TSCL—Defending Your Earned Benefits For Over 27 Years

THE SENIOR CITIZENS LEAGUE
An Affiliate of TREA The Enlisted Association

THE SOCIAL SECURITY & MEDICARE
ADVISOR©

June 2022, Volume 27, Number 5

Inflation a Bigger Threat to Households Living on a Fixed Income

As inflation continues to challenge household budgets across the nation, researchers at the U.S. Federal Reserve say that not everyone has been affected in the same way. This is especially true for lower income households and older adults living on fixed incomes. The hardship caused by inflation's erosion in buying power hits households with lower incomes and limited savings the hardest—confirming what TSCL has been telling lawmakers in Congress.

During the Spring 2022 Institute Research Conference, Federal Reserve Governor Lael Brainard said, the consumer price index *"has limitations when it comes to representing the true cost of living experienced by different households."* Stating that *"it would be useful to have data about consumer inflation broken out by demographic groups… in order to assess the differential effect of inflation across different groups of households."*

Brainard said that lower-income households spend 77% of their income on necessities and have smaller financial cushions, making it harder to adapt when prices rise. For example, higher income households that might typically purchase a brand name yogurt may switch to a

continued on page 5

To Save Money, Employers Are Moving Their Retirees to Medicare Advantage

About 250,000 retired employees of the city of New York recently learned their health benefits would be funded in part by the federal government's Medicare Advantage program—a move estimated to save the city $600 million a year. But the city of New York isn't alone in this tactic. Seeking to save money, a growing number of large

continued on page 6

IN THIS ISSUE:

The Last Time Inflation Was This High, Social Security Was in Crisis

By Mary Johnson, editor

Higher consumer prices for just about everything continue to work through the pipeline and are reaching levels that haven't been seen since 1981. As of consumer price data through April, the COLA for 2023 could be about 8.6% making it the highest since 1981. While COLAs are intended to preserve the buying power of benefits, an increase of that size, right after the 5.9% increase this year is likely to raise the question of what happened to Social Security the last time inflation was this high two years in a row?

In 1981, I was only 30 years old and not paying attention to Social Security at the time. But what I do remember were tough times. I was lucky enough to live across the street from Buck and Florence, a retired couple who became a life-line. They taught me a lot about how to eat well even when it was next to impossible to afford much at the supermarket. They would drop by with bags of excess beans, tomatoes,

continued on page 7

Staffing Shortages at Long Term Care Facilities May Not Recover Quickly

By Rick Delaney, Chairman of the Board

Rick Delaney, Chairman of the Board, TSCL

The annual average price of a semi-private room in a nursing home in 2020 was about $95,000 at the start of the coronavirus pandemic. But that still wasn't enough to ensure quality care. Long-term care facilities were pummeled by COVID-19, losing 200,000 residents and staff to the disease by January of this year, according to a report by the nonpartisan Kaiser Family Foundation. Now, as the nation works to recover, the nursing home industry is dealing with rampant staff shortages affecting facilities in every state in the nation—posing ongoing risks to good quality, safe, long-term care.

Both policymakers and Congress have debated long term care staffing levels ever since federal requirements were established for nursing facilities to receive Medicare and Medicaid.

Poor care has been associated with a host of adverse outcomes for residents, including bed sores, increased emergency department visits, hospitalization rates, and mortality. The issues have existed long before the pandemic. Both policymakers and Congress have debated long-term care staffing levels ever since federal requirements were established for nursing facilities to receive Medicare and Medicaid. Medicare covers only *short-term* rehabilitation care after hospital stays that meet certain qualifications. Medicaid on the other hand, covers long-term nursing home stays for those with incomes low enough to qualify. Everyone in between either must pay for pricey long-term care insurance coverage, or pay the full cost out-of-pocket—often impoverishing themselves and their surviving spouse in the process.

Recently, the Biden Administration announced new policies to address staffing shortages in long term care facilities. Those policies include required minimum staffing levels, limiting the number of patients that can share one room, enhanced inspections, and penalties for facilities that don't meet the standards, among other things. President Biden's proposed reforms were reported by *Kaiser Health News* as amounting to the "biggest increase in federal nursing home regulation in nearly 40 years." But as with all regulations, there are lots of questions that remain open, and actual changes may be months away as the regulations go through the public feedback process. The new proposal is already drawing stiff opposition from the nursing home industry, which says it would be unable to meet new staffing and oversight requirements without additional federal funding.

Someone turning age 65 today has almost a 70% chance of needing some type of long-term care services and supports over the course of a retirement. One resource for learning about long-term care options in your community is through your local Area Agency on Aging. You can quickly locate your local agency by doing a Google search for Area Agency on Aging for your zip code. You may also find planning help through workshops and programs at local senior centers, libraries, and lifelong learning centers.

To stay informed about legislation to improve long term care and home care benefits, make sure to check TSCL's Weekly Update. Together, we can reset the priorities in Congress. Please take our new survey: https://seniorsleague.org/2022-senior-priority-plan/. ■

Sources: "Nursing Facility Shortages During the COVID-19 Pandemic," Nancy Ochieng, Priya Chidambaram, Mary Beth Musumeci, Kaiser Family Foundation. "Biden Pledges Better Nursing Home Care, But He Likely Won't Fast Track It," Rachana Pradhan, Harris Myer, Kaiser Health News, *March 3, 2022.*

High Inflation Could Lead to Higher Taxes for Social Security Recipients

By Doug Osborne, Legislative Liaison

Doug Osborne, Legislative Liaison

The next tax season could be a difficult one for many unsuspecting older taxpayers. TSCL believes many older adults who haven't owed federal income taxes on their Social Security benefits in the past may start doing so next year. That's because, until 2022, their incomes have been lower than the income thresholds that subject Social Security benefits to taxation. Because the annual Cost-of-Living Adjustment (COLA) boosted benefits by 5.9% this year, and record-setting inflation has created the need to withdraw larger amounts from savings, millions of retirees could wind up with a higher tax bill than usual next tax season.

TSCL thinks a *temporary* two-year suspension of the taxation of Social Security benefits would help older taxpayers who have been struggling to meet rising prices while living on a fixed income. A temporary tax holiday would allow older adults, most of whom live on fixed incomes, to keep their benefits tax free during this period of high inflation. Corporations received a Social Security payroll tax holiday during 2020 as a provision of COVID relief legislation—now it's time for Security beneficiaries to get their turn!

About half of all Security recipients can owe federal income taxes on a portion of their Social Security benefits. While those with incomes below $25,000 (single) or $32,000 (joint filers) pay no tax on benefits, retired households with incomes higher than these thresholds can owe taxes on up to 85% of their Social Security benefits.

In 1983, when Congress enacted the tax on Social Security benefits, it was estimated that the tax would affect just 10% of the highest income Social Security recipients. But unlike income tax brackets, the income thresholds were never adjusted for inflation. Today, roughly five times more taxpayers (50%) owe taxes on a portion of their benefits.

The proceeds from taxing Social Security benefits are credited to the Social Security and Medicare Trust Funds, and form an important source of funding for the benefits of current beneficiaries. In 2021, Trustees forecast that the Social Security Trust Fund would receive almost $94 billion from the taxation of Social Security benefits in 2022 and 2023, while the Medicare Hospital Insurance Trust Fund (Part A) would receive almost $33 billion over the same period.

TSCL believes, however, that Congress can provide some temporary tax relief and strengthen Social Security Trust Funds at the same time. The steady recovery of jobs since 2020 is boosting Social Security payroll taxes, and this would continue to provide funding for Social Security and Medicare in the short term. In addition, we think Congress is long over-due to update the amount of wages that are taxed for Social Security benefits. Most working adults pay Social Security taxes on every dollar earned, but the highest paid workers pay Social Security taxes on a portion of their earnings, which depending on income is sometimes a very small one. Today, the nation's highest earning employees pay Social Security taxes on just the first $147,000 of their earnings, even if they are a CEO of a major company, and their income is in the millions. According to TSCL's Senior Survey, 72% of survey participants think the Social Security payroll tax should be applied to all earnings.

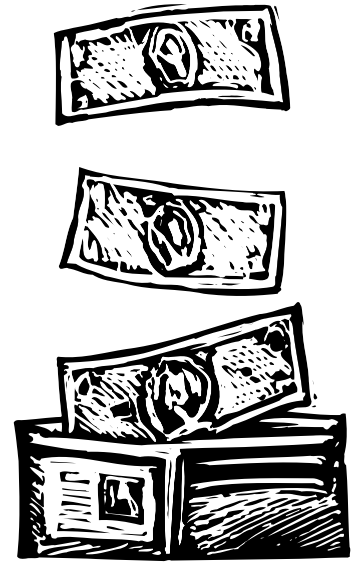
What do you think of this proposal? Please take our poll. Visit www.SeniorsLeague.org. ■

***The Social Security & Medicare Advisor* © 2022** 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.* 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.

BEST WAYS TO SAVE

Six Ways to Save When Everything is Going Up

By Mary Johnson, editor



With persistent inflation at 8.5%, a historic 40-year high compared to a year ago, everyone is looking for ways to reduce costs and save money. That's a tall order for older consumers living on fixed incomes who already tend to be very careful about staying within a budget.

What can you do to manage? There are no simple answers to this one, but here are six things to try:

- **Get a better understanding of the resources available to you.** In just about every part of the country, there's an Area Agency on Aging. These agencies can help you learn about programs that could help lower your costs and save you money if you qualify. You can find help for food, healthcare and prescription drug costs, cooling and heating assistance, transportation to doctor's visits, senior living, and long-term care options in your area. Many of the people who I've corresponded with over the years give their Agency on Aging very high marks. To find the agency near you, try Googling—Area Agency on Aging followed by your zip code. You may also want to try the National Council on Aging's Benefits Check Up tool. This application can screen you for dozens of potential benefit programs for which you may qualify. Find more information at https://benefitscheckup.org. You enter information about your situation and receive a report listing programs, contact information and phone numbers.

- **Compare drug prices and consider using GoodRx coupons at a walk-in pharmacy if you can get a better deal than your drug plan.** GoodRx is a company that provides free coupons that give you discounts on prescription drugs. These can sometimes be a better deal and worth comparing with your typical drug plan copayment. You can find the coupons on the website or via the GoodRx app, which can save you 80 percent off the list price of generic drugs at certain pharmacies. The drawback is that these purchases won't count for helping you reach the Part D threshold for catastrophic coverage. But in addition to saving money, they won't count towards your initial coverage limit either, helping you save your coverage for drugs that are priced better under your Part D plan.

- **Try shopping for new glasses online.** Shopping for eyeglasses can be tricky whether online or in retail stores. I always need help, and too frequently, the results have been mixed. My favorite online optical shop is David Kind. They design and produce thoughtfully detailed, beautifully made glasses at an exceptionally reasonable cost for the quality—$340 with single prescription lenses or $465 with progressives. I first gave them a try in 2017, and their frames held up to every task, every unintended punishment, whether it be writing *The Social Security & Medicare Advisor,* slogging through garden chores, or getting batted to the floor by a bored cat. In addition to the convenience of shopping online, David Kind provides something other online and many retail stores often lack… knowledgeable one-on-one personal service, with a real live person! David Kind allows customers to select 6 pairs to try on at home with free shipping both ways. Before shipping the try-ons back, you take selfies with the glasses you want to order and upload your photos to the David Kind website. Customers will need to upload, fax, or mail a recent optical prescription, as well. David Kind uses sophisticated software to measure your selfie for lenses. I'm not sure how it works (seemed like wizardry to me), but it recently provided me with a great new pair of precision eyeglasses. The fit is perfect and very comfortable.

- **Be cautious about using credit cards, and pay off high interest consumer credit cards and loans first.** Today's shopping and commercial transactions make it next to impossible to do business without a credit or debit card. But the cost of interest for carrying a balance is expected to go up significantly this year. You may want to shop for a new credit card that offers better interest rates and transfer your balance to the new card. Be sure to learn the fee for doing so and compare that fee to the amount you would otherwise pay on your current

continued on page 7

ASK THE ADVISOR

How Do Increased Interest Rates Work to Curb Inflation?

Q: The Federal Reserve increased interest rates "to put the brakes on inflation." How does that work? Wouldn't I pay higher costs when credit card companies raise interest rates?

A: TSCL believes that putting the brakes on inflation might take some time and that higher prices will continue for some months yet. Any measures taken by the Federal Reserve to slow inflation by raising interest rates needs to be introduced very carefully to avoid causing an economic recession. Meanwhile, consumers living on fixed incomes need to plan to keep balances carried on credit cards and other consumer loans manageable, because the cost of debt is going up.

Inflation is currently at levels unseen for about 40 years, and consumer prices have reached the highest level of inflation since 1981. In March, Fed Chairman Jerome Powell announced several expected interest rates increases this year which would affect what businesses and consumers pay to borrow. Not only will the cost of carrying debt on credit cards rise, but so will the costs of other types of loans.

Raising interest rates is the main tool that the Fed uses to slow inflation. As you have noted, when the cost of borrowing increases, banks and businesses pass these higher costs on to consumers. That, in turn, makes borrowing more expensive, and many consumers may decide not to buy right now, or to reduce their spending in some other way. Thus, the demand for many goods and services tends go down, and that slows the *rate* of price increases.

Economists warn, however, that due to continued supply chain disruptions and shortages, some prices *may not* necessarily go down, but the rate of inflation would come down as price increases slow.

The risks are in raising interest rates too quickly. Raising rates by too much too quickly could increase the risk of recession. There are geopolitical tensions outside of the Fed's control that also affect prices, particularly for gas and oil products. The conflict in the Ukraine adds to a global shortage of oil, corn, and wheat, which will tend to sustain higher prices for these products. ■

Inflation a Bigger Threat to Households Living on a Fixed Income; continued from page 1

generic store brand when prices rise. Lower income households, however, already buy generic brands to get by. When generic prices rise, the choice is to buy less, carry more consumer debt, or go without.

Bottom line, inflation not only means higher prices for many retirees, but also it means less savings, and more debt. Inflation hits savings in two ways. As prices climb, retirees are forced to withdraw more from retirement and savings accounts. In addition, inflation erodes the value of fixed income investments such as bonds and certificates of deposit. While these investments are often touted as "safer than stocks," the net return of either type can erode due to inflation.

As prices rise, more older households without adequate retirement savings wind up carrying higher amounts of consumer debt—which is generally more expensive than home mortgages and auto loans. What's more, the Federal Reserve is hiking interest rates to bring down inflation, and that will add to the cost of carrying consumer debt over time.

TSCL continues to advocate for more fair and accurate measures of the inflation experienced by older adults, and a one-time $1,400 stimulus check for Social Security recipients. Please help us put together the legislative priorities that matter most to you and to reset the agenda for Congress! Take our new survey: https://seniorsleague.org/2022-senior-priority-plan/. ■

Sources: "Variation in the Inflation Experiences of Households," Lael Brainard Member Board of Governors of the Federal Reserve System, Spring 2022 Institute Research Conference, Minneapolis, MN.

To Save Money, Employers Are Moving Their Retirees to Medicare Advantage; continued from page 1

employers are shifting their retired employees from their own retiree health plans, which included traditional fee-for-service Medicare, to private Medicare Advantage plans.

To save money on healthcare benefits, employers negotiate with private insurers to create Medicare Advantage plans that are available only to the retirees of the employer. Like all Medicare Advantage plans, the federal government pays the insurer a fixed amount for each person in the plan.

Critics say the details, including the cost to taxpayers, are for the most part kept hidden, because the Centers for Medicare and Medicaid Services (CMS) is not a party in the negotiations. TSCL suspects that these arrangements are contributing to the rapid rise in Medicare Part B premium costs for every Medicare recipient—affecting beneficiaries who aren't even enrolled in a Medicare Advantage plan. Medicare Advantage plans include coverage for Medicare Part B, and when the costs in those plans increase, that has an impact on Medicare Part B premiums. Those premiums grew by 14.5% in 2022, one of the largest increases in program history.

To save money on healthcare benefits, employers negotiate with private insurers to create Medicare Advantage plans that are available only to the retirees of the employer. Like all Medicare Advantage plans, the federal government pays the insurer a fixed amount for each person in the plan. These employer-sponsored Medicare Advantage plans receive billions in federal payments, but their Medicare Advantage plans are not held to the same requirements that apply to policies available to individual beneficiaries who shop for plans. Among other things, plans can have weaker requirements for provider networks, and have different enrollment deadlines.

Although the federal government's payments to Medicare Advantage plans are supposed to be equal to what it would cost if beneficiaries stayed in the traditional fee-for-service Medicare, the arrangement doesn't save money for Medicare. In fact, the federal government spends about 4% more, according to the Medicare Payment Advisory Commission which advises Congress. Considering that Medicare Part B is expected to spend about $449 billion in 2022, the extra costs for Medicare Advantage could amount to roughly $18 billion.

In 2017, CMS paid Medicare Advantage plans $6.7 billion more than the cost of caring for those beneficiaries in traditional Medicare, according to an investigation by the inspector general for the U.S. Department of Health and Human Services. Much of that difference occurs when Medicare Advantage plans inflate their "risk" scores—even when services are not provided or medically necessary—to receive higher reimbursements from CMS. Medicare pays more for patients who are sicker.

Editor's note: Employees who are shifted to private employer Medicare Advantage plans earn their Medicare coverage through payroll tax withholdings from wages. These shifts, however, are occurring at a time when the Medicare Part A Hospital Insurance Trust Fund is just four years from insolvency. To keep Medicare Part A solvent, our elected lawmakers need to come up with a plan for addressing the coming Trust Fund shortfall and to educate voters about these plans. Let us know which options you support (or don't). Take our new survey: https://seniorsleague.org/2022-senior-priority-plan/. ■

Your Opinion Counts!

We can strengthen Social Security, Medicare and Medicaid programs without the need for deep cuts and higher out-of-pocket costs. The Senior Citizens League needs your opinions and ideas to share with Members of Congress on the issues. Make sure they hear your concerns. Take a survey, sign a petition, read about the latest legislative action in Congress, or send us an email. Visit The Senior Citizens League's website at https://seniorsleague.org/2022-senior-priority-plan/. ■

The Last Time Inflation Was This High, Social Security Was in Crisis; continued from page 1

corn, and other vegetables they grew themselves. I started growing my first tomatoes in those years.

In 1981, the Social Security COLA was a formidable 11.2% following an astonishing 14.3% COLA just the year before—and Social Security was in financial crisis. Its finances were deteriorating and, only four-years earlier in 1977, Congress had passed legislation that deeply cut Social Security benefits, by changing the Social Security benefit formula. Two years later in 1983, as Social Security was just weeks away from being unable able to pay full benefits, Congress passed major Social Security reform legislation raising payroll taxes and making even more benefit cuts.

The situation faced by lawmakers in Congress during that period is somewhat different from the one facing Congress today. At the start of 1983, the Social Security Trust Fund was just weeks from insolvency. At the start of 2022, the Social Security Trust Fund is about 11 years from its expected date of exhaustion. But some factors are still similar, such as the imbalance in the number of people receiving benefits to the number of people currently working and paying into the system. Social Security is a pay-as-you-go system. Taxes for today's workers are used to pay the benefits of current beneficiaries. What makes the challenge so much bigger today is the magnitude of the system's funding shortfall today, which is much greater than that of the period leading up to the 1983 amendments.

There's also a difference in payroll taxes. The really big difference today is that wages are rising, and higher wages mean more payroll taxes for Social Security. In 1983, high inflation occurred while at the same time wages were lower than expected. Lower wages meant less payroll taxes flowing into the system. Even today, payroll taxes account for about 90% of the funding for benefits. In addition to higher wages, other factors continue to drive up prices, such as:

- **Shortages** caused by supply chain disruptions and shipping backlogs.
- **Rising housing costs.** Mortgage rates are climbing due to higher interest rates, and rents are higher after the expiration of rent increase moratoriums enacted in 2020 COVID relief legislation.
- **Higher energy prices.** Gasoline prices that were already high were made even worse by the war in the Ukraine, which is also expected to affect the price of wheat and corn products.

While we have a little more time than Congress did in 1983, Congress can avoid deep benefit cuts and steep tax increases when it enacts small changes phased in over the longest possible time. But eleven years is not that much time for people close to retirement to adapt.

How should Congress approach Social Security's finances? Please help us put together the legislative priorities that matter most to you and reset the agenda for Congress! Take our new survey: https://seniorsleague.org/2022-senior-priority-plan/. ■

Six Ways to Save When Everything is Going Up; continued from page 4

card. If you tend to pay your credit card balance in full every month, you may want to shop for a card that offers the best points or cash back deal. There are several good sites to shop and compare the best credit cards but offers can vary. Be sure to read the fine print about repayment terms.

- **Contact your phone and internet providers and ask for a lower cost plan.** If you mainly use your cell phone to make calls and not for a lot of internet-intensive tasks, ask your provider about minimum data plans that could save you money.
- **Stream movies for free or at a reduced cost.** Unless you are a serious movie junkie, there's no need to spend a lot of money on subscriptions for streaming movies or buying DVDs. Before you do, visit your local library. Your library probably has a collection of DVDs to choose from and even movies that you can stream for free. If you are signed up for Amazon Prime, your subscription includes hundreds of free movies you can stream. You can also find favorite movies for free on You Tube. ■

CONGRESSIONAL CORNER

Food Insecurity Increasing for Seniors

By Representative Andre Carson, (IN, 7th)

Representative Andre Carson, (IN, 7th)

One of the greatest crises facing seniors in America, which is frankly not talked about enough, is food insecurity. A study in 2019 found that 5.2 million Americans over the age of 60 faced hunger. During the COVID-19 pandemic, this alarming figure is believed to have climbed even higher.

Unfortunately, this crisis has been years in the making. Food insecurity among seniors is driven by several factors that desperately need to be addressed. The good news is that my fellow Democrats and I are working hard to respond boldly to this multi-faceted problem.

One of the largest predictors of food insecurity, for seniors and Americans of all ages, is where a person lives. Across the country—in cities, suburbs, and rural areas—millions of people live in 'food deserts,' where there is a lack of access to grocery stores, making it prohibitively difficult to buy healthy and affordable foods. Many residents, seniors included, are forced to buy food at gas stations, corner stores, or unhealthy fast food restaurants. To fight this problem, I've introduced a bill called the Food Deserts Act. This legislation helps the USDA provide low interest loans to folks who are eager to open up grocery stores in neighborhoods where they are lacking, including non-profits or co-ops. It also empowers and prioritizes local entrepreneurs over big box retailers, many of which have abandoned disadvantaged communities. I'm working hard to build support for this bill and get it enacted.

Meanwhile, many seniors can't easily get to grocery stores that are already close by because they lack access to public transportation. Older Americans desperately need ways to get around their communities that don't require driving. That's why I'm pleased that the bipartisan Infrastructure Investment and Jobs Act, which became law last year, is providing nearly $90 billion in guaranteed funding for public transit over the next five years. For example, my home state of Indiana is expected to receive around $673 million in that timespan. This will help my hometown of Indianapolis improve and expand its Bus Rapid Transit (BRT) system, which will be a boon for seniors in my community.

One of the largest predictors of food insecurity, for seniors and Americans of all ages, is where a person lives.

Seniors are also feeling the pinch of rising prices, which can be particularly hard for Americans on fixed incomes. To help ease this pain, President Biden has authorized the largest Social Security Cost-of-Living Adjustment (COLA) increase in 40 years. Though this isn't a complete fix, it certainly helps take some of the burden off of older Americans as we work to bring down costs for all consumers.

One of those essential expenses we must bring down for seniors is prescription drug costs. The exorbitant prices many older Americans pay for life saving drugs make it much harder to afford other necessities, like groceries. That's why the House of Representatives recently passed a bill to cap the cost of insulin at $35 dollars a month. Around 29% of Americans age 65 and older have diabetes, making the need to lower the cost of insulin vital for this group. This bill is a good start, but we need to do even more, because it's clear that when prescription drug costs go down, seniors' quality of life goes up.

Increasing access to healthy foods is critically important for seniors, and I'm pleased we're making progress under President Biden's leadership. I'll continue doing all I can to help America's seniors achieve the security and well-being they have earned. ■

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