopted as major legislation.

Rescue committees may not even be needed for Social Security. The House is working on The Social Security 2100 Act (H.R. 860) introduced by Representative John Larson (CT-1), and has the support of 208 co-sponsors. The bill would provide;

- a modest boost in benefits,
- a more generous Cost-of-Living Adjustment (COLA) by calculating the annual boost using the Consumer Price Index for the Elderly (CPI-E),
- and would reduce the tax on Social Security benefits for older taxpayers with incomes below $50,000, (single filers) and $100,000 (filing jointly).

To do this, Larson's bill would increase the payroll tax rate gradually over 24 years through annual 0.1% increases, and it would also apply payroll taxes to all earnings instead of just the first $137,700.

Our annual Senior Surveys indicate overwhelming public support for the major provisions of The Social Security 2100 Act. And based on your comments and email, that's pretty much the case, no matter which political party you happen to vote for. It's vital for all of us to make sure your Member of Congress knows how you think Social Security and Medicare should be "rescued." Please take our 2020 Senior Survey starting on page 7. ■

***The Social Security & Medicare Advisor* © 2020** 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.

ASK THE ADVISOR

Is Taxing Social Security Benefits Good Policy?

Q: Can you explain why Social Security benefits are taxed? We paid for our benefits through payroll tax withholdings during our entire working careers and since we have retired, we've paid taxes on our Social Security benefits. This is double taxation! How is this good tax policy?

A: During working years, Social Security payroll taxes are withheld from all earnings up to the taxable maximum which is $137,700 in 2020. Then once an individual begins to receive Social Security benefits, a portion of those benefits may be subject to taxation depending on income. This indeed seems like double taxation.

When Congress first made Social Security benefits taxable in 1984, the tax affected less than 10 percent of beneficiaries. It was sold to the public as only affecting high income retirees. But today more than 50% of retirees pay the tax on Social Security benefits. Unlike income brackets that are adjusted upward every year, the income thresholds that subject benefits to taxation were never adjusted for inflation. Consequently, even taxpayers with the most modest of incomes are affected by the tax today.

Social Security recipients must pay the tax if their modified adjusted gross income, which includes one half of total gross Social Security income, is $25,000–$34,000 (single filers) or $32,000–$44,000 (couples filing jointly). Those who are subject to taxation pay the lesser of 50% of benefit income or the amount of modified AGI in excess of $25,000. The revenues raised is credited to the Social Security Trust Fund.

A second tier of taxation affects taxpayers with higher incomes of more than $34,000 (single filers) or $44,000 (couples filing jointly). Up to 85% of benefits could be taxable and these revenues are credited to the Medicare Trust Fund.

Proponents of taxing Social Security benefits point to its importance in financing Social Security and Medicare. In 2018 the Social Security Trust Fund received $35.7 billion in revenues from the taxation of benefits while the Medicare trust fund received $25.1 billion.

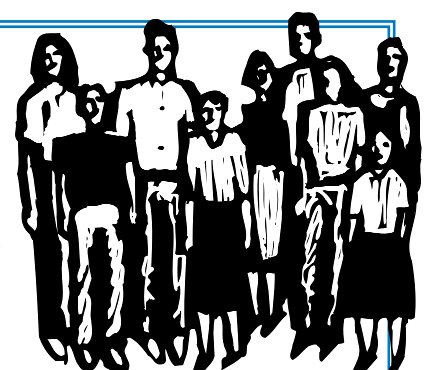
TSCL's Senior Survey has found that 55% of survey participants support lifting the income thresholds that subject Social Security benefits to taxation from $25,000 to $50,000 for single filers and from $32,000 to $100,000 for joint filers. While 32% were uncertain, only 12% were opposed.

Legislation in Congress would lift these income thresholds in a fiscally responsible way by providing new sources of revenue to replace lost revenues by the following:

- increasing the amount of wages subject to payroll taxes. In 2020 individuals earning $137,700 pay no Social Security taxes on earnings above that amount.
- very gradually increasing the payroll tax rate.

How are you affected by the taxation of Social Security benefits? Send your comments to us at www.SeniorsLeague.org. ■

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.

This Really Happened—A 77% Social Security COLA! continued from page 1

COLAs became automatic with the one that became payable on July 1, 1975 and *continued to average 8.7% annually* from 1975 through 1982. Then the bottom seemed to fall out. From 1983 through 2009 COLAs averaged 3.1%. From 2010 to 2020 COLAs have averaged just 1.4%.

Do you see a pattern here? I do. We may never know the full details, but what we do know is that our government economists at the Bureau of Labor Statistics changed the way they measured price changes. The Consumer Price Index Handbook of the Bureau of Labor Statistics contains an extensive list of ongoing changes to their methodology in measuring price change. Since the 1980s the BLS has implemented 30 changes, and many of those changes reduce the measured rate of inflation. That in turn means slower growth in Social Security benefits over time.

Not only has our government changed the way inflation is measured, and thus reduced Social Security benefits, they accomplished this without a single vote by our elected lawmakers. Congress has ducked their responsibility by leaving the job of tinkering with the math to unelected economists, leaving voters with no opportunity to hold anyone accountable.

Government economists not only changed the math, they changed the underlying concept of the consumer price index (CPI) itself. While the CPI formerly measured price changes of a fixed market basket of items from one period to the next (a concept that has been in use since the early 1700s), today the Bureau of Labor Statistics uses formulas more consistent with a *theoretical* cost-of-living (COLI) concept. And because it is theoretical, it uses estimates and in at least one of the indexes, produces data that is subject to two revisions.

The Social Security COLA was intended to protect the buying power of older Americans who for the most part, are no longer in the workforce. The majority of retirees depend on Social Security for at least half of their income, meaning that Social Security benefits tend to be spent immediately on essentials like housing, food and healthcare returning billions of dollars to the U.S. economy every year.

Social Security can be changed in two ways—but benefit cuts don't have to be inevitable. Increasing payroll taxes is the other avenue.

How can we strengthen Social Security's financing structure? Take TSCL's 2020 Senior Survey and let us know what you think about some of the leading proposals and thank you for your participation. Please visit our website to take the survey at: SeniorsLeague.org/2020survey.

To learn more—the Social Security Administration publishes a list of all *automatic* COLAs since 1975 at: https://www.ssa.gov/oact/cola/colaseries.html

See the same information available to Members of Congress on Social Security COLAs, from this report by the Congressional Research Service: https://fas.org/sgp/crs/misc/94-803.pdf ■

Millions of Retirees Spent $5,000 on Just Medicare Premiums in 2019; continued from page 1

Retirees should not try to rely on the annual Cost-of-Living Adjustment (COLA) to cover Medicare Part B and Medigap premium increases even though the COLA is intended to provide protection from rising costs. Medicare premiums are among the fastest growing costs in retirement, yet the COLA is adjusted using an index that does not include any Medicare premium data. Consequently, the annual COLA increase significantly lags behind the growth in Medicare premiums.

According to TSCL's research on typical retiree costs, Medicare Part B premiums grew 198 percent from 2000 through 2019, and the average Medigap premium grew by 135 percent over the same period. But since 2000, COLAs have raised Social Security benefits just 50 percent. This disparity means that today's retirees are forced to rely more heavily on other sources of income in retirement, such as savings and pensions if they have those resources. Millions do not. The U.S. Government Accountability Office recently estimated that 48 percent of U.S. households age 55 and over have no retirement savings.

The Senior Citizens League supports legislation that would strengthen Social Security COLAs by using the more generous Consumer Price Index for the Elderly, CPI-E to calculate the annual adjustment. Had that index been used since 2015, benefits would be about 2 percentage points higher today and an average benefit of $1,215 in 2015 would be about $26 per month higher today.

Can we fix Social Security's financing while providing a more adequate COLA? Tell us what you think by taking TSCL's 2020 Senior Survey at SeniorsLeague.org/2020survey. ■

Should I Enroll in Medicare?

Q: My wife and I run a small business and I'm turning 65 this year. May I postpone enrolling in Medicare Part B? My income is more than $190,000 and I'm concerned I will have to pay more because my income is over the limit.

A: Typically, working adults age 65 and older can delay enrolling in Medicare without penalty, if they continue to receive group health insurance through their employer. The employer, however, must have more than 20 or more employees. Employers with fewer than 20, fall under Medicare primary payer rules. Under current law, Medicare is the primary payer at age 65 and if you don't sign up by your Initial Enrollment deadline, your former insurance will no longer cover you, because by law, Medicare pays first. In addition, you would be subject to permanent late enrollment penalties for the rest of your life when you do get around to signing up for Medicare.

Due to your income, you are subject to paying high income premium surcharges for both Part B and Part D drug coverage. The income brackets that determine the amount of your premiums have been adjusted for inflation this year after no adjustments in 2011 through 2019.

To determine your 2020 income-related premium amounts, Social Security uses your most recent federal tax return which would be for tax year 2018, that you filed in 2019. The 2020 Part B total premiums for high income beneficiaries are shown in Table 1, below.

Premiums for high-income beneficiaries who are married and lived with their spouse at any time during the taxable year, but file a separate return, are shown in Table 2, bottom.

Medicare.gov has details about Medicare costs at https://www.medicare.gov/your-medicare-costs/medicare-costs-at-a-glance. ■

Table 1. Premiums for high income beneficiaries

Beneficiaries who file individual tax returns with income:	Beneficiaries who file joint tax returns with income:	Income-related monthly adjustment	Total monthly premium
Less than or equal to $87,000	Less than or equal to $174,000	$0.00	$144.60
Greater than $87,000 and less than or equal to $109,000	Greater than $174,000 and less than or equal to $218,000	$57.80	$202.40
Greater than $109,000 and less than or equal to $136,000	Greater than $218,000 and less than or equal to $272,000	$144.60	$289.20
Greater than $136,000 and less than or equal to $163,000	Greater than $272,000 and less than or equal to $326,000	$231.40	$376.00
Greater than $163,000 and less than $500,000	Greater than $326,000 and less than $750,000	$318.10	$462.70
Greater than or equal to $500,000	Greater than or equal to $750,000	$347.00	$491.60

Table 2. Premiums for high-income beneficiaries who are married and lived with their spouse at any time during the taxable year, but file a separate return

Beneficiaries who file separately	Income-related monthly adjustment	Total monthly premium
Less than or equal to $87,000	$0.00	$144.60
Greater than $87,000 and less than $413,000	$318.10	$462.70
Greater than or equal to $413,000	$347.00	$491.60

YOUR Opinion Counts!

2020 Senior Survey

Tell Congress What You Think!

Help inform the public and members of Congress about issues affecting older Americans. Your responses to this survey help The Senior Citizens League (TSCL) bring you better services to meet your needs and priorities. The results will help craft TSCL's legislative agenda and represent your interests on Capitol Hill. Your answers are vitally important and will be kept anonymous. Thank you!

Please fill out the survey on pages 7–9.

If you want to save money on postage, TSCL's 2020 Senior Survey may also be taken online at SeniorsLeague.org/2020survey

The Senior Citizens League
1800 Diagonal Road, Suite 600
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1. Which of the following amounts most closely resembles your monthly Social Security benefit increase this year, AFTER the deduction for the Medicare Part B increase? (Please DO NOT include any deductions for Part D, Medicare Advantage or any Medigap premiums.) Please check one.

   ☐ *Does not apply. I don't receive Social Security benefits yet.*
   ☐ *$0—and my Social Security benefit is less than received in 2019.*
   ☐ *$0—and my Social Security benefit is the same as received in 2019.*
   ☐ *$.01–$14.30*
   ☐ *$14.40–$25.00*
   ☐ *More than $25.00*

2. How much did you spend per month on all healthcare costs in 2019? Please include the following: all premiums for Part B, Medigap or Medicare Advantage and Part D plans, dental and vision plans (if any). Include your typical out-of-pocket spending on doctor visits, prescription drugs, trips to the dentist and optometrist. Please also include spending on items such as glasses and hearing aid batteries.

   ☐ *Less than $160*
   ☐ *$160–$375*
   ☐ *$376–$495*
   ☐ *$496–$750*
   ☐ *$751–$1,000*
   ☐ *More than $1,000*

3. How much did you spend per month on average for all out-of-pocket costs for Part D prescription drugs in 2019? Please do not include what you pay for Part D premiums.

   ☐ *Less than $50*
   ☐ *$51–$334*
   ☐ *$335–$529*
   More than $530

4. Will you pay income taxes on a portion of your Social Security benefits for the 2019 tax year (taxes that you file on April 15, 2020)?

   ☐ *Yes* ☐ *No* ☐ *Not sure*
   ☐ *Not Applicable, I don't receive Social Security yet.*

5. Proposals to change Social Security benefits vary considerably but there are three main types of benefit reductions. Do you agree with any of the following? Check all that apply.

   ☐ *Reduce the Cost-of-Living Adjustment.*
   ☐ *Reduce the monthly level of benefits.*
   ☐ *Increase the eligibility age for Social Security benefits.*
   ☐ *I would not support any of the above.*

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2020 Senior Survey; continued from page 7

6. To increase revenues coming into Social Security, which of the following approaches would you support? Check all that apply.
   - ☐ *Very gradually increase the Social Security payroll tax rate paid by workers and employers.*
   - ☐ *Apply the Social Security payroll tax to all earnings (instead of just the first $137,700.)*
   - ☐ *Apply the Social Security payroll tax to investment income that is not held in retirement accounts.*
   - ☐ *Subject all Social Security income received by beneficiaries to taxation, like pension income. All Social Security income would be fully taxable except for the portion representing the amount paid in.*
   - ☐ *None of the above*
7. Under current law both the employee and employer pay 6.2% in Social Security taxes on wages, a total of 12.4%. To increase revenues coming into Social Security which of the following approaches do you support?
   - ☐ *Gradually increase the payroll tax rate by a total of 1.4% from 12.4% to 13.8%. Increase the tax 0.1 percentage point each year until the employee and employer each pay 6.9%.*
   - ☐ *Gradually increase the payroll tax rate by a total of 2.4% from 12.4% to 14.8%. Increase the tax 0.1 percentage point each year until the employee and employer each pay 7.4%.*
   - ☐ *I don't support either one.*
   - ☐ *Not sure*
8. Under current law Social Security taxes are not applied to all of an individual's wages when they earn more than a taxable maximum, which is $137,700 in 2020. All taxable earnings up to the maximum are currently counted towards benefits. If the taxable maximum were to change, which of the following approaches would you most likely support? Check one answer only.
   - ☐ *Apply the payroll tax to all earnings above $137,700. Credit the additional earnings for benefit purposes.*
   - ☐ *Apply the payroll tax to all earnings above $137,700. Do not credit the additional earnings for benefit purposes.*
   - ☐ *I don't support either one.*
   - ☐ *Not sure*
9. Which of the following statements do you most agree with?
   - ☐ *Congress should strengthen Social Security benefits for all beneficiaries by boosting payments by about 2% ($30 per month) on average, and tying the annual Cost-of-Living Adjustment (COLA) to the Consumer Price Index for the Elderly (CPI-E) which would yield a modestly higher COLA in most years.*
   - ☐ *We should not boost Social Security benefits.*
   - ☐ *Not sure*
10. Should Congress modify the annual Social Security Cost-of-Living Adjustment (COLA)? Please check all answers that you would support.
    - ☐ *Base the COLA on the Consumer Price Index for the Elderly (CPI-E) so it better reflects the rate of inflation experienced by retirees. (Measured price change would grow about 0.2 percentage point faster and would pay higher COLAs is most years.)*
    - ☐ *Base it on the "chained" CPI which assumes less expensive products are purchased when prices rise. (Measured price change would grow about 0.2 percentage point more slowly and would pay lower COLAs in most years.)*
    - ☐ *Guarantee an annual COLA of no less than 3%.*
    - ☐ *Leave the COLA unchanged.*
    - ☐ *Not sure*
11. Do you support the following statement: To help the oldest Social Security recipients, Congress should ensure those who have received Social Security for at least 20 years receive a boost in benefits.

    ☐ *Support* ☐ *Oppose* ☐ *Not sure*

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2020 Senior Survey; continued from page 8

12. Do you feel that the Medicare eligibility age should be increased, from 65 to 67?

    ☐ *Support* ☐ *Oppose* ☐ *Not sure*

13. Do you feel that the eligibility age for Medicare should be gradually lowered until all Americans can participate?

    ☐ *Support* ☐ *Oppose* ☐ *Not sure*

14. Do you feel adults age 55 to 64 should have the option to "buy-in" to Medicare as one of their health insurance choices?

    ☐ *Support* ☐ *Oppose* ☐ *Not sure*

15. Drug manufacturers claim that allowing Medicare to negotiate drug prices would limit funding for research and development. Which of the following statements closely reflects how you think?

    ☐ *Drug prices are too high. Manufacturers can afford to reduce prices and still have plenty left over to fund research and development.*

    ☐ *If Medicare negotiates lower prices, more people could afford to fill their prescriptions and drug companies would have the opportunity to make just as much or even more than under our current system.*

    ☐ *I'm concerned that drug companies will stop developing new drugs.*

You're almost finished.

TSCL's 2020 Senior Survey may be taken online at SeniorsLeague.org/2020survey. Or you may print and complete the survey. Put it in an envelope, add first-class postage and mail your responses directly to us at:

The Senior Citizens League, 1800 Diagonal Road, Suite 600, Alexandria, VA 22314.

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