



National Committee to Preserve
Social Security and Medicare

Newsletter

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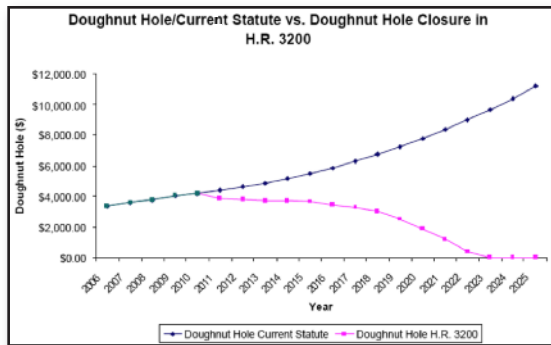
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Legislative Hotline: 1-800-998-0180

Medicare Part D “Doughnut Hole” Will Double Without Health Care Reform

House Health Care Reform Bill Would Close the Coverage Gap

(Washington, D.C.) Unless there are changes in the law, the Medicare Part D coverage gap — also known as the “doughnut hole” — will double in just over a decade. That means millions of additional beneficiaries will be trapped in the widening prescription coverage gap. Currently 3.4 million Medicare beneficiaries fall into the doughnut hole each year. In 2009, beneficiaries who hit that gap will spend \$4,043.75 out of pocket for their prescription drugs before their coverage resumes. By 2021, the cost to bridge that gap is projected to be \$8,366.87. None of the stand-alone Part D prescription drug plans (PDPs) offers full doughnut hole coverage.



Congress has included a provision in its health reform bill to provide relief to millions of seniors by closing the Part D doughnut hole over time. According to a recent analysis by the National Committee to Preserve Social Security

and Medicare, the provisions in the House’s *America’s Affordable Health Choices Act* (H.R. 3200) would close the gap by 2023. The financial protection afforded by the bill becomes progressively stronger beginning in 2011, providing increasing relief to seniors experiencing the coverage gap throughout the phase-out period.

Closing Medicare’s risky doughnut hole will save seniors millions of out-of-pocket costs each year and is one of several provisions in the House’s health care reform bill designed to improve the delivery and quality of care for Medicare’s 45 million elderly and disabled beneficiaries. More information on health care reform can be found on the National Committee’s website at www.ncpssm.org or by calling Member Relations at 1-800-966-1935.

Letter from the President ...



Dear Friends,

Opponents of national health care reform promised a battle over the long hot summer but what has frequently

been overlooked in this heated debate are the many important Medicare improvements being considered in Congress.

Provisions that will enhance the care and health of millions of American seniors that would have less chance of being considered without a system-wide health care reform.

As our lead article details, closing the Part D “doughnut hole” is among the most significant of the Medicare improvements included in the House’s health care bill. The National Committee has fought hard to eliminate this costly coverage gap since its creation as part of the flawed Medicare Modernization Act of 2003.

For years, we’ve heard from our members who have suffered the effects of being trapped in a coverage gap they cannot afford. Too many seniors have been forced to cut pills or even skip medications in an attempt to avoid this gap in coverage. This is especially true as the costs of prescription drugs continue to skyrocket unchecked, while at the same time it’s projected seniors will not receive a Social Security cost-of-living increase in the near future.

The Part D “doughnut hole” has

continued inside ...

Letter continued from front

widened every year since Part D was created and will continue to do so, even doubling in size, unless Congress acts. That's why it's so important that health care reform legislation, such as H.R. 3200, includes language to close the coverage gap. It's taken many years of hard work by National Committee lobbyists, members, and supporters to convince Congress that changes must be made to undo the damage done by the 2003 Medicare privatization provisions. Now, some of these changes have a good chance of passage as a part of a system wide health care reform plan.

In fact, health care reform has provided the best opportunity we've had in many years to educate Congress about the need for Medicare reforms that improve access and care.

There are many Medicare related provisions in H.R. 3200, in addition to closing the doughnut hole, which deserve our support, such as: allowing Medicare to negotiate for lower drug prices in Part D, the elimination of billions in wasteful subsidies to private insurers, and changes in doctors' reimbursements. Time will tell which of these provisions, so important to seniors, will survive this debate.

We've been reporting to you since this debate began that system-wide health care reform is essential for Medicare's long-term health. Doing nothing is not an option. Now more than ever we need our National Committee members and volunteers to help us seize this historic opportunity and tell Congress: *now* is the time to make Medicare a health care priority and closing the Part D doughnut hole must be a part of that reform.

Barbara B. Kennelly



Community Speakers Bureau

The National Committee's Grassroots Department offers a Community Speakers Bureau as a free service for groups or organizations who are interested in booking presentations on Social Security, Medicare, and Advocacy Training for their next meeting or event.

To learn more about how your group can arrange for a National Committee speaker, please visit our website at www.ncpssm.org or call 1-800-998-0181.



Steven Goss (center), Chief Actuary for the Social Security Administration, met with the National Committee's staff and Board of Directors to provide an update on the outlook for Social Security during which he emphasized that Social Security and Medicare are not the drivers of our government deficit. To the immediate left of Mr. Goss is President and CEO Barbara Kennelly and on the immediate right is NC Board of Directors Chair Dr. Carroll Estes. Also shown are staff members from the Chief Actuaries Office.

Join the Frances Perkins Legacy Society

By including the National Committee in your will or other estate plans, you will join a select group of individuals who are helping to preserve Social Security and Medicare for future generations.



For more information, please call 1-800-966-1935 or visit our website at www.ncpssm.org.

In 1933, President Franklin D. Roosevelt appointed Ms. Frances Perkins to serve as Secretary of Labor in the Roosevelt Administration. She is recognized and remembered for her tireless efforts to establish Social Security and other social insurance programs to benefit all Americans.



National Committee Urges Swift Action on 2010 COLA

Unless Congress takes action this year, 2010 will be the first year without a Social Security COLA in 35 years. In fact, the Trustees of the Social Security system predict there will be no COLA in either 2010 or 2011. While seniors are already beginning to express strong concerns based on the prediction of no COLA, the response is likely to intensify this fall when the Social Security Administration (SSA) officially announces that there will be no increase in the January checks of millions of elderly and disabled beneficiaries.

In October of each year, the Social Security Administration (SSA) announces the percentage by which Social Security checks will increase the following year. This cost-of-living increase is measured from the third quarter of the previous year to the third quarter of the current year. For most of the last decade, the Social Security COLA has remained in the 2 to 3 percent range. However, due to the significant rise in energy prices in the summer and fall of 2008, the adjustment in the January 2009 checks was an unexpected 5.8 percent.

By late 2008, oil prices had tumbled and the economy had fallen into recession. The steepness of the decline and the serendipity of the third quarter measurements contributed to the elimination of the COLA for 2010.

Fortunately, the Social Security statute prevents the COLA from falling below zero in order to preserve the beneficiary's check at the previous year's level.

Seniors can't afford to lose their Social Security COLA. Out-of-pocket health care costs are eating up an increasingly large portion of their Social Security checks at a time when the value of non-Social Security retirement income has plummeted. The 2009 Medicare Trustees' Report concluded that Medicare premiums and out-of-pocket expenses will consume nearly \$3 of every \$10 of the average Social Security benefit. At the same time, seniors have been especially hard hit by the 20 to 30 percent decline in the value of employer pensions, IRAs, and 401(k)s, as well as the steep drop

in housing values. Low-income seniors with few additional resources and the oldest seniors with the highest medical expenses are likely to suffer the most from flat or even diminishing income.

The National Committee is urging Congress to take timely legislative action to assure that Social Security beneficiaries receive a COLA so they do not suffer even more from the consequences of these unpredictable economic times.

New Executive Director Tapped for National Committee Foundation

Paul DelPonte has been appointed as the new NCPSSM Foundation Director to lead the non-profit in its efforts to educate the public, policy makers, and others about Social Security and Medicare. DelPonte has extensive experience in directing large health education initiatives focusing on geriatrics, physician training, diversity, community health, health disparities, mental health, oral health, and other key areas affecting seniors. Under his direction, the Foundation will work to show the current and future value of social insurance programs in meeting the needs of an aging America. For more information on the foundation please visit us at www.ncpssmfoundation.org or call Paul DelPonte at 202-216-0420.

Are you taking advantage of the NCPSSM toll free Legislative Hotline — 1-800-998-0180 to share your opinions with your Members of Congress? We provide you with the talking points and then connect you with your elected officials. The service is available 24 hours a day, 7 days a week. Make the call today to 1-800-998-0180 and let your Representative and Senators know that you are a National Committee member who cares about the future of our nation's health and income security.

Ask Mary Jane



Q. I am still working full-time. How much more will I receive in Social Security benefits — expressed in percent — for each year I work beyond age 65?

A. *The delayed retirement credit rate of increase for a worker born in 1940 is 7 percent per year (or*

7/12 percent per month). The delayed retirement credit rate will reach actuarial fairness at 8 percent for persons born in or after 1943.

When Social Security benefits begin, the Social Security Administration determines a primary benefit based on a worker's 35 highest years of lifetime earnings (after old earnings are indexed to bring them up to date). Next, delayed retirement credits are added for each month after full retirement age a benefit is not paid. Cost-of-Living Adjustments from age 62 are applied to the enhanced benefit to determine the monthly benefit amount.

Q. I am currently in remission, with a diagnosis of ovarian cancer. I would love to return to my former career as a freelance writer and editor. However, I am currently on Social Security Disability Insurance and will soon be eligible for Medicare. It's tough enough to earn a living as a freelancer. Yet, if I go back to work (after my trial work period, etc.) and earn over \$1,000 per month, I not only risk losing that income, but ultimately Medicare. Is there any possibility of someone in my situation remaining on Medicare, even if I risk losing my monthly SSDI check for the "privilege" of trying to earn an income without reentering a daily 9-5 grind?

A. *Continuation of Medicare for at least 93 months after the end of a nine-month trial work period is one of the most important features of the work incentives the law provides to encourage disabled individuals to attempt to work. For more information see the Social Security Administration issue brief Working While Disabled. You can find it at <http://www.socialsecurity.gov/pubs/10095.html>.*

In 2009, monthly earnings of \$700 or more will constitute use of a trial work month. The monthly 2009 Substantial Gainful Activity level is \$980.

Q. I understand there are people overseas receiving Social Security checks because they were fathered by American men and we the American people are paying the bill. Is that correct? If so why? If this is true, I can understand why the Social Security funds are so low.

A. *It is not true. Children fathered by U.S. citizen men, but born outside of marriage, must be legitimized before being eligible for benefits. Even if legitimized, dependent children are entitled to benefits only upon the retirement, death, or disability of the parent.*

Foreign national spouses or adopted children living outside the United States are ineligible for Social Security benefits unless they have lived in the United States for at least five years in the status that accords them the benefit. Foreign nationals living within the United States must present proof of legal residence before benefits are payable.

Q. I teach school in Texas, which has its own Teacher Retirement Service, but I have enough quarters of Social Security to qualify for benefits. How will my benefits be affected? There has been much speculation, but no firm answers.

A. *Anyone who has earned ten years of Social Security work credits receives a Social Security benefit at retirement age. There are no exceptions. Your benefit, however, may be subject to the Social Security Act's Windfall Elimination provision if you also receive a pension from non-Social Security covered employment.*

The Windfall Elimination Provision (WEP) applies to every worker first eligible for Social Security after 1985 who receives a pension from non-Social Security covered employment unless the worker has at least thirty years of substantial Social Security earnings.

The Wall Street Journal has recognized the National Committee's Ask Mary Jane as "the best source of help for questions about Social Security." Send your questions to NCPSSM Senior Policy Analyst Mary Jane Yarrington at NCPSSM, 10 G Street, NE, Suite 600, Washington, D.C. 20002-4215, or via email to maryjane@ncpssm.org.