

2023 COLA Could Be One of Highest Ever Paid—8.7%

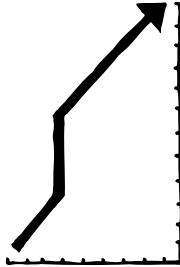
By Mary Johnson, editor

Social Security beneficiaries can look forward to receiving one the highest Cost-of-Living Adjustments (COLA) ever paid in the history of the program next year. Based on consumer price index data through August, the 2023 COLA could be 8.7%. That would raise an average retiree benefit of \$1,670 by \$145.30 per month.

There's just one more month of consumer price data to come in before the 2023 COLA is expected to be announced on October 13, 2022, and the actual COLA could be different than this estimate. Social Security recipients will see the increase in the check to be received in January 2023.

In addition, the COLA will not be offset by rising Part B premiums. In fact, for the first time in more than a decade, Part B premiums will decrease next year by \$5.20 per month from \$170.10 in 2022 to \$164.90.

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How Medicare Spending Can Be Cut to Help With Inflation

As the Federal Reserve raises interest rates which affects the cost of borrowing money, the cost of the government's debt is rising. That in turn is having an impact on government spending, as well as the balances of the Medicare and Social Security Trust Funds.

The Medicare Hospital Insurance Trust Fund faces impending insolvency by 2028 according to the 2022 Medicare

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“Elder Index” Shows True Cost of Aging and that Other Sources of Income Are Needed in Retirement

A relatively little-known measure of the cost of living of older Americans—the Elder Index developed by researchers at the Gerontology Institute of Massachusetts–Boston—recently made news after researchers found that the average Social Security benefit covered just 68% of basic living expenses of housing, food, transportation and healthcare for a single person who rents, and 81% for an older couple in 2021. “The gap between Social Security benefits and what it takes to get by is especially problematic for older adults who rely largely or entirely on Social Security, including nearly a quarter of adults aged 65 or older who depend on Social Security for 90% or more of their family income,” researchers wrote.

The online tool is easy to use and a real eye-opener. It would be useful to all sorts of people—from those close to retirement who are still in the planning stages, to those already living in retirement, who need help with annual budgeting, to senior advocates and older activists who wish to influence lawmakers about legislation that addresses the adequacy of Social Security and income-related benefits.

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Medicare Given Authority to Negotiate Drug Prices

By Rick Delaney, Chairman of the Board, TSCL

Legislation that will cut prescription drug costs by allowing Medicare to negotiate prices was recently signed into law after decades of persistent efforts by TSCL and other senior advocates. Provisions of the legislation which are outlined below were the top legislative priority of 79% of participants in our recent “Seniors Priority Plan” survey that was conducted from May–July, 2022.

In most years, prescription drugs costs can be the fastest growing cost for many Medicare beneficiaries.

TSCL supports the prescription drug provisions contained in the “Inflation Reduction Act of 2022” which would *lower prescription drug costs* by an estimated \$288 billion over 10 years according to the Congressional Budget Office (CBO). The new legislation reduces costs in the following ways:

- **Allows Medicare to negotiate prices with pharmaceutical manufacturers.** Only certain drugs would be affected including top brands and biologic drugs without generic or biosimilar equivalents sold through pharmacies and covered under Medicare Part D.
- **Limits drug price increases to the rate of inflation.** From

2019 to 2020 half of all drugs covered by Medicare increased faster than the rate of inflation, according to the Kaiser Family Foundation. This provision requires drug companies to pay a rebate to Medicare if they raise prices faster than the rate of inflation.

- **Caps prescription drug out-of-pocket spending by Medicare beneficiaries at no more than \$2,000 in the first year.** An estimated 1.4 million Medicare Part D enrollees who do not receive any Medicare Extra Help with prescription drug costs had annual out of pocket spending of \$2,000 or more in 2020. Capping out-of-pocket costs will help all beneficiaries, but especially those who take high priced drugs such as medications for cancer, multiple sclerosis, and other conditions.
- **Caps insulin costs at \$35 per month.** The cost of insulin is one of the most frequently cited causes for financial distress in the email that we have received about high drug costs. In the past three years Medicare has been testing a \$35 per month limit in certain participating Part D plans, but the program was optional for insurers. This provision now requires insurers to provide this benefit.
- **Expands eligibility for full Part D low-income benefits to**



Rick Delaney,
Chairman of the Board, TSCL

- **beneficiaries with incomes up to 150% of federal poverty guidelines.** Currently only beneficiaries with incomes up to 135% of the federal poverty guidelines are eligible to receive Medicare Extra Help that covers prescription drug benefits. Starting in 2024 individuals with incomes 150% of the federal poverty guides will be eligible. These individuals typically pay some portion of the Part D premium, standard deductible, and 15% coinsurance. Others with lower incomes who receive full benefits pay no Part D premium or deductible and only modest copays for prescription drugs.
- **Eliminates cost sharing for vaccines.** While Medicare currently pays for some vaccines, like the annual flu vaccine which is paid for under Part B, it hasn't paid for all vaccines including those that are paid for by Part D plans, such as the shingles vaccine.

In most years, prescription drugs costs can be the fastest growing cost for many Medicare beneficiaries. What is your fastest growing cost over the past year? Please let us know by taking TSCL's 2022 Retirement Survey at <https://seniorsleague.org/2022-retirement-survey/>. ■



Doug Osborne,
TSCl Legislative Liaison

60% of Older Adults Support Two Year Suspension of Tax on Social Security Benefits

TSCl is gearing up to ask Congress to enact legislation that would protect Social Security benefits from taxation for 2022 and 2023. About 60% of participants in a recent poll say they support a temporary two-year suspension of the tax on Social Security benefits as inflation continues to erode economic security of people living on fixed incomes.

This year, the 2022 Cost-of-Living Adjustment (COLA) increased Social Security income by 5.9%—the highest amount in 40 years. While inflation-protected benefits are a lifeline, especially at times like these when prices are rapidly rising, a boost of income of this size can come at a cost—the possibility of higher taxes down the road.

Up to 85% of your Social Security benefits can become taxable, based on income thresholds that became law in 1983. Unlike regular IRS income brackets that are adjusted annually for inflation, these income thresholds have never been adjusted for inflation. In 1983, these income thresholds were estimated to affect only 10% of older taxpayers. Today, as many as 56% of older households

pay tax on a portion of their Social Security benefits.

The 5.9% COLA that Social Security recipients received in 2022 might be enough to push many older and disabled taxpayers into higher income brackets and cause them to pay taxes on a bigger portion of their Social Security benefits. Others may discover, that for the first

time, their incomes are over the income threshold, and they are liable for a tax on a portion of their Social Security benefits. This problem will affect even more people next year when the

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Survey Findings

New Poll: 60% of Older Adults Support Temporary Suspension of Tax on Social Security Benefits.

More than 5,000 people participated in TSCl's poll which asked: "due to high inflation do you support a temporary two-year suspension on the federal taxation of Social Security benefits to help address unexpected bills?" Here's how participants answered:

- Yes, I support a two-year suspension. **60%**
- No, I don't support a two-year suspension. **8%**
- I don't anticipate paying taxes in 2022. **32%**

It's important for everyone to keep in mind that revenues from the taxation of Social Security benefits go to the Social Security and Medicare Trust Fund and are used to pay the benefits of today's retired and disabled beneficiaries. TSCl feels that fiscally responsible legislation to suspend the tax on Social Security must also provide transfers of revenues from the government's general fund in the amount otherwise estimated to be received, to the Social Security and Medicare Trust Funds during this period.

What do you think your tax liability will be for the 2022 tax year (due April 15, 2023)? Please let us know by taking TSCl's 2022 Retirement Survey at <https://seniorsleague.org/2022-retirement-survey/>.

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BEST WAYS TO SAVE

Is Our Health System Pushing You Into Medical Debt? Some Ways to Avoid It

By Mary Johnson, editor

Even with Medicare coverage, older adults frequently carry debt for medical bills. Despite having other types of health insurance in addition to Medicare, beneficiaries are often underinsured and even worse—may not know it until hit with an unexpected medical bill. Unfortunately, those bills often wind up on credit cards, or financed through a healthcare provider or other type of pricey, high interest loan.

Traditional Medicare alone has no out-of-pocket cap, causing about 20% of beneficiaries to purchase supplemental Medicare insurance known as Medigap to pay for out-of-pocket expenses. Even with the Medigap coverage, a Part D plan is needed to cover prescription drug out-of-pocket spending. Until the passage of recent prescription drug legislation, there was no annual limit on what beneficiaries may spend on prescriptions. This is scheduled to change, but the new \$2,000 cap on out-of-pocket costs won't take effect until 2025.

Almost half of all Medicare beneficiaries are enrolled in private Medicare Advantage plans which have annual out-of-pocket limits. Even so those limits are most often unaffordable for the average Medicare beneficiary causing many to forgo medically necessary care. In 2021, annual out-of-pocket limits averaged \$5,091 for in-network services and \$9,208 for both in- and out-of-network care. Yet, in 2022, the average Social Security benefit is less than \$1,623 a month, and 45%

of older adults have little or even no savings at all according to TSCS surveys.

What can you do to avoid medical expense debt? Here are a few dos and don'ts:

DON'T respond to unsolicited phone calls and mailings, especially those that do not clearly identify the insurance company or are not from the company that handles your current Medicare coverage. Medicare beneficiaries have a huge problem with fraud and scam attempts. A scammer's goal is to get your personal information such as credit card and bank account info, as well as your Medicare number. Even when from a well-known company, any change of plan requires time and due care to make sure a switch is in your best interest. Medicare marketing materials, even those from legitimate insurers are easy to spot. They are often full of glossy full color photos of carefree seniors, and woefully thin on the crucial details you need to make the best decision.

DO watch the mail for a package of information from your Medicare Advantage or Part D plan and check the specifics of your insurance coverage. Legitimate Medicare Advantage and drug plan insurers are required to send out information to their enrollees about changes to their coverage in 2023. This package is due to

enrollees before the end of October. It's a thick envelope that will be identified by your insurer. Most plans send out a no-gimmick black-and-white booklet printed on (cheap) plain paper which contains most, but not all, of what you need to know about cost changes for 2023.

DON'T throw away your 2023 Part D or Medicare Advantage plan booklet, no matter how boring and tedious they may seem.

DO review your plan coverage and write down your questions. Look for information such as:

- Participating doctors and provider networks—are your doctors and hospitals still in the network?
- Deductibles and co-pays for the services you currently use, and what you might need. What has gone up?
- Coverage for the prescription drugs you take. Check the drug tiers. Are your drugs still in the same tier, or have any been pushed into higher-costing tiers? This is a sneaky way that plans increase your out-of-pocket costs in hopes you aren't paying close attention.
- Pre-authorization requirements and the services and prescriptions for which pre-authorization may be required. Get answers by calling the customer service number for

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2023 COLA Could Be One of Highest Ever Paid—8.7%; continued from page 1

Savor this moment. It's unlikely that we will ever see it again in our retirements.

To put things in perspective, Medicare beneficiaries were overcharged for their Part B coverage in 2022 and this drop in Part B premiums means that Medicare collected significantly more than was needed to cover Part B costs in 2022. When the Centers for Medicare and Medicaid Services (CMS) announced the 2022 monthly Medicare Part B premium rate of \$170.10, that was a stunning 14.5% increase from the 2021 premium. It was double the amount that Medicare's own Trustees had forecast for 2022 which was published in their annual report just a few months earlier.

That increase was driven in large part by the potential costs of Aduhelm, a pricey and controversial new drug for the treatment of Alzheimer's disease. At the time, Aduhelm had a \$56,000 per year price tag, and there was uncertainty over Medicare coverage of the drug and how frequently it might be prescribed. CMS at the time stated that such a large increase was necessary to allow for potential Medicare Part B costs during 2022.

But just weeks after the announcement of the 2022 premium increase, the manufacturer of Aduhelm cut its average price in half, to \$28,200 per year. Then, in early 2022, CMS announced that its pending coverage decision for Aduhelm might only be for very limited use—in clinical trials and only for certain types of Alzheimers patients. The Secretary of the Department of Health and Human

Services instructed CMS to reassess the 2022 Medicare Part B premium. After re-assessment, CMS agreed that the 2022 Part B premium was higher than necessary, and that the excess would be used to reduce the 2023 premium.

Most retirees that we hear from, tend to experience a loss in Social Security buying power over time, due to the cumulative effect of their COLA falling short of actual inflation that they experience. These shortfall effects can mean lower savings, higher levels of debt, and the need to supplement income by other means such as through continuing to work longer.

How has inflation impacted your standard of living in recent years? Please tell us by taking TSCL's new Retirement Survey. ■

Source: "Reexamination of the 2022 Medicare Part B Premiums," by CMS Principal Deputy Administrator and Chief Operating Officer, Jonathan Blum, May 19, 2022.

Survey Findings

Will The 2023 COLA Be The Highest Ever? Almost.

While the 2023 Social Security Cost-of-Living Adjustment (COLA) will be the highest since 1981, there were three other times that inflation and the COLA were higher than the 2023 COLA:

1979: **9.9%**

1980: **14.3%**

1981: **11.2%**

Source: COLA History, Social Security Administration

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-retirement-survey/>. ■



ASK THE ADVISOR

What Happened to the Effort to Add Dental Benefits to Medicare?

Q: I recently had to get a tooth extracted. The practice that performed the oral surgery required me to sign a waiver stating that they do not participate in Medicare, and that my services would not be covered by

Medicare. What's the status on adding a dental benefit to Medicare?

A: Under current law, Medicare doesn't cover dental services except under very limited circumstances. It doesn't cover

routine checkups, cleanings, fillings, tooth extractions and dentures. A year ago, Members of Congress discussed adding a dental benefit to Medicare to make dental care more affordable, but
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How Medicare Spending Can Be Cut to Help With Inflation; continued from page 1

Trustees annual report. At that point the trust fund could pay about 90% of hospital insurance benefits according to the Medicare Trustees' estimate. Some fiscal policy experts are suggesting that cutting federal spending on Medicare could help the Federal Reserve's efforts to bring down inflation. How could that work?

TSCL feels there are two areas of Medicare spending that would produce savings for Medicare and for beneficiaries as well. They include:

- **Reducing the cost of prescription drugs.** President Biden recently signed into law legislation that would allow Medicare to negotiate prices on certain drugs, reducing Medicare spending on prescription drugs by an estimated \$288 billion, according to the Congressional Budget Office. The legislation would also reduce what beneficiaries pay at the pharmacy on certain drugs and would cap out-of-pocket spending on covered drugs at \$2,000 starting in 2025. An analysis by the Kaiser Family Foundation found that the top 10% of beneficiaries with highest drug costs spent at least \$5,348 in 2019. Each person in that group

would have saved \$3,348 with the \$2,000 cap.

- **Combatting inflated "risk scores" in Medicare Advantage plans.** Congress still has work to do to adjust for some inflated reimbursements received by Medicare Advantage plans. The sicker the patient, the more that private Medicare Advantage health plans receive in reimbursements from Medicare. In recent months we've written that some Medicare Advantage plans are under federal investigation for inflating "risk scores" to make patients appear sicker than they really are, to gain higher reimbursements from Medicare. Because the Part B premium is based on all total expected program costs, inflated Medicare Advantage reimbursements drive up Part B premium costs for everyone enrolled in Part B. Making it harder to game Medicare would provide savings that can help slow the rate of Part B premium increases.

TSCL is continuing to study other areas of Medicare payments where reductions to Medicare spending might be achieved without affecting access to healthcare services or quality of care.

Have unexpected medical bills caused you to carry medical debt?

Please tell us by taking TSCL's new Retirement Survey at <https://seniorsleague.org/2022-retirement-survey/>. ■

Source: "How Would the Prescription Drug Provisions in the Senate Reconciliation Proposal Affect Medicare Beneficiaries?" Juliette Cubanski, Tricia Neuman, Meredith Freed, Kaiser Family Foundation, July 27, 2022.

Survey Findings

Senior Priority: 78% Say Tax Employers More for Medicare.

Current law requires employers to match the 1.45% withholdings for Medicare payroll taxes which is applied to all the wages earned by an employee. But the "Additional Medicare Tax" of 0.9% imposed on wages in excess of \$200,000, that was passed into law in 2010, does not require employers to match the additional 0.9% Medicare payroll tax withholding.

78% of participants in TSCL's Senior Priority Plan survey want employers taxed to match the individual's Additional Medicare Tax to extend the solvency of the Medicare Part A, the Hospital Insurance Trust Fund.

“Elder Index” Shows True Cost of Aging and that Other Sources of Income Are Needed in Retirement; continued from page 1

The Elder Index is a county-by-county measure of the income needed by older adults to maintain independence and meet their daily living costs while staying in their own homes. It uses various public databases to calculate housing, food, healthcare, transportation, and other expenses to provide customized information. The findings are based on state and county, whether one rents or owns a home, with or without a mortgage. One caution: the findings, when using this tool, may tend to estimate on the low side. The results are based on estimates in 2021—before inflation as measured by the CPI-W (the same index used to calculate the annual Cost-of-Living Adjustment) grew by 9.8% in June of 2022.

Researchers Jan E. Mutchler and Nidya Velasco Roldan note that “many older adults do not have other sources of income to supplement their Social Security benefits.” In addition, they note

that “Continuing or returning to work for pay later in life is an important strategy for building retirement security when possible...”

In fact, about 26.6% of adults ages 65–74 participated in the workforce in 2020, and 8.9% of people aged 75 and older were still working, at least part time, according to civilian labor force data from the Bureau of Labor Statistics. While TSCL is still researching the data on adults who left the workforce in 2020 and 2021 due to the pandemic, recent TSCL surveys indicate that almost 10% of survey participants report they have returned to the workforce or are looking for a job.

Please let us know how you are faring in retirement, by taking TSCL’s 2022 Retirement Survey at <https://seniorsleague.org/2022-retirement-survey/>. ■

Sources: “Social Security Benefits Continue to Fall Short of Covering Cost of Basic Needs for Older Americans, 2021,” Jan E. Mutchler and Nidya Velasco Roldan, Gerontology Institute, University of Massachusetts–Boston.

Survey Findings

How Confident Are You About Social Security? Most Aren’t.

When TSCL asked participants in our new Senior Priority Plan, “How confident are you about the adequacy of Social Security benefits to support you through your entire retirement?” only **6%** of survey respondents said, “very confident.” Here’s how everyone else answered:

38%: OK for now, but not confident about the future. Don’t have a lot of savings, worried about healthcare, food, and housing costs.

50%: Not at all confident. Depend on Social Security benefits for most, or all of income. (I am) falling behind, going into debt and sometimes need help with food, prescription drugs and other rising costs.

6%: Uncertain.

60% of Older Adults Support Two Year Suspension of Tax on Social Security Benefits; continued from page 3

COLA will be even higher than it is this year. See the table from the Social Security Administration’s website, at right. ■

If you file a federal tax return as an “individual” and your combined income* is

- **between \$25,000 and \$34,000**, you may have to pay income tax on up to 50 percent of your benefits.
- **more than \$34,000**, up to 85 percent of your benefits may be taxable.

If you file a joint return, and you and your spouse have a combined income* that is

- **between \$32,000 and \$44,000**, you may have to pay income tax on up to 50 percent of your benefits.
- **more than \$44,000**, up to 85 percent of your benefits may be taxable.

If you are married and file a separate tax return, you probably will pay taxes on your benefits.

** To figure your combined income: Take your adjusted gross income, add nontaxable interest, plus one half of your Social Security benefits. That equals combined income. To get a better idea about your potential tax liability you can find a worksheet in the IRS instructions for the 1040.*

Best Ways to Save: Is Our Health System Pushing You Into Medical Debt? Some Ways to Avoid It; continued from page 4

your health or drug plan for questions for which you can't find answers.

DON'T leave this book in a random pile somewhere.

DO compare your health and drug plan options during Medicare Open Enrollment by getting FREE one-on-one counseling to understand your coverage. Even if you are happy with your current health or drug plan, you may be able to save money and reduce medical debt by finding a better plan. Figuring out insurance is about as much fun as doing taxes or getting a tooth pulled. Instead, get someone who knows how this stuff works to help you. It's painless. Find trusted, unbiased

help from State Health Insurance Assistance Programs (SHIP) in every area of the country. Many of these programs operate through Area Agencies on Aging. To find contact information for counseling near you visit: SHIP at <https://www.shiphelp.org>. Medicare Open Enrollment starts October 15 and runs through December 7.

DON'T forgo screening for income-related Medicare Savings Programs and Medicare Extra Help because you assume you wouldn't qualify. If you are having trouble affording your healthcare costs, and carrying medical debt, that is reason enough to check.

DO ask about these Medicare programs that pay the Part B premium, some out-of-pocket

costs for those who qualify, and provide help with prescription drug costs. ■

Survey Findings

1 in 5 Seniors Applied for Medicare Extra Help or Medicare Savings Programs in Past 18 Months.

More than 1 out of 5, of participants in TSCL's recent Senior Priority Plan Survey say they have filed an application for Medicare Extra Help or a Medicare Savings Program over the past 18 months. The programs can help cover the cost of premiums and out-of-pocket costs for health benefits and prescription drugs.

Ask the Advisor: What Happened to the Effort to Add Dental Benefits to Medicare? continued from page 6

the effort stalled in our very divided Congress.

The need for dental coverage is substantial. According to TSCL surveys, about half of all retirees—an estimated 24 million people—don't have dental insurance. Those lacking coverage report postponing getting care due to cost. According to TSCL surveys, even those who do have dental coverage say their plans leave a lot uncovered. Only 16% of TSCL survey participants with dental insurance said they were "very satisfied" with it.

Last fall, President Biden scrapped efforts to add dental coverage to traditional Medicare out of concerns for the cost by moderate Democrats who called

for paring down the enormous size of his Build Back Better legislation which originally was proposed to cost \$3.5 trillion.

In the meantime, Members of the U.S. Senate and House of Representatives sent letters to the Centers for Medicare and Medicaid Services (CMS) urging the Biden Administration to expand access to medically necessary dental care under the Medicare program. Lawmakers expressed the need to expand coverage noting that doing so can improve the health of Americans enrolled in Medicare and reduce medical costs for the program.

However, providers such as your dentist who don't participate in Medicare cannot be compelled to provide services by Medicare. They must first be under contract with Medicare.

TSCL has not given up on the effort to add dental care to Medicare. Poor oral health can exacerbate the risk of many chronic conditions that many Medicare beneficiaries already face, such as heart and kidney disease, cancer, and diabetes. Researchers have even found a link between the type of bacteria that's common with periodontal disease and Alzheimer's disease. This in turn can drive up Medicare costs, causing retirees to spend more of their savings on Medicare premiums and out of pocket costs and to carry more medical debt.

TSCL continues to support this effort and believes that good oral health can help reduce Medicare costs for both the federal government and Medicare beneficiaries. ■