Health & Retirement Services of Illinois
Newsletter August 2023

OUR NEWS LETTER HRSI

2023 Social Security COLA increase

Key points

- The Social Security COLA was 8.7% for 2023, the largest increase since 1981.
- The COLA increases Social Security payments to help benefits keep pace with inflation.
- As inflation subsides, next year's COLA is likely to be smaller.

Millions of Americans depend on Social Security payments to make ends meet. Retired workers are the largest group of beneficiaries, but children, spouses and disabled individuals may also receive these benefits from the government.

While Social Security benefits are initially calculated using a worker's earnings record, monthly payments would quickly lose purchasing power if they never changed. To prevent that from happening, legislation enacted in 1973 instituted annual cost-of-living adjustments, which began in 1975.

Known as COLAs, these adjustments can vary significantly from year to year. Some say they don't adequately reflect increases in senior expenses. Still, the 2023 Social Security COLA was the largest in decades, and it was undoubtedly welcome news for older Americans.

In Our Newsletter

2023 SOCIAL SECURITY COLA INCREASE

MEDICAL COSTS TO INCREAE BY A WHOPPING 7% IN 2024

THE AVERAGE AMERICAN SOCIAL SECURITY CHECK, BY AGE

GEN Z ARE THE MOST DISGRUNTLED WORKERS AND THAT IS A PROBLEM FOR EMPLOYERS

HOW TO CHOOSE A NURSING HOME

Datalign Advisory

What is a Social Security benefits COLA?

Most years, the Social Security COLA is an increase in a beneficiary's monthly payment amount. Just as workers may receive annual cost-of-living increases in their wages or salaries, Social Security recipients generally receive a boost in benefits each January.

"It's not really a bonus," says Judi Leahy, a senior wealth advisor with Citi Personal Wealth Management in Rye, New York, although some may see it that way.

Instead, the COLA is intended to help benefits keep pace with inflation. On the rare occasions when there is no inflation, Social Security payments will remain flat the following year.

How the Social Security benefits COLA is calculated

The Social Security Act stipulates that the consumer price index, or CPI, be used to determine COLAs. But several variations of the CPI are available.

The Social Security COLA is tied to the CPI-W, which is the consumer price index for urban wage earners and clerical workers. This index is calculated by the federal Bureau of Labor Statistics each month. The Social Security COLA uses the rate of the CPI-W in the third quarter of the year — which ends Sept. 30 — to determine the following year's COLA.

That means the 2023 Social Security COLA was calculated by comparing the third quarter CPI-W from 2022 to the third quarter CPI-W of 2021. If there is an increase in the CPI-W, Social Security benefits are adjusted by that percentage. Should the CPI-W decrease or remain flat, benefits do not change the next year.

Is the Social Security COLA calculation fair?

The use of the CPI-W is not without controversy, and some people advocate for the Social Security Administration to use a different version of the consumer price index.

"They have a right to change those indexes," says Chuck Czajka, founder of Macro Money Concepts in Stuart, Florida.

While the CPI-W looks at inflation as it affects certain workers, it may not capture some costs that seem to disproportionately impact seniors.

"Health care costs are probably the biggest indicators that are outpacing these inflation rates," says Megan Slatter, wealth advisor with Crewe Advisors in Salt Lake City.

To address that concern, it has been suggested that the Social Security Administration use the CPI-E, which is an experimental measure intended to better reflect the expenses of Americans aged 62 or older. Still, switching to the CPI-E would not guarantee larger annual increases for Social Security beneficiaries.

For instance, for 2022, the CPI-E was more than 1 percentage point lower than the CPI-W, according to the Center for Retirement Research at Boston College. In other words, if the Social Security Administration had used the CPI-E last year, retirees would have seen a 4.8% increase in benefits instead of the 5.9% bump they received.

Others argue that using the CPI-W results in COLAs that are too generous. The Cato Institute, a libertarian public policy organization, has suggested the CPI-W be replaced by the chained CPI. The chained CPI aims to provide a more accurate estimate of changes in the cost of living by assuming that when prices increase, people settle for cheaper substitutes. If this calculation had been used, Social Security COLAs would have been 0.32% lower overall from 2013 to 2022.

"The so-called chained CPI would protect seniors' purchasing power while extending Social Security's ability to provide benefits," the Cato Institute says.

For now, it doesn't appear there are plans to change how the Social Security COLA is calculated, and it will likely continue to be based on the CPI-W for the foreseeable future.

PwC report: Medical costs to increase by a whopping 7% in 2024

The cost to treat patients will rise an estimated 7% in 2024, which is bad news for insurance premiums in the next year, according to a new report from PwC.

The big increase comes on top of more than 6% growth this year, compared to 2022, and 5.5% growth in 2022.

Key drivers of the cost growth: the hot weight loss drug space and new gene therapies — the latter of which can cost millions of dollars — as well as increased consolidation in the hospital and care facility space.

The weight loss drugs are especially hitting employers' pocketbooks, and insurers are balking at coverage for use as an obesity treatment, though they continue to cover Type 2 diabetes patients.

For example, weight loss company Found's CEO Sarah Simmer told Yahoo Finance recently that employers have seen Novo Nordisk's (NVO) Ozempic jump to the No. 1 cost in drugs they are paying for, with one employer confiding that Ozempic prescriptions are up 400% year over year.

But that's just one pressure point. Like other industries, the inflationary environment and worker shortages are also pressuring the industry, causing increased costs to be felt through all parts of the broader health system.

"All health plans ranked inflationary impacts on health providers among the top three inflators for 2024. In a persisting high inflationary environment, hospitals and providers will often be pushed to seek significant rate increases from payers," the PwC report authors said.

That, in turn, could affect what insurers charge for premiums, according to Kaiser Family Foundation's Larry Levitt.

"There are cost pressures bubbling up throughout the health care system, and those higher costs will translate directly to higher premiums for employers and individuals," said Levitt, executive vice president of health policy.

But, he added, "While employers have historically tried to shift premium increases onto workers, that may be difficult in the current labor market with unemployment so low."

And while the impact of inflation might be receding in other industries, it could only just be starting in healthcare.

In addition, the drop in Medicaid enrollees as a result of the end of the pandemic, and funding from the government, could increase the number of Affordable Care Act marketplace plan enrollees. While those individuals could be eligible for subsidies, the cost of utilizing the health plans will again add to the costs for insurers.

But it's not all bad news.

There are some small moves helping to neutralize the cost burden, according to the report.

That includes more biosimilars on the market, which means cheaper options are available for patients and insurers, as well as more healthcare providers participating in relationships with insurers to receive bundled payments rather than individual fees for each service provided within a visit (known as value-based care). All of this helps to incrementally decrease the cost burden.

In addition, thanks to the pandemic, the use of costly care sites like hospitals has decreased.

"With the increased demand for home-based services and virtual care, the healthcare delivery system has reached a new phase. Plans are factoring in higher utilization of less expensive care settings and virtual care when pricing their 2023 plans and beyond, helping plans offset the trend inflators," the authors wrote.

All told, if inflation and worker shortages persist, it could result in continued pressure on a struggling industry that is slow to adopt innovative changes.

"Organizations need to reshape strategies, reengineer financial, workforce and business models and seize every transformational opportunity — from investments in innovation and technology to deals — to clear the path for a drastically different cost, capabilities and business footprint by 2030," the report said.

The Average American Social Security Check, by Age

Since the Social Security Act of 1935, Social Security has been America's social program to help fund Americans' retirement. But how much can you expect to see when you collect Social Security? Can the average American live on the average Social Security check? Let's dig in.

A financial advisor can help create a long-term financial plan.

The Average Social Security Check

According to the Social Security Administration's (SSA) monthly snapshot, retired workers received an average Social Security check of $1,830.66 in February 2023. That translates to $21,967.92 a year. That's not a lot of money for someone to get by on their own. If you were working a full-time job, that equates to being paid about $10.50/hour.

Depending on your age, the maximum total monthly benefit ranges from $2,572 to $4,555, or $30,864 to $54,660 yearly. That's assuming you've been in the highest tax bracket since you started working at age 22. For most people, that's not realistic.

The Average Social Security Check by Age

How much you receive in your Social Security check depends on when you elect to take it. The earlier you receive benefits, the fewer these benefits will be. Let's take a look using some 2022 data from the Social Security Administration that demonstrates the differences.

If you're ready to be matched with local advisors that can help you achieve your financial goals, get started now.

At Age 62

You can elect to receive Social Security before full retirement age in exchange for a reduced monthly payment. This starts at age 62. In 2022, the average Social Security check for a 62-year-old was around $1,130, which is $13,560 a year.

Note: If you're born after 1960 and taking Social Security, your benefit is reduced by 30% if you take it at age 62. If you were born before 1960 but aren't at full retirement age yet, use this handy chart provided by the SSA. It outlines what the reduction percentage would be, as well as when exactly you'll hit full retirement age.

At Age 66-67

Depending on how old you are, the full retirement age for Social Security is either 66 or 67. If you were born after 1960, the full retirement age for you is 67. In 2022, the average Social Security check was around $1,720 for a 66-year-old and $1,845 for a 67-year-old. That's $20,640 to $22,140 a year.

At Age 70

Beyond the full retirement age, you can elect to postpone your Social Security benefits until age 70. If you wait until the last possible month to collect, your benefit will be 132% larger than what it would be at full retirement age. In December 2022, the average 70-year-old was receiving $1,963 per month, or $23,556 a year.

Keep in mind that this also includes people who started taking it earlier. If you want a more accurate estimation, take the current average of $1,830.66 a month and multiply it by 1.32 (or 132%). That's $2,416.27 a month.

When to Take Social Security

The best age to take Social Security benefits is a subject of frequent debate. If you claim your Social Security benefits early, not only will you receive less money, but you have a strict limit on the amount you can earn. In 2023, that earnings limit is $21,240. For every $2 you earn over this, the Social Security Administration will penalize your payout by $1.

For people who expect to live until at least 80, it's generally accepted that the best move is to delay Social Security benefits as long as possible. With this method, you may work longer in exchange for collecting the most you can every month.

If you need the money, however, it may be best to take Social Security when you reach full retirement age. Only you can make this decision. Everyone's physical and financial health is different, and there are a lot of factors you need to weigh. Research your options and consult with others, including a financial advisor before you decide what to do.

How Much Will My Social Security Check Be?

Your Social Security check is determined by the total amount you've paid into it throughout your working life. The good news is that you don't have to do the math yourself. You can use SmartAsset's Social Security calculator to get a good estimate for you.

Input your birth year and your annual income. From there, you get an estimate of your social security check. You can further tweak the outcome by adjusting inflation, retirement age and marital status.

The Bottom Line

The average Social Security check isn't enough to be your sole income. To retire securely and comfortably, you're going to need a comprehensive plan. For many people, retirement is where they go from one primary income source to multiple sources. Retirement accounts, a part-time job, Social Security and other income streams have to come together to make your retirement work

Tips for Planning for Retirement

- A financial advisor will show you how Social Security fits with other income sources in your retirement plan. Finding a qualified financial advisor doesn't have to be hard. SmartAsset's free tool matches you with up to three vetted financial advisors who serve your area, and you can interview your advisor matches at no cost to decide which one is right for you. If you're ready to find an advisor who can help you achieve your financial goals, get started now.
- You need to know how much you'll need for retirement. Use SmartAsset's Retirement Calculator to get an estimate of how much to save that you can start your financial planning with.

Gen Z are the most disgruntled workers and that's a problem for employers

Gen Z workers aren't happy on the job.

Of the four working generations, those born starting in the late 1990s are more likely to say their work is frustrating and overwhelming, according to one survey. Another found that Zoomers are more likely to say they have little energy for non-work activities at the end of the day. The obvious result? The youngest generation is more likely to report looking for a new job or have quit recently, a third survey found.

That's a problem for employers, which lose a lot of money for each departing worker. But experts say managers can retain these young workers by better understanding their needs and implementing strategies to meet them.

"Fundamentally, [the workforce] is broken," Chason Hecht, founder and CEO of Retensa, a consulting company that specializes in worker retention, told Yahoo Finance. "The disease is causing the ailment that is quiet quitting and the Great Resignation. That's not the problem. That's the manifestation of this underlying sort of chasm between the needs, wants and expectations of the modern employee and what employers are providing."

'Fully loaded cost of turnover'

A recent Bankrate survey of 2,417 US adults found that Gen Z was more likely to report quitting a job and getting a new job in the last year than any other generation. It also found that 55% of Gen Z workers report they are "very likely" to look for a new job in the next 12 months, versus 43% of millennials, 28% of Gen Xers, and 13% of baby boomers.

That's a wake-up call for employers, said Jeff Wahl, CEO of Big Blue Marble Academy, which designs preschool curriculum programs. Wahl said the company focused on retention during the "quiet quitting" trend and the Great Resignation period during the pandemic. He says he was able to keep voluntary turnover to just 1% — versus the national average of 17.8% in 2021 and 2022, per Mercer — and said that retaining Gen Z workers can save managers major hardship down the line.

For instance, replacing a single employee can cost one and a half to two times that employee's annual salary, according to Gallup, which characterized the estimate as "conservative."

"Only do this if you're willing to be honest in the calculation, but for those that are driven by the numbers, calculate the fully loaded cost of your turnover and you will be amazed. You will be absolutely positively amazed at how high it is," Wahl said. "That's what you're doing today. What if you invested one half of that number through investments in your employees?"

'Working when they want to work'

One place to start is with workplace flexibility. The Bankrate survey found that 61% of Gen Zers said they were likely to ask their managers for more flexibility in the next year.

"The Gen Z worker has an interest in working when they want to work, and that might not align perfectly with when your manager wants to work," said Hecht.

That may or may not mean working from home.

"It's a myth that every Gen Z wants to work from home. What they want is the flexibility that when something happens, you have a sick relative or you're not feeling well or there's construction going out of your home," Lindsey Pollak, author of *The Remix: How to Lead and Succeed in the Multigenerational Workplaces*, told Yahoo Finance. "It's possible to be very productive from home. And you know that you can have all the tools you need at home. So, it makes less sense that someone would not approve that request."

But that flexibility may help these young workers go from time-on to time-off better.
A survey of 1,000 US workers from SHRM, the trade organization for Human Resources professionals, found that 63% of Generation Z had little energy to participate in non-work activities by the end of the workday, compared with 54% of millennials, 44% of Gen Xers, and 33% of baby boomers.

To help younger workers manage their time off, Pollak said employers must provide clear paid time off, or PTO, policies. For instance, she advised against telling an employee "take a reasonable amount of PTO."

"Have a clear policy and explain it," Pollak said, offering an example of two weeks of vacation plus 10 PTO days.

“Because we want you to have the flexibility you need to take care of your life, but it's important to us that we know when you're going to be in the office so other people can plan their schedules,” Pollak said. “That is a clear and understandable policy.”

'What does it actually take?'

Advancement is also important for Zoomers. Companies often offer exit interviews to employees who quit, but Pollak said they should offer so-called "stay conversations" instead. In such conversations, employers should help employees understand what they can do to progress in their role and ask how they can support them as they advance.

"What does it actually take?" Pollak said. "Questioning the way things have always been done in terms of career paths and promotions to be specific in the metrics it takes to get to the next level."

When it comes to advancement, a clear path forward is key, Wahl said.

"We had to say, ‘okay, this is how you can do it. This is where you're at. And this is the next role that you can go into and this is what the investment would be,'" he said.

'Begins with building trust'

For Zoomers, the need for regular communication is paramount to create a strong connection with their employer. For instance, at the Big Blue Marble Academy, Wahl said he regularly hosts monthly virtual coffees and town halls to check in with employees.

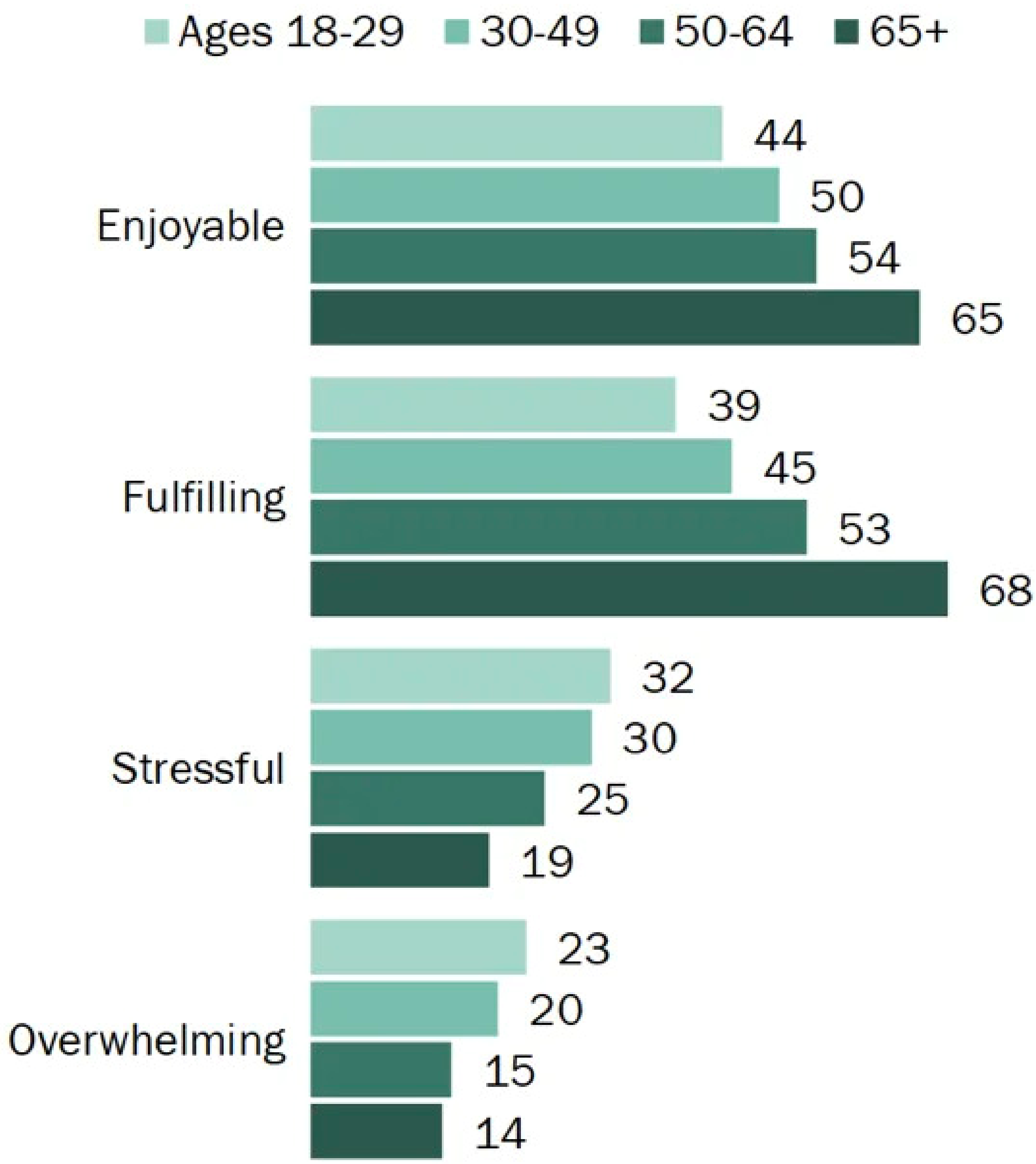
"It really begins with building trust, and showing respect, and putting down like generational divides, and showing flexibility, and just asking them, so we go through extensive, what we refer to as gaining voice of customer," said Wahl.

Wahl also uses technology to provide different avenues for communication, a strategy that reaches young people. Big Blue Marble Academy previously struggled to keep prospective employees during the recruitment process, but then the company implemented a tech platform called Mainstay, which reaches both potential candidates and new hires with chatbots and texts to answer questions.

"That's really helped us better communicate with them, and engage with their demographic," he said. "Also, through AI chat bots, we can quickly communicate with and engage and ensure timely follow up with every single one of them when they apply, from the time that they applied to 30 days into their new role."

Workers 65 and older are the most likely to find their job enjoyable or fulfilling, least likely to say it's stressful

% of employed adults saying they find their job to be ___ all or most of the time



Note: Based on workers who are not self-employed.
Source: Survey of U.S. workers conducted Feb. 6-12, 2023.
"How Americans View Their Jobs"

PEW RESEARCH CENTER

(Credit: Pew Research Center)

Pollak recommended that companies employ a method called "reverse mentoring," in which junior and senior employees meet regularly to discuss their perspectives on the workplace.

That mix could help increase workplace satisfaction and counter negative feelings younger workers have about their jobs. For instance, older employees are more likely to find their jobs enjoyable and fulfilling, according to a recent survey from the Pew Research Center, while Gen Z is more likely to find work stressful and overwhelming. Reaching out to that younger generation can help managers find out why that disparity exists.

"The simple thing anybody can do to get better at this is to have a conversation with Gen Z," Pollak said. "Very senior executives will say to me, ‘what do my Gen Z's want?’ And I always say, ‘have you asked them?’ You have to get to know people and talk to them."

HOW TO CHOOSE A NURSING HOME

Whether you're planning ahead or need to make an unexpected decision, there's a lot to think about when choosing the right nursing home for you or your loved one.

Medicare.gov makes it easy to find and compare nursing homes in your area. Personalize your results by filtering for what matters most to you — like inspection results, location, quality ratings, and more.

When comparing nursing homes:

- **Check out their overall star ratings.** The overall rating is based on a nursing home's performance in 3 areas: health inspections, staffing, and quality of resident care.
- **View detailed staffing data,** including the staffing levels and turnover rates.
- **Find nursing home contact information and directions.**

Visit Medicare.gov for more information about nursing homes and what Medicare does and does not cover.

To contact us: go to www.healthcareil.com or Call (800) 739-4700