

## Social Security COLA In 2023 Will Be 8.7%

Social Security beneficiaries will receive an 8.7% Cost-of-Living Adjustment (COLA) in January—one of the highest in the history of the program. The COLA, which is intended to protect the buying power of Social Security benefits when prices rise, comes after a second year of historically high inflation has left millions of older and disabled adults cutting back on meals, dipping deeply into emergency savings and often dealing with deep anxiety over how the bills would be paid.

According to TSCL's latest Retirement Survey results, 80% of survey participants report that their standard of living has worsened since the start of the COVID-19 pandemic in 2020. Those who have savings say they have drawn down savings more rapidly than planned, and those who have no saving report they have taken on debt and/or have turned to low-income assistance programs such as SNAP and Medicare Savings Programs.

While the exact amount that individuals receive will vary, an 8.7% COLA will raise an average retiree benefit of about \$1670 by \$145.30 to \$1,815.30 prior to the deduction of Part B premiums. The Social Security

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## How Will the Prescription Drug Provisions of the Inflation Reduction Act Affect Your Drug Costs in 2023?

- Medicare will start negotiating drug prices starting in 2023, as implementation of drug provisions in the newly enacted Inflation Reduction Act (IRA) gets underway, but savings will come gradually over several years.
- Starting in 2023 drug manufacturers will be

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## 21% OF MEDICARE BENEFICIARIES HAVE APPLIED FOR EXTRA HELP WITH MEDICARE PRESCRIPTION DRUG PLAN COSTS

### Here's How that Could Change

*Mary Johnson, Editor*

About one in five Medicare beneficiaries (21%) who participated in TSCL's Senior Priority Plan Survey conducted from May - July, report that they filed an application for Medicare Extra Help over the past 18 months. Medicare Extra Help is the federal program that helps with prescription drug costs. Under current law, eligible individuals having limited income and savings may qualify.

Depending on income, Medicare Extra Help offers valuable benefits. The Social Security Administration estimates that the coverage is worth about \$5,100 per year. Here's what's covered:

- Your Part D plan monthly premium, up to a specific amount set by your state.
- A portion of your out-of-pocket costs and spending on prescription drugs.
- The Part D late enrollment penalty, which is applied to Part D premiums if you delayed enrollment in Part D.

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# Will the Social Security Benefits of One in Five Older Adults Become Taxable for First Time In 2022?

By Edward Cates, Chairman of the Board, TSCL

About one-out-of-five Social Security recipients whose incomes are so low that they never had to pay taxes on their Social Security benefits before are worried that their benefits may become taxable for the first time this coming tax season, according to TSCL's latest Retirement Survey. In 2022 Social Security recipients received a 5.9% Cost-of-Living Adjustment (COLA) which boosted average benefits by about \$1,108 for the year. While not a huge sum, even an increase of this size may just be enough to push many older taxpayers over the income thresholds that trigger the taxation of their Social Security benefits.

Social Security recipients can owe taxes on a portion of their Social Security benefits when their "provisional" income is greater than \$25,000 (individuals) or \$32,000 (joint filers). Unlike income tax brackets which are adjusted for inflation, these thresholds are fixed and have never been adjusted since the law requiring the taxation of Social Security benefits was

enacted in 1983. Consequently, a rising number of older taxpayers learn their Social Security benefits are taxable each year as cost-of-living adjustments increase Social Security income above that threshold. To determine whether Social Security benefits are taxable, the taxpayer's adjusted gross income is added to one-half of Social Security benefits and certain non-taxable interest.

Early results from TSCL's latest retirement survey suggest that this additional group who might pay the tax on their Social Security benefits for the first time in 2022 could potentially increase the number of those paying taxes on their Social Security benefits in 2022 from about 50% of Social Security households to as many as 58% according to TSCL's latest Retirement Survey.

The good news is that tax experts are forecasting that income tax brackets, the standard exemption and exemption for age 65 are likely to see a record high



Edward Cates,  
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adjustment for inflation which may offset much of the tax on benefits.

However, most almost all retirees feel that taxing Social Security benefits is a form of double taxation. TSCL feels that Congress should consider tax measures that would adjust income thresholds to allow Social Security recipients to keep more of their Social Security benefits. TSCL believes that this can be paid for by applying the Social Security payroll tax to all earnings rather than just the first \$147,000 in earnings.

Do you think you will pay taxes on your Social Security benefits in 2022? Please let us know by taking TSCL's new 2022 Retirement Survey. And thanks for your help!

### Please Take TSCL's 2022 Retirement Survey!

How have you been impacted by inflation and our economy in 2022? Please let us know by taking TSCL's new 2022 Retirement Survey. Your participation is very important. Even if you have taken our surveys earlier this year, there's a reason to take this one. Your answers help us spot new problems and trends long before the federal government or Congress ever does. The findings of these surveys frequently are featured in major news stories which can inform the public about issues impacting older Americans, and that can change minds in Congress. ■

### Your Opinion Counts!

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-retirement-survey/>. ■



# Changes that Older Americans Support to Strengthen Social Security Benefits

By Daisy Brown, TSCL Legislative Liaison



Daisy Brown,  
TSCL Legislative Liaison

No matter what their party leaning, older voters share some clear legislative priorities for Congress. TSCL's latest Senior Priority Survey highlights the type of changes that retirees of all political persuasions tend to support for strengthening Social Security benefits and program financing.

... TSCL is working with lawmakers to find solutions that protect the benefits of older Americans...

An overriding concern of almost every survey participant is the adequacy of Social Security benefits to support beneficiaries through their entire retirement. Only 6% thought their Social Security benefits would be adequate to meet their needs. The other 94% are uncertain, worried, falling behind, or in need of help.

But the path to fixing this situation isn't easy. Social Security is forecast to run low in just 13 years, and should Congress take

no action to fix things, benefits would be automatically reduced by more than 20% to match the amount of revenues coming into the system. In fact, policy experts believe that any plan to fix Social Security will need to include *both* benefit cuts and revenue increases.

Nevertheless, 65% of participants in our new survey want a Social Security solvency plan that raises tax revenues *without* cutting benefits. Of several choices, the majority—50% of survey respondents—support lifting the amount of wages subject to taxation which is currently capped at \$147,000 so that the Social Security payroll tax is applied to 100% of earnings. Sixteen percent think the rate of Social Security taxes paid by employees and matched by employers should be very gradually raised by 0.1% per year.

TSCL's survey and a new poll identified several ways that survey participants think Social Security benefits should be improved including:

- **71% support better protecting benefits from inflation**, tying the annual Cost-of-Living Adjustment (COLA)

to a consumer price index that more fairly represents senior spending.

- **60% support providing Social Security recipients tax relief** through a suspension of the taxation of Social Security benefits.

In addition, TSCL's petition to Congress for passage of a one-time \$1,400 stimulus check for Social Security recipients has over 188,900 signers.

For Congress, coming up with a plan that can strengthen Social Security benefits at the same time it beefs up program financing is no simple task. You can be sure TSCL is working with lawmakers to find solutions that protect the benefits of older Americans while urging Members of Congress to act quickly on these important reforms.

Tell us what you think. Your participation in TSCL's surveys can help change minds and votes in Congress. Please take TSCL's new 2022 Retirement Survey at <https://seniorsleague.org/2022-retirement-survey/>. And thanks for your help! ■

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## BEST WAYS TO SAVE

# 5 Common Complaints About Medicare Advantage Plans and What Can be Done about Them

*Medicare Advantage plans are a popular choice for 48% of all Medicare beneficiaries—many of whom select their plan out of the need to keep healthcare costs in check. Nearly 7 in 10 Medicare Advantage enrollees are in plans with no premium, and plans may provide additional benefits such as eye or hearing exams that aren't covered by traditional Medicare. But Medicare Advantage plans aren't the best choice for everyone. The oldest and sickest Medicare Advantage enrollees are particularly at risk of the highest annual out-of-pocket spending. Even worse, it's not until plan enrollees develop health problems that they learn how much they may need to spend out-of-pocket, which often comes as a big surprise.*

Here are 5 of the most common complaints about Medicare Advantage that we've heard over the years and some tips to deal with unpleasant surprises:

## **1** **Plans make changes every year.**

Medicare Advantage plans are administered by private insurers who contract with the government to provide Medicare benefits. Medicare sets coverage parameters annually, and plans are given leeway in what to charge for co-pays and coinsurance, their

provider networks, how they impose prior authorization for services, and the drugs covered as well as other benefits.

**Avoid surprises:** Comparing plans is one of your most effective tools for saving money in the following year. You can learn how your costs will be increasing in 2023 and whether other plans in your area may soon be a better choice for you. During Medicare Open Enrollment, October 15 - December 7, check your Medicare Advantage plan benefits costs and provider networks for 2023. Get trained, unbiased help with this task. Find free one-on-one counseling through State Health Insurance Assistance Programs, many of which operate through Area Agencies on Aging. Get help here: [HYPERLINK "https://www.shiphelp.org"](https://www.shiphelp.org) <https://www.shiphelp.org>. Click the "SHIP Locator" button to find contact information for your state program. Make an appointment for counseling now, by saying you need help comparing your Medicare Advantage plan options. Don't wait. Medicare Open Enrollment ends soon.

## **2** **Zero premium Medicare Advantage plans are not "free."**

Far from it, even zero premium Medicare Advantage plans still cost plenty when you get sick. For starters, you must have Medicare Part B which in 2023 will cost \$164.90 a month for most beneficiaries. Some plans may help pay all or part of the Part B

premium, but Medicare Advantage plans charge co-pays and coinsurance for most services that you receive. Unless you are in a Medicare/Medicaid plan for low-income seniors, you will still pay about 20% of the cost of the care that you receive up to the annual maximum. If you are sick and need more visits to doctors and health services, the more you will pay out-of-pocket. Thus, you will need to budget more for your healthcare as you get older, even though most retirees have less savings and resources to spend as they age.

**Avoid surprises:** Figure out how much you spend out-of-pocket annually, and that means organizing your receipts. Keep track of medical expenses, the health care services you receive, and prescriptions you fill. (You may already do this if you pay income taxes since medical expenses might potentially be deductible.) In your records, note the number of visits to doctors, hospital, or other healthcare providers and what you currently spend on copays and co-insurance. Keep a list of all your prescription drugs and co-pays. Keep track of what isn't covered now or what cost more than you thought it would. Check the notice of changes for 2023 booklet from your health plan and compare your costs in 2022 with what your estimated costs will be in 2023. Once you have an overview of your annual spending now, you will be better able to compare plan options to determine if you can

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*Social Security COLA In 2023 Will Be 8.7%; continued from page 1*

Administration notifies beneficiaries the last week of December, or early January with a “Your New Benefit Amount” notice which shows the amount of the COLA the recipient can expect, minus deductions for Medicare premiums and tax withholdings. (You can roughly figure the amount you are likely to get by multiplying the gross Social Security benefit received in 2022, the amount received prior to deductions for Medicare premiums and taxes, by 8.7%.)

In addition, to the record setting increase in Social Security benefits,

Medicare Part B premiums won't increase in 2023, but will go down by \$5.20 per month from \$170.10 in 2022 to \$164.90 in 2023. That means most or even all of the 2023 COLA boost can be used for other needs such as; winter heating bills, restocking the pantry, or paying down balances on credit cards.

The lower premiums are due to a reassessment of the Part B premium earlier this year. The Centers for Medicare and Medicaid Services (CMS) recently said that Part B premium charges in 2022 were significantly higher than needed and the excess amount accumulated in Part B contingency funds were used to

reduce the Part B premium in 2023.

While that news sounds hopeful, TSCL continues to watch for signs that inflation is slowing down. Prices right now are still high, especially when compared to a year ago. Older adults should continue to plan carefully including for the possibility that the COLA in 2023 and the COLA this year would make a portion of Social Security income taxable.

How has inflation affected you this year? Please let us know by taking Retirement Survey. at <https://seniorsleague.org/2022-retirement-survey/>. ■

*How Will the Prescription Drug Provisions of the Inflation Reduction Act Affect Your Drug Costs in 2023? continued from page 1*

required to pay rebates to Medicare if drug prices rise faster than inflation.

- In 2023, insulin copays will be limited to \$35 per month per prescription for diabetics, but most Medicare recipients will wait a couple of years, until 2025, for a \$2,000 out-of-pocket cap on Part D spending to go into effect.

The Congressional Budget Office estimates that the Inflation Reduction Act prescription drug provisions will reduce Medicare spending on drug costs by about \$288 billion and will save money at the pharmacy for beneficiaries as well. But those savings will unfold gradually over the course of the next four years.

The law authorizes the Health and Human Services Secretary to begin negotiating prices on certain prescription drugs in 2023 which are

among those with the highest levels of government (and consumer) spending. The negotiated prices will go into effect in 2026 for the first 10 drugs and 60 drugs will have negotiated prices by 2029. Not all costly drugs are eligible for negotiation. The drugs that will be negotiated are limited to older single source brand drugs with no generic equivalents, meaning only one company manufactures the brand medication. Those targeted for negotiation include drugs having high spending in Part B or Part D that do not have competing small molecule generics or biosimilars. While negotiations begin in 2023, negotiated drug prices won't show up in pharmacies until 2026 and thereafter.

In addition, the bill requires drug manufacturers to issue rebates to the Centers for Medicare and Medicaid Services (CMS) when a drug's price increases faster than the rate of inflation. Manufacturers that fail to comply are subject to

civil penalties. From 2019 to 2020, half of all drugs covered by Medicare had price increases above the rate of inflation over that period, according to the Kaiser Family Foundation.

Beginning in 2023, copayments for insulin taken by diabetics will be limited to \$35 per month per prescription for covered insulin products in Medicare Part D plans and for insulin furnished through durable medical equipment under Medicare Part B with no deductible.

How are medical costs affecting your household budget? Please let us know by taking TSCL's 2022 Retirement Survey at <https://seniorsleague.org/2022-retirement-survey/>. ■

*Sources: "Understanding the Democrats' Drug Pricing Package," Rachel Sachs, Health Affairs, August 10, 2022. "How Would the Prescription Drug Provision in the Senate Reconciliation Proposal Affect Medicare Beneficiaries?" Juliette Cubanski, Tricia Neuman, Meredith Freed, Kaiser Family Foundation, July 27, 2022.*

## ASK THE ADVISOR

### Will I Have a Tax Bill Next April?

**Q:** My wife and I did not pay any tax for 2021. Our only income was \$30,900 in Social Security and a \$10,000 certificate of deposit which was earning next to zero interest. In 2022, we expect to receive \$32,723 in Social Security and \$18,000 from an IRA. Will we owe any taxes?

**A:** Taxation rules for retirement income varies, depending on the type of income that you receive. But regardless of the source, IRS rules say *taxes that you owe must be paid as you receive income during the year*, either through withholding or estimated tax payments.

When your only source of retirement income is Social Security, you probably won't pay any federal income taxes on that income. But up to 85% of Social Security income may become taxable if you have income from other sources, such as savings from a traditional IRA or 401(k), pension, job, or other sources.

Will your income fall within the taxable range? It appears to. The

IRS has a worksheet that you can fill in to figure out if your Social Security benefits will be taxable.

To calculate this, multiply your Social Security benefits by 50% (or 0.50). In your case, this would be:

$$\begin{aligned} \$32,723 \times 0.50 = \\ \$16,361.50 \end{aligned}$$

Add your total taxable income from other sources, such as your retirement account.

$$\begin{aligned} \$16,361.50 + \$18,000.00 = \\ \$34,361.50 \end{aligned}$$

Add any tax-exempt interest; in your case, there is none.

$$\$34,361.50 + \$0.00$$

Your combined income is:

$$\$34,361.50$$

If the sum exceeds \$32,000 for married couples filing jointly, or \$25,000 for single filers, then a portion of your Social Security benefits will be taxable. You can calculate the taxable portion using the worksheet found in the instructions for federal 1040

returns (on page 31 in the 2021 edition).

One way to avoid a tax bill in April is to consider having taxes withheld from your Social Security benefits and from your retirement account distributions. The easiest way to set up withholdings from Social Security benefits is by setting up a "my Social Security" account (<https://www.ssa.gov/myaccount/>) if you haven't done so already.

If you haven't done that yet and think you may owe taxes, you still have time to send in an estimated tax payment as long as you do so by January 15, 2023. To learn about estimated payments get IRS publication 505 (2022) Tax Withholding and Estimated Payments, which can be found at [https://www.irs.gov/publications/p505#en\\_US\\_2022\\_publink1000194643](https://www.irs.gov/publications/p505#en_US_2022_publink1000194643).

How are your taxes affected in 2022? Please let us know by taking TSCL's new 2022 Retirement Survey at <https://seniorsleague.org/2022-retirement-survey/>. ■

*21% of Medicare Beneficiaries Have Applied for Extra Help with Medicare Prescription Drug Plan Costs: Here's How that Could Change; continued from page 1*

Currently the program pays full benefits for those with incomes up to 135% of the federal poverty level (\$18,347 yr.) individual / (\$24,719 yr.) couple. But those with incomes between 135% and 150% of the federal poverty level, (\$20,628 yr.) individual/ (\$27,465 yr.) couple receive partial benefits, leaving many low-income older adults with some high prescription costs. With the passage of the Inflation Reduction Act, Medicare

recipients with incomes between 135% and 150% of the federal poverty level will be eligible to receive full assistance with their Medicare Part D premiums, deductibles, and cost-sharing, starting in 2024.

The timing of this is particularly important for people whose incomes may be on the borderline now for full benefits. This group who currently have incomes on the high side of 135% of the federal poverty level range, could potentially get bumped into the 150% range of partial benefits

in 2023 due to an 8.7% cost-of-living adjustment (COLA). While this group may see their Medicare Extra Help benefits trimmed for 2023, if their income stays within the 150% range for 2024, they can look forward to full Medicare Extra Help benefits in 2024.

How have you been impacted by inflation and our economy in 2022? Please let us know by taking TSCL's new 2022 Retirement Survey at <https://seniorsleague.org/2022-retirement-survey/>. ■

*Best Ways to Save: 5 Common Complaints About Medicare Advantage Plans and What Can be Done about Them; continued from page 4*

find a better Medicare Advantage Plan during Medicare Open Enrollment.

### 3

#### **You may have multiple co-pays for the same visit.**

When you visit your primary care physician, you may be asked for a modest co-pay at the time of service. But depending on the extra services that you require, there could be more co-pays. For example, your doctor may refer you to a specialist. When you visit a specialist, the co-pay often is higher than your usual primary care physician co-pay. If your doctor or specialist orders lab or diagnostic tests, you may have co-pays or co-insurance for each of those. In addition, because the healthcare providers send the bill directly to Medicare Advantage plans and not to Medicare, your plan might deny claims that Medicare would otherwise approve. While the reasons can vary, denials often occur because the doctor's office did not receive pre-authorization for the service. That leaves you with the choice of going through the hassle of appealing the claim (which may be worth doing if the bill seems incorrect or too high) or paying the unanticipated additional co-pays if they check out as correct.

**Avoid surprises:** Visits to the doctor can sometimes mushroom into more services than anticipated, especially if your doctor finds new symptoms. Keep track of the services provided in each visit. Record notes on your phone or carry along a log for medical records. Learn all you can about how your plan works ahead

of time, ask about pre-authorization and when it is needed. Find out what preventive services your plan might cover with no-copays, and when to expect additional cost sharing. If you have questions about pricey services such as CT scans or other tests, call the customer service number of your health plan and ask for an estimate of the cost prior to getting the service.

### 4

#### **Hospitalization costs more.**

Nearly 17% of Americans 65 and up are hospitalized at least once during the year. According to a recent study by the Kaiser Family Foundation, half of all Medicare Advantage enrollees would incur higher costs for a 5-day hospital stay than beneficiaries in traditional Medicare who have a Medicare supplement (Medigap) plan.

**Avoid surprises:** When comparing Medicare Advantage plans during Medicare Open Enrollment, the cost of hospital stays are an important factor to consider, particularly if you have a serious health condition, such as a history of heart disease or diabetes. You may need to contact your current health plan for help getting an estimate of this cost. To make sure you aren't low-balled, ask the average cost of hospitalization for other enrollees who have health conditions similar to yours.

### 5

#### **High out-of-pocket annual maximums.**

In 2022, the federal government allows Medicare Advantage plans to set annual out-of-pocket limits as high as \$7,550 for in-network care, and up to

\$11,300 for both in and out-of-network services (but plans have the option to set lower limits). The limits are increasing to \$8,300 for in-network care and \$12,450 for in and out-of-network services in 2023. Please note: Out-of-pocket limits do not include what is paid for premiums. Out of pocket refers to the amount that enrollees spend in a year before their health plan picks up 100% of the cost of services. Maximum out-of-pocket limits are determined by Medicare and tend to climb annually.

**Avoid surprises:** While having a reasonable limit—preferably a low one—is very important, don't fall for the claim that an out-of-pocket limit will "protect you from bankruptcy," as insurance sales staff may tout. Make that determination yourself. How many years could you afford to be spending \$8,000–\$12,000 a year for healthcare (not counting premium costs) if you were to develop a very serious condition or require a very expensive drug? For many middle-income seniors who don't receive low-income assistance, not very long. For those who do have savings, hope for the best but plan for the worst. Your goal might be to set aside enough for premiums and your total out-of-pocket maximum for the year (\$8,000–\$12,000). Depending on your situation, you may need to allow more if you have costs that aren't covered by Medicare. This is especially the case for long term care services and supports. ■

*Sources: "Medicare Advantage in 2022: Enrollment Update and Key Trends," Meredith Freed, Jeannie Fuglesten Biniek, Tricia Neuman, Kaiser Family Foundation, August 25, 2022. "Medicare Advantage in 2022: Premiums, Out-of-Pocket Limits, Cost Sharing, Supplemental Benefits, Prior Authorization and Star Ratings," Meredith Freed, Jeannie Fuglesten Biniek, Tricia Neuman, Kaiser Family Foundation, August 25, 2022.*