

**SUGGESTED TESTIMONY
TO THE NEW YORK CITY COUNCIL
ON LACK OF INCREASE
IN SOCIAL SECURITY COST OF LIVING ADJUSTMENTS (COLA)**

*Congressman Charles B. Rangel
April 30, 2010*

In October 2009, the Social Security Administration announced that for the first time since automatic cost of living adjustments (COLAs) for Social Security benefits began in 1975, no COLA will be payable in 2010 to Social Security and SSI beneficiaries, due to economic circumstances.

In light of this development, the President proposed to provide another emergency relief payment to Social Security and other federal beneficiaries, similar to the one provided to them through the American Recovery and Reinvestment Act of 2009.

The President's proposal would provide a special \$250 payment to the 57 million beneficiaries of Social Security, Veterans Administration Compensation and Pension, Railroad Retirement Board, and Supplemental Security Income programs, as well as public employment retirees who were included in the American Recovery and Reinvestment Act relief earlier this year.

As Chairman of the Ways and Means Committee, I supported this proposal to provide economic recovery assistance payment to seniors, veterans and people with disabilities. While the economy continues to show signs of recovery, millions of Americans are still facing difficulties and this payment would help them make ends meet.

I want to add that providing this important and needed relief would not come at the expense of the financial solvency of the Social Security Trust Fund.

Last year, the House took action to protect seniors from a related problem concerning Medicare Part B premiums, by passing H.R. 3631, the "Medicare Premium Fairness Act of 2009."

Most Medicare beneficiaries (other than those who do not receive Social Security retirement benefits, such as civil service pensioners) are already protected from higher Part B premiums when COLAs are too small to

absorb the increase. However, about 5 percent of beneficiaries are still subject to higher out-of-pocket premium costs. This legislation would have prevented an increase in Part B premiums for all Medicare beneficiaries in 2010, including civil service pensioners.

Unfortunately, while this legislation successfully passed the House of Representatives, it has remained stuck in the Senate, like many good pieces of legislation.

It's a shameful situation because this health care costs, combined with losses in savings, home values and pensions, potentially create further economic hardship on America's most vulnerable population. As elected officials, we have a duty to ensure that seniors and people with disabilities are not left behind as we continue to recover from the worst economic conditions in years.

WHY THIS HAPPENED

Let's be clear. The reason why this happened was a perfect storm of statistical factors. It is not -- as an e-mail circulating among senior citizens on the internet alleges -- because Congress "decided" not to grant Social Security beneficiaries a COLA, while at the same time giving themselves a pay-raise next year. In fact, Congress voted to prevent any pay raise for Members in 2010 in the FY2009 Omnibus Appropriations Act, and just did so again, to prevent any pay raise for 2011.

The annual Social Security COLA is determined automatically according to a formula which has been in the law since 1975. The current situation is a result of economic conditions, not Congressional action.

The COLA is based on the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W). It is calculated by comparing the CPI-W from the third quarter of the current year to the year prior. If positive, then the difference is applied to benefits the following January.

In 2008, the level of the CPI-W during the third quarter was affected by the unusually high spike in energy costs (primarily gas and oil). This resulted in a COLA of 5.8 percent, paid starting in January, 2009. This was the largest increase in benefits since 1982.

However, prices dropped 5.0 points in the three months following the third quarter of 2008. Since then, there was very modest price growth, but not enough in 2009 to catch up to the level of the CPI-W in the third quarter of 2008.

Because the law prevents a “negative COLA,” a zero COLA has been applied instead.

WHAT IS BEING DONE NOW

Congress has tried to lower some of the costs borne by Social Security recipients by decreasing healthcare costs in our recently passed healthcare reform legislation. This legislation immediately provides a \$250 rebate to Medicare beneficiaries who hit the donut hole in 2010 and then provides a 50% discount on prescription drugs in the donut hole by the beginning of next year.

By the summer, the legislation also creates a temporary re-insurance program for employer health plans providing coverage for early retirees until the Health Care Insurance Exchanges are available. This helps protect coverage for these early retirees (age 55-64) while reducing premiums for employers.

Beginning January, 2011, the reform legislation also eliminates co-payments for preventive services and exempts preventive services from deductibles under the Medicare program.

This is just the tip of some of the benefits that our healthcare reform legislation offers New Yorkers. Approximately, 3/4 of the over 2 million New Yorkers without health insurance will be able to secure affordable policies. Many who have been unable to afford the individual coverage policies, even with state assistance, will finally get the security of coverage.

Small businesses will get assistance for enrolling their employees in health insurance plans, receiving tax credits of up to 35% of premiums that will be immediately available to those who choose to offer coverage. Our hospitals will see an increase in reimbursements, allowing them to improve care for all. Our community health centers will receive increases in grants and revenue, broadening the access to care. The state and its counties and cities will over the next decade see the growth in their

Medicaid costs decline as the Federal government takes over a larger share of the costs.

This year alone, the law will ban insurance companies from dropping people from coverage when they get sick. It will prohibit health insurers from denying coverage to children with pre-existing conditions and from placing lifetime caps on coverage. It will also tightly restrict new plans' use of annual limits to ensure access to needed care. In general, the health of New Yorkers will improve as the access to preventive and chronic care will expand.

Of course, I will continue to work with elected officials, citizens, and community organizations in support of efforts to improve the economic security of seniors. We cannot let politics get in the way of helping those who are the most vulnerable in our society, and who deserve some financial security in these rough times.



TESTIMONY

presented by

Caryn Resnick

**Deputy Commissioner of
External Affairs**

at a hearing on

Oversight: Social Security and Seniors

before the

New York City Council Aging Committee

on

Friday, April 30, 2010

1:00 P.M.

at

City Council Chambers

City Hall

New York, NY

Good afternoon Chair Lappin and members of the Aging Committee. My name is Caryn Resnick and I am the Deputy Commissioner for External Affairs at the Department for the Aging. I am happy to be here this afternoon to discuss the importance of Social Security as an anti-poverty program for the elderly.

The Social Security Act was originally signed into law by President Franklin D. Roosevelt in 1935 as part of the New Deal. By dollars paid, the U.S. Social Security program is the largest government program in the world and the single greatest expenditure in the federal budget, with 20.8% for social security, compared to 20.5% for discretionary defense and 20.1% for Medicare/Medicaid. Social Security is currently the largest social insurance program in the U.S., constituting 37% of government expenditures and 7% of the gross domestic product.¹ In 2004, the U.S. Social Security system paid out almost \$500 billion in benefits.²

Social Security benefits have a powerful poverty-preventing effect among the elderly. An analysis of Census data shows that nationwide, Social Security benefits lift nearly 13 million seniors age 65 and older above the poverty line. These figures reflect a three-year average for the period from 2000 through 2002. The data indicate that without Social Security income, nearly one of every two elderly people — 46.8 percent — would have an income below the poverty line. However, once Social Security benefits are taken into account, just one in twelve or 8.7 percent is poor. The remarkable degree to which Social Security benefits reduce poverty is found in every state in the nation. If Social Security income was excluded, than more than 40 percent of the elderly, in 45 states, would have incomes below the poverty line. With Social Security, the elderly poverty rate in the large majority of states is less than 10 percent. In fact, in New York State alone, Social Security lifts 872,000 million elderly people above the poverty line, reducing the elderly poverty rate from 50.2 percent to 8.7 percent.³

¹ ^ Feldstein, M. (2005). Rethinking social insurance. *American Economic Review*, 95(1), pp. 1-24.

² "OASDI Expenditures". Retrieved December 3, 2005.

³ Center for Budget and Policy Priorities: Social Security Lifts 13 Million Seniors Above the Poverty Line, A State-by-State Analysis, 2005.

As an anti-poverty program, Social Security is particularly important to women. Elderly unmarried women—including widows—get 51 percent of their total income from Social Security. Unmarried elderly men get 39 percent, while elderly married couples get 36 percent of their income from Social Security. For 25 percent of unmarried women, Social Security is their only source of income, compared to 9 percent of married couples and 20 percent of unmarried men. Without Social Security benefits, the elderly poverty rate among women would be approximately 52 percent and among widows 60.6 percent.⁴

We know that the importance of Social Security to older adults in New York City can not be understated. While Social Security provides a modest income when considering the cost of living in New York City, it also provides a basic safety-net for older adults, that when used in tandem with other assets and benefits can help seniors achieve self-sufficiency. We know that poverty is a serious concern among seniors in New York City and while poverty rates among older adults have declined nationally by 9%, rates in New York City have actually increased by 27%. According to the Center for Economic Opportunity (CEO), the poverty rate among those age 65 and over is 32.0% as compared to the federal poverty rate of 18.1%, a difference of 13.9 percentage points. Today, 22% of elderly-headed households in New York City earn less than \$10,000. Even more alarming are the poverty rates in some minority communities, with poverty among Asian seniors at 36% and Hispanic seniors at 41%. We believe that much of this disparity is attributed to the fact that more recent immigrants often have not accrued enough time working to be eligible for Social Security and Medicare. In absence of these key safety nets, many seniors from minority communities are left particularly vulnerable.

Helping older adults qualify for Social Security by remaining in the formal workforce or re-entering the workforce is an important role for policymakers at all levels of government. In order to qualify for Social Security and Medicare, individuals must work in the United States for a combined total of 40 quarters or 10 years. In an analysis of the

⁴ *Women and Retirement Security: A Report Prepared by the National Economic Council | Interagency Working Group on Social Security, ssa.gov.*

2008 American Community Survey, CEO found that 21% of New Yorkers age 65 and older reported no Social Security income and that among foreign born residents, this figure was 31%. At this point, we do not know how many of these residents are near eligibility, such as those with between 30 and 40 quarters, as the Social Security Administration is required to protect personal information. The City also does not have a formal role in outreach or enrollment in Social Security. This work is done through federal Social Security offices around the City. That being said, DFTA is interested in educating our constituency on the benefits of Social Security and we are currently examining ways that we can help people who are near eligibility qualify for benefits. One logical place to look to is the City's existing employment programs, such as DFTA's Senior Employment Services program, also known as Title V. DFTA volunteers for our Health Insurance Information Counseling and Assistance program (HIICAP) are also trained by the Social Security Administration each year. It is important for these volunteers to have a background in Social Security due to the parallel eligibility criteria between Medicare and Social Security.

Thank you again for the opportunity to discuss the importance of Social Security, particularly in the context of combating poverty among the elderly. When combined with other assets and benefits such as assistance with housing, food and health care, Social Security proves an essential component to help older adults achieve economic security.



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**Testimony presented by Carin Tinney, Policy Analyst for Aging Services
United Neighborhood Houses**

**Before the
NYC Council Aging Committee
Councilmember Jessica Lappin, Chair**

**Hearing on the Social Security COLA
Friday, April 30, 2010**

Good afternoon. Thank you Chair Lappin and members of the Aging Committee for convening this hearing and for the opportunity to testify. My name is Carin Tinney and I am here on behalf of United Neighborhood Houses where I serve as a policy analyst. As you know, United Neighborhood Houses (UNH) is the membership organization of New York City settlement houses and community centers. Rooted in the history and values of the settlement house movement, UNH promotes and strengthens the neighborhood-based, multi-service approach to improving the lives of New Yorkers in need and the communities in which they live. UNH's membership comprises one of the largest human service systems in New York City, with 38 agencies working at more than 400 sites to provide high quality services and activities to half million New Yorkers each year. UNH supports its members through policy development, advocacy and capacity-building activities. UNH members have a strong commitment to older New Yorkers and the providers who serve them.

Every year since 1975, Social Security and Social Security Income beneficiaries have received a cost of living adjustment (COLA) to account for inflation. This year is different, there is no COLA. Moreover, the President's budget assumes that there will be no COLA in 2011 and only a 1.4% COLA in 2012 (in 2009, the COLA was 5.8%)¹. To reconcile the current (2010) situation, President Obama called for a \$250 Economic Stimulus Payment for these beneficiaries and included a provision for such in the

¹ http://www.nytimes.com/2009/05/03/us/politics/03benefits.html?_r=2&hp

national Jobs Bill; it was estimated to cost \$13 billion. Unfortunately, the provision didn't make it to the final version of the Jobs Bill that was signed into law on March 18, 2010.

We applaud the City Council for its resolution to urge Congress to pass an economic stimulus payment to seniors and people with disabilities. We are dismayed to hear that federal lawmakers felt the provision would not have made a difference in the lives of the 57 million Americans who could have benefited. Based on the cost of living in New York City, it is estimated that 32% of seniors live in poverty. Undoubtedly for this population, a one-time payment of \$250 is likely to make a significant difference. \$250 could be the difference between a senior taking a cholesterol lowering pill 2 times a day as prescribed or saving pills and taking it once a day because of cost; it could be the difference between eating or skipping dinner; it could be the difference in paying a utility bill or not. On a fixed income, every penny counts.

United Neighborhood Houses, on behalf of its members and seniors they serve, support the City Council's Resolution to the US Congress to provide an economic stimulus payment to seniors.



AARP New York State Office

Testimony before the

New York City Council

**Economic Stimulus Payment for Social
Security and SSI**

April 30, 2010

New York City, NY

My name is Beth Finkel, Senior Manager of State Programs and Services for AARP New York.

AARP is a nonprofit, nonpartisan membership organization that helps people 50+ have independence, choice and control in ways that are beneficial and affordable to them and society as a whole. AARP does not endorse candidates for public office or make contributions to either political campaigns or candidates. We produce AARP The Magazine, the definitive voice for 50+ Americans and the world's largest-circulation magazine with over 35.7 million readers; AARP Bulletin, the go-to news source for AARP's millions of members and Americans 50+; AARP Segunda Juventud, the only bilingual U.S. publication dedicated exclusively to the 50+ Hispanic community; and our website, AARP.org. AARP Foundation is an affiliated charity that provides security, protection, and empowerment to older persons in need with support from thousands of volunteers, donors, and sponsors. We have staffed offices in all 50 states, the District of Columbia, Puerto Rico, and the U.S. Virgin Islands. Currently there are 800,000 AARP members in NYC, 2.6 million in New York State.

AARP would like to express our strong support for to provide \$250 in economic relief to America's seniors, veterans and persons with disabilities. AARP is pleased to endorse this and thanks the NYC Council for scheduling this hearing to approve this much-needed relief.

Like many individuals throughout our country, America's seniors are struggling to make ends meet due to the impact of the worst economic crisis since the Great Depression. Older Americans, however, are facing unique financial difficulties and are acutely impacted by the nation's economic downturn. For instance, although the prices of many goods and services have stagnated or declined, many older Americans do not feel the effects of low inflation in their pocketbooks.

Seniors spend a disproportionate share of their income (about 30 percent on average) on health care costs, which continue to increase at rates well above the rate of overall inflation. The combination of higher health care costs, including prescription drug prices, and a stagnant Social Security benefit in 2010 is particularly troubling and has resulted in lower net Social Security payments to millions of America's seniors.

Moreover, many senior citizens have lost a significant portion of their retirement savings due to the recent downturn. Unlike younger Americans, however, these retirees have less time to make up substantial losses in their retirement savings. The decline in housing prices in many parts of the country may also cause severe difficulties for those seniors who need to tap the equity in their homes in order to fund their retirement.

- ✓ Providing \$250 in economic relief to seniors is a simple, direct way for Congress to help them afford food, medicine and other basic necessities.

- ✓ \$250 in relief will inject money directly into the economy since seniors are more likely to spend the money they receive than any other age group.

All of this comes at a time when seniors, who normally count on an annual Social Security increase, did not receive a cost-of-living adjustment (COLA) for 2010. This is the first time since automatic adjustments were originally provided in 1975 that beneficiaries have not received a COLA. Many of these Americans have suffered significant economic harm over the past year and a half and are depending on Congress to provide relief.

Thank you for giving us the opportunity to testify here today. Many individuals have suffered significant economic harm over the past two years and are depending on Congress to address this important matter.

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

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 in favor in opposition

Date: _____

(PLEASE PRINT)

Name: Congressman Charles Rangel

Address: _____

I represent: 15th Congressional District

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Name: Carin Tinney

Address: 74th Ave. 70 W. 36th St. 5th Fl.

I represent: United Neighborhood Houses

Address: 70 W. 36th St. 5th Fl. NY, NY 10018

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Name: Ben Fina (PLEASE PRINT)

Address: AVRP

I represent: 780 Third Ave

Address: NY 10017

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Appearance Card

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Date: _____

Name: Caryn Rosnick (PLEASE PRINT)

Address: Deputy Commissioner

I represent: DATA

Address: _____

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