Health & Retirement Services of Illinois
Newsletter April 2024

OUR NEWS LETTER

In Our Newsletter

MEDICARE FRAUD: SHUT IT DOWN

POPULAR INCENTIVE FOR HOMEBUYERS

IS AUTO INSURANCE KEEPING HOUSE PAYMENTS HIGH?

INFLATION: GROCERY PRICES ARE PLATEAUING, WHILE THE COST TO DINE OUT IS RISING AT A LOWER RATE

THE 2025 SOCIAL SECURITY COST-OF-LIVING INCREASE WILL BE FAR SMALLER THAN THIS YEAR'S, ESTIMATES SAY

HIGH RATES HAVE STILL MEANT HIGH STOCK PRICES

MEDICARE FRAUD: SHUT IT DOWN

Here are 3 tips to protect yourself from Medicare fraud and scams:

1. **If you get a call, text or email asking for your Medicare Number, don't respond.** Don't give your Medicare card or Medicare Number to anyone except your doctor or people you know should have it.
2. **Check your Medicare Summary Notices (MSNs) or claims statements carefully.** If you see a charge for a service you didn't get or a product you didn't order, it may be fraud. **If you suspect fraud, report it at 1-800-MEDICARE (1-800-633-4227).**
3. **Guard your Medicare card** like it's a credit card.
4.

Reporting Medicare fraud & abuse

Medicare fraud and abuse can happen anywhere, and usually results in higher health care costs and taxes for everyone. Some examples include:

- A provider that bills Medicare for services or supplies they never gave you, like charging you for a visit you never had, or a back brace you never got.
- A provider that charges Medicare twice for a service or item that you only got once.
- A person who steals your Medicare Number or card and uses it to submit fraudulent claims in your name.
- A company that offers you a Medicare drug plan that Medicare hasn't approved.

Alert: In January 2023, there was a privacy incident with a Medicare contractor that exposed the personal information of a small group of people with Medicare in Alabama, Georgia, and Tennessee. Letters were sent to everyone who might be impacted, with detailed information about what data was potentially exposed, and what to do next. If you didn't get a letter, it's very likely you weren't impacted. If you want to confirm, you can call 1-800-MEDICARE (1-800-633-4227). TTY users can call 1-877-486-2048. Get more details and review the letter.

How to spot and prevent Medicare fraud and abuse

If you think you've spotted fraud, you may want to call your provider's office to ask about it. They may be able to help you understand the charges, or figure out if they made a billing error.

If you suspect that Medicare is being charged for an item or service you didn't get, or your Medicare card or number is stolen, use the contact information below to report suspected fraud or abuse.

If you experience:

Contact:

Provider fraud or abuse in Original Medicare (including a fraudulent claim, or a claim from a provider you didn't get care from)

1-800-MEDICARE (1-800-633-4227)

or

The U.S. Department of Health & Human Services – Office of the Inspector General

Provider fraud or abuse in a Medicare Advantage Plan or a Medicare drug plan (including a fraudulent claim)

1-800-MEDICARE (1-800-633-4227)

or

The Investigations Medicare Drug Integrity Contractor
(I-MEDIC) at 1-877-7SAFERX (1-877-772-3379), or by US mail:

Qlarant
28464 Marlboro Avenue
Easton, MD 21601
Attn: I-MEDIC

When you call, have this information ready:

- Your name and Medicare Number.
- The name of the provider that you're reporting, along with any identifying information you may have.
- The service or item you're questioning and when you supposedly got it.
- The amount that Medicare approved and paid.
- The date on your Medicare Summary Notice, health or drug plan's Explanation of Benefits, or claim.

Protecting yourself from medical identity theft

Medical identity theft is a serious crime that happens when someone uses your personal information without your consent to commit Medicare fraud or other crimes. Use the following tips to protect yourself from becoming a victim.

Do:

- Protect your Medicare Number and your Social Security Number.
- Guard your Medicare card like it's a credit card.
- Become familiar with how Medicare uses your personal information. If you join a Medicare health or drug plan, the plan will let you know how it will use your personal information.

- Remember that Medicare will never call you to sell you anything or visit you at your home. Medicare, or someone representing Medicare, will only call and ask for personal information in limited situations:
    - A Medicare health or drug plan may call you if you're already a member of the plan. The agent who helped you join can also call you.
    - A customer service representative from 1-800-MEDICARE can call you if you've called and left a message or a representative said that someone would call you back.
    - If you filed a report of suspected fraud, you may get a call from someone representing Medicare to follow up on your investigation.

  Contact the Federal Trade Commission if you think you've been a victim of personal identity theft.

Don't:

- Give your Medicare card, Medicare Number, Social Security card, or Social Security Number to anyone except your doctor or people you know should have it (like insurers acting on your behalf or people who work with Medicare, like your

  State Health Insurance Assistance Program (SHIP)

  . Get the contact information for your local SHIP.

- Accept offers of money or gifts for free medical care.
- Allow anyone, except your doctor or other Medicare providers, to review your medical records or recommend services.
- Join a Medicare health or drug plan over the phone unless you called us.

A popular incentive for homebuyers is here to stay — for now

The housing market appears to be headed for recovery this year — assuming the Federal Reserve moves to cut interest rates as investors anticipate.

That raises the question for the country's biggest homebuilders: Is it time to pull back on a popular incentive that many have offered to sweeten the deal for buyers in a tough market?

Over the past two years as the Fed raised rates, many builders leaned heavily on mortgage rate buydowns, where they cover a portion of the interest rate — usually a percentage point or two — that buyers pay on a loan for a specified period of time. The move to aid buyers, especially those purchasing a home for the first time, has squeezed builder profit margins despite helping to boost their sales.

So far, the biggest US homebuilder has signaled the mortgage rate buydown is here to stay, at least for now. D.R. Horton (DHI) CEO Paul J. Romanowski said on the company's first quarter earnings call in late January, "I believe on a go-forward basis, staying competitive to not only the new home market, but especially to the resale market for us, and the ability to have a lower monthly payment for the same cost of home is advantageous. So we have no plan in the near term to stop utilizing it even if we see rates shift down."

Meanwhile, Lennar (LEN) co-CEO Jonathan Jaffe said on the company's fourth quarter earnings call in late December that "the reality [is] that none of us have a crystal ball at any moment in time to see which way rates or buyer enthusiasm is moving. As we sit here today, rates look better ... we don't know where they're going, but we're well positioned to just maintain that pace, which by definition means we would use lower-cost mortgage buydowns, and continue to drive the consistent pace."

Builders' reluctance to abandon incentives could stem from fear of being the first mover, one analyst says.

"There is a reticence to pull back on incentives unless everyone is, because the fear is if you're first and you lose sales elasticity, then you're just going to have to put those incentives right back on," Carl Reichardt, managing director and homebuilding analyst at BTIG, told Yahoo Finance in an interview.

Historically, the large publicly traded homebuilders have always offered some form of an incentive to sell homes. At times, it was a 2% to 3% discount of the selling price, Reichardt

noted. But when rates started to climb, the affordability crisis was exacerbated, motivating builders to offer juicier incentives to close the deal.

One builder has hinted it will pull back from concessions like mortgage rate buydowns and instead sweeten the deal for buyers through other means. KB Home (KBH) will “reduce those incentives [and] take it to price" in the first and second quarters of this year, COO Robert McGibney said on the company's fourth quarter earnings call with analysts.

Fifty-eight percent of builders reported offering some form of an incentive in February, down from 62% in January and the lowest share since last August, according to the National Association of Homebuilders.

“The builders have all said that if they get the ability to bring the buydowns down, they will, because it seems like that is the most punitive on their gross margins at this point,” Jay McCanless, Wedbush’s senior vice president of equity research, told Yahoo Finance on the phone.

Is auto insurance keeping house payments high?

Rising auto insurance rates helped drive a recent spike in the CPI – which may have a knock-on effect on the rest of the economy

That may sound like an odd question, but the surge in auto insurance prices is definitely having a knock-on effect on the rest of the economy.

The spike in consumer prices during January was primarily driven by increases in services costs – particularly transportation services, medical services and shelter costs. Of these, transportation services stood out due to the sharp upswing in car insurance premiums.

The cost of auto insurance has skyrocketed by nearly 21% over the past year, with a rise of nearly 2% in January alone – even without seasonal adjustments, according to a recent report by *The Financial Times*.

Insurance rates drive disparity between CPI and PCE

The rise in auto insurance rates has been a significant driver in the disparity between the Consumer Price Index (CPI) and the Federal Reserve's preferred Personal Consumption Expenditures (PCE) indicator, according to analysis by Employ America.

PCE inflation is forecast to average around 2% in the second half of the year, according to a poll of economists conducted by Reuters. But the CPI is predicted to remain above target until at least 2026.

Employ America analysis suggested that the wedge between CPI and PCE might be partially driven by state-level regulatory changes allowing insurers to hike premiums.

Regulators in states like New York, New Jersey and California have approved rate hikes, The Financial Times reported – and insurers are unlikely to let any grass grow under their feet in implementing them. Allstate, for example,

implemented substantial rate increases in those states last year, and has said it plans to pursue additional hikes in 2024.

Hikes likely across the US

Those hikes will likely be seen right across the country. A recent report from ValuePenguin projected that American drivers would see rates rise by an average of 12.6% in 2024 – the steepest increase since 2018. Every state in the union is expected to see a rate hike, with 3% being the minimum expected rise.

Expenses related to motor vehicle maintenance and repair, which can influence insurance costs, have also gone up, *The Financial Times* reported. Maintenance and repair costs jumped 6.5% in 2023, with a further 0.8% rise in January.

Goldman Sachs economists predict a further acceleration in transportation services costs as part of what they term a 'January effect', which includes temporary price hikes at the beginning of the year across various categories including prescription drugs, car insurance, tobacco and medical services, The Financial Times reported.

Will rates stay high?

With all this in mind, when will the Federal Reserve cut the fed funds rate, currently at 5.25%-5.50%?

It's likely to be at least a few months, according to economists.

"The Fed speak of late has sounded a hawkish tone, keen to go against more dovish market pricing and rein in the excitement about interest rate cuts," Employ America executive director Skanda Amarnath wrote in a recent blog post. "The Fed instinctively wants to let the inflation data drag them to cuts (rather than get ahead of where the data is and risk getting caught offside)."

Meanwhile, the majority of economists polled in a recent Reuters survey peg the Fed's first rate cut of the year for June, with most respondents saying it's more likely the cut will come later than forecast rather than earlier.

Since September, economists polled by Reuters have predicted the Fed's first rate cut for around the middle of the year. Market predictions, however, have

swung from March to May and have now priced June as the likeliest time for a cut.

Many market watchers believe that the Fed is determined not to repeat its mistake in 2021, when it – and most other central banks – believed high inflation to be a "transitory" phenomenon, Reuters reported.

"The 'transitory' blunder has made officials determined not to be caught on the wrong side of the inflation story for the second time in the same cycle," NatWest Markets chief US economist Kevin Cummins told Reuters.

No cut in 2024?

Some market watchers have even advanced the theory that the Fed may not cut rates at all this year. Joe Seydl, senior economist at JPMorgan Private Bank, said he predicts only a 15% chance that the Fed will hike rates in 2024 – but that a rate cut this year is "essentially optional," as the economy is likely to keep growing regardless of the central bank's policy moves.

"We shouldn't expect the Fed to cut just because the markets expect it," Seydl told *Business Insider*. "They may push back against market pricing when they feel it is appropriate. If I had to speculate, I'd say the main reason they probably want to start cutting is that keeping rates too high for too long may start to distort investment activity in the economy, which could have long-run negative supply consequences."

Jimmy Chang, chief investment officer for Rockefeller Global Family Office, told Business Insider that the current data "doesn't really build a case for rate cuts."

"If the Fed eases prematurely, they run the risk of rekindling inflation pressure again down the road," he said. "That's the last thing the Fed wants, given how their credibility was hurt in 2021 and 2022."

Inflation: Grocery prices are plateauing, while the cost to dine out is rising at a lower rate

It was a quiet month for food inflation, as overall prices remained flat compared to last month.

The cost of groceries saw another month of deceleration, with a 1.0% increase compared to last year. Prices were unchanged compared to the prior month, according to the latest inflation data from the Bureau of Labor Statistics.

But the cost of dining out continues to outpace the cost of groceries. Meals at restaurants and bars cost diners 4.5% more compared to a year ago — the smallest 12-month change since June 2021, per BLS economist Steve Reed. Dining out costs jumped 0.1% compared to January.

Restaurants have been increasing prices due to persistent labor inflation, while resilient consumer spending also gives the businesses pricing power, Wells Fargo agricultural economist Michael Swanson told Yahoo Finance.

"The reason why [restaurants are] raising prices is because people are still coming out in very, very large numbers to eat at restaurants; there's no reason for them to drop prices or to hold prices flat if every table's full," he said.

Some grocery items are dropping in price compared to January, including pork chops (down 3.4%), frankfurters (-3.8%), fresh whole chicken (-2.9%), frozen fish and seafood (-2.6%), and fresh fruits (-1.6%)

"Fruits and vegetables ... [saw] the largest decline since April of 2023" due to improvements in the supply chain, said Reed.

But costs for some categories have remained stubbornly high. Egg prices are down 17% year over year, but up 5.8% compared to the month prior. "The price of eggs today are double what they were five years ago," per Swanson.

In February 2024, a dozen large Grade A eggs cost $3.00, while the same carton cost $1.56 in February 2019.

Frozen non-carbonated juices and drinks were up 27.2%, the largest yearly gain in any category across the BLS report.

That comes as sugar and sweets prices are also higher, up 0.9% compared to January and 4.9% compared to last year. While not covered directly in the report, cocoa prices have also been rising due to the result of a climate pattern known as El Niño.

Lastly, the prices of snacks continue to increase, up 1.6% compared to a year ago.

Swanson said, unlike eggs, once packaged goods increase their prices, "they almost never come back."

Bank of America analyst Bryan Spillane echoed the sentiment with Yahoo Finance Live. Moderating inflation likely won't result in lower prices in grocery aisles, said Spillane. Rather, consumer staples companies will hold the higher prices and reinvest the profit behind their brands.

As these consumer packaged goods companies aim at regaining market share, there will be competition to find the right price and an uptick in promotions like buy one get one or coupons.

"Competition is always the cure for high prices with CPG companies," Spillane said.

The 2025 Social Security cost-of-living increase will be far smaller than this year's, estimates say

As inflation cools, the COLA is expected to be less than 3%.

Next year's Social Security cost-of-living adjustment (COLA) will likely be lower than the increase seniors enjoyed in 2024, according to new estimates, as inflation continues to abate.

The Senior Citizens League, a nonpartisan group, predicts Social Security benefits will increase by 2.4% for 2025, based on current inflation numbers. The new estimate is on par with the current projection from the Congressional Budget Office (CBO) of a 2.5% bump for 2025. The increase in 2024 was 3.2%.

"The CBO uses a different methodology than TSCL, but clearly, inflation rates are expected to fall from 2023 levels, and the COLA for 2025 will also be lower," Mary Johnson, Social Security and Medicare policy analyst at The Senior Citizens League, told Yahoo Finance.

Inflation pressures remained persistent in February, according to the latest data from the Bureau of Labor Statistics. The Consumer Price Index (CPI), a broad measure of the price of everyday goods, including groceries, gasoline, and rent, showed prices rose 0.4% over the previous month and 3.2% over last February, more than forecast and an acceleration from January's 0.3% monthly increase and 3.1% annual gain.

But economists still broadly expect inflation to slow through 2024, and that will be reflected in the final determination of next year's COLA adjustment from the Social Security Administration, the federal government agency that oversees the benefits.

A smaller COLA would further strain the more than 70 million retired senior citizens and disabled workers who struggle with rising prices, a persistent problem with how COLAs are calculated.

"Shelter, medical, and transportation prices remain higher than the overall inflation rate," Johnson said, pointing to categories that specifically eat up a chunk of seniors' budgets.

"It is an ongoing struggle for seniors and retired people trying to keep up with these costs," Johnson added. "It's like being stuck in the mud. They're spinning their wheels. Every time someone thinks they have all their bills settled, and they get a small raise with a new COLA, there's always some new healthcare disaster right around the corner, or their rent increases by more than the amount of the COLA."

'Still early'

The COLA is calculated by averaging together inflation data for the third quarter of the year — July, August, and September of 2024 — and then comparing that figure with the same data last year. The Social Security Administration is expected to announce the 2025 COLA in mid-October after the release of the September CPI data.

Until then, this is still crystal-ball gazer time. “It’s too soon to predict the COLA. We still need seven more months of data,” Marc Goldwein, senior vice president and senior policy director at the nonprofit Committee for a Responsible Federal Budget, told Yahoo Finance. “But from what we know so far, it’s likely to be in the 2% to 3% range. It could be higher if the high inflation of the last couple of months persists.”

COLA falls short of seniors' costs

This year’s bump didn’t make up for higher costs last year for many seniors, especially in housing, health care, and car insurance, which continue to be above the overall inflation rate. It added more than $50 to the average monthly benefit of $1,848 starting in January, according to the SSA.

A 2.4% adjustment would add roughly $46 to seniors’ average monthly income of $1,909 in 2024.

Meanwhile, household expenses increased by more than $59 per month for 2023 for the vast majority of seniors, according to results from The Senior Citizens League’s 2024 Senior Survey. More than 4 in 10 reported that their household expenses rose more than $185 per month in 2023.

Part of the problem is the index used to calculate COLA doesn’t necessarily reflect typical retirees’ spending. For example the formula assumes that consumers spend only 7% of their incomes on healthcare costs, Johnson said.

"Our Senior Survey found that two-thirds of survey participants spend up to 29% of their incomes on health care costs,” she said.

Implications for beneficiaries this tax season

Because Social Security recipients received a high COLA of 8.7% in 2023, more beneficiaries are likely to be liable for federal income taxes on their Social Security benefits for the first time this tax season.

About 40% of people who get Social Security must pay federal income taxes on their benefits, according to the Social Security Administration. If you file a federal tax return as an “individual” and your combined income from all sources, including your Social Security benefit, is between $25,000 and $34,000, you may have to pay income tax on up to 50% of your benefits. If your income exceeds $34,000, up to 85% of your benefits may be taxable.

For joint filers, if you and your spouse have a combined income between $32,000 and $44,000, you may have to pay income tax on up to 50% of your benefits; if it's more than $44,000, up to 85% of your benefits may be taxable.

Worries about the future of Social Security benefits

Another concern: Social Security's reserves are projected to run out in 2033, at which point the program will be able to pay out just 77% of benefits to seniors. That has repercussions for many workers who plan to rely on Social Security for a major portion of their retirement income.

“It's really important for people to stay informed about what’s on the horizon for Social Security,” Johnson said. “Some of those changes can affect our pocketbooks in the very near future. So, it's a good time to get up to speed on what those changes are and how it could affect you.”

High rates have still meant high stock prices

"We don't think Fed rate cuts are a necessary condition for the stock market bubble to inflate further," wrote Capital Economics' market economist James Reilly in a note published Monday.

And in this statement, Reilly makes two points worth briefly highlighting.

The first is that we are in a stock market bubble. As Josh Schafer notes below, record highs in the stock market reached last week and Tuesday's bitcoin record supercharged what's been an under-the-surface discussion for months.

The second is that the Fed may not be in control of this stage of the rally.

Pointing to the market rally that accompanied rising interest rates during the tech bubble, Reilly argues that not only are rate cuts this year not necessary to inflate the current bubble further, but falling interest rates also aren't a sufficient condition that would push stocks higher no matter what.

We entered this year with investors betting on a half dozen interest rate cuts from the Fed. March began with prominent Wall Street economists canceling the entire rate-cutting program.

And Reilly's contention, in essence, is that whether the Fed pushes rates up, down, or does nothing, prior periods of market euphoria have shown conventional wisdom can break. Breakage that can put both policymakers and investors in a sort of no-man's-land where, Reilly writes, "the fortunes of government bond and equity markets are not necessarily intertwined."

An intertwining that, all else equal, tends to see these markets move inversely to one another.

Which also brings to mind a point Bloomberg's Joe Weisenthal made earlier this week, when he wrote, "... we need to go back and rethink everything that we called a 'ZIRP Phenomenon' a few years ago."

Noting the surge in retail participation in the stock market and the recent rally in crypto, Weisenthal added: "So many aspects of speculative excess were chalked up to low rates, and yet here we are and all this is happening with rates over 5%."

To invert Reilly's framework, then, perhaps low interest rates are a sufficient condition to explain a bunch of pandemic-era booms — watches, travel, the state of Florida.

But if 2024 is teaching any lesson in the early going, it's that low rates aren't necessary to keep these fires burning.

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