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Older Americans Face Third Year With No Net Growth In Social Security Benefits

COLA Is Failing The Very People It's Intended to Protect Says The Senior Citizens League

(Washington, DC) – The Social Security Administration has announced that the annual cost-of-living adjustment (COLA) will increase benefits by 2.0 percent for 2018. While the increase is the highest in five years, it won't be enough to offset dramatically higher Medicare Part B premium increases for millions of beneficiaries, warns The Senior Citizens League.

“For the third year in a row, millions of older Americans will once again see no increase in their net operating Social Security payments, particularly if Medicare Part B premiums remain \$134 per month in 2018, as currently forecast by the Medicare Trustees,” says TSCL’s Social Security and Medicare Policy Analyst, Mary Johnson. “The problem is that a substantial portion of beneficiaries currently are paying a Part B premium that is about \$25 less than that now,” Johnson says.

In 2016 there was no COLA at all, and in 2017 the COLA was just 0.3 percent. During that time a special provision of law known as “hold harmless” protected about 70 percent of Social Security recipients from reductions to their Social Security benefits due to increasing Medicare Part B premiums.

In 2016, when there was no COLA increase, those people protected by “hold harmless” paid the same premium that they did in 2015, \$104.90. Part B premiums rose to \$121.80 per month. In 2017 with just a 0.3 percent COLA, Medicare Part B premiums were once again adjusted downward so that the increase in an individual's Part B premium did not reduce their Social Security benefit. Because the amount of their COLA was so low, that left most people who were held harmless paying a monthly premium of roughly \$110 or less.

“If the Secretary of the Department of Health and Human Services and Congress take no action to lower the Part B premium, most of those who were protected by “hold harmless” will need a hefty COLA in order to raise their benefit just to cover the cost of Medicare Part B premiums in 2018,” Johnson says.

For many, the COLA increase won't be high enough. Those people will once again be held harmless another year. Their Medicare premium increase will be adjusted so that their Social Security benefits won't be reduced, but it may be another year, or even longer before they see any increase in their net Social Security benefit.

This failure of the COLA to keep up with rising Medicare Part B premiums and other retiree costs is creating a dilemma that is growing in magnitude, not only for older Americans, but also for the nation's safety net programs like Medicaid. A majority of Social Security recipients depend on their benefits for more than half of their income, and almost half of all retirees have only limited or no retirement savings at all. The lack of adequate growth in benefits over the past eight years is pushing modest income seniors

into poverty, forcing even those who started out as middle-income retiree households to rely on Medicaid for help paying Medicare costs, rental subsidies, fuel assistance, food pantries and senior meals programs.

A study conducted by TSCL has found that Social Security benefits have lost 30 percent of buying power since 2000 over the same period that Medicare Part B premiums grew by 195 percent. Social Security benefits on the other hand have grown by only 43 percent. The findings represent an especially big loss in buying power of 7 percent from January of 2016 to January of 2017.

“Social Security was originally created to lift older Americans out of poverty,” Johnson notes. “The annual COLA is intended to prevent an erosion in the buying power of benefits,” Johnson says. “Between the growth in healthcare costs and flat growth in benefits, the COLA is failing the very people it’s intended to protect,” she says.

TSCL is advocating for legislation that would provide a more fair and adequate COLA, by tying the annual adjustment to the Consumer Price Index for the Elderly (CPI-E). Projections show that by using the CPI-E, Social Security benefits would be about 9 percent higher over 25 years. An average benefit of \$1,300 in 2017 would be about \$112 per month more at the end of the 25 - year period using the CPI-E.

TSCL recently delivered letters to every Member of Congress asking for their vote in favor of legislation. To learn more, visit www.SeniorsLeague.org.

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With 1.2 million supporters, The Senior Citizens League is one of the nation’s largest nonpartisan seniors groups. Its mission is to promote and assist members and supporters, to educate and alert senior citizens about their rights and freedoms as U.S. Citizens, and to protect and defend the benefits senior citizens have earned and paid for. The Senior Citizens League is a proud affiliate of The Retired Enlisted Association. Visit www.SeniorsLeague.org for more information.