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Social Security Horror Stories

Goodman Institute Senior Fellow Laurence Kotlikoff is the nation's number one expert on Social Security. He has coauthored the best book on the subject. He has created the most accurate Social Security calculator. Now he has created a portal where beneficiaries can input their personal horror stories. Here are a few examples of clawbacks—efforts by the Social Security to get back money it previously gave out:

- **Social Security Sues 32-Year-Old for Benefits He Received 21 Years Ago, at Age 11**
- **Social Security Demands Widow Repay $300,000 for Its Own Mistakes**
- **Social Security Claws Back an 81-Year-Old Widow for Benefits Allegedly Received 45 Years Ago**
- **Social Security Demands $24,436.60 from Retiree. Cuts Off Monthly Benefits When He Doesn't Pay**

Social Security beneficiaries can now go to a portal created by Laurence Kotlikoff to tell their horror stories about Social Security clawbacks.

The first case is about Roy Farmer of Grand Rapids, Michigan, who has cerebral palsy. He's 32. In 2019, out of the blue, he received a clawback letter from Social Security demanding he repay $4,902 that his mother received back when he was 11. Roy has spent what is now over three years appealing this judgment. He's been denied twice.

The second case describes a disabled woman who was clawed back for over $300,000 for a mistake that Social Security admitted in writing was theirs! For that woman, who was living solely off of Social Security, and for lots of others, these letters can be a death sentence or, at least, an abject poverty sentence. Why? If you don't repay, which most can't, Social Security almost always will stop sending you a single penny until you've repaid "what you owe." This can take years or decades.

According to Social Security personnel, as of last year, the agency was trying to reclaim $21.5 billion in the form of clawbacks (for all previous years). In calendar year 2021 alone, 223,500 beneficiaries got clawback letters.

It is not surprising that so many mistakes are made. The incredibly complicated system has 2728 rules and hundreds of thousands of pages explaining the rules, governing just 13 basic benefits.

Kotlikoff writes at *Forbes*:

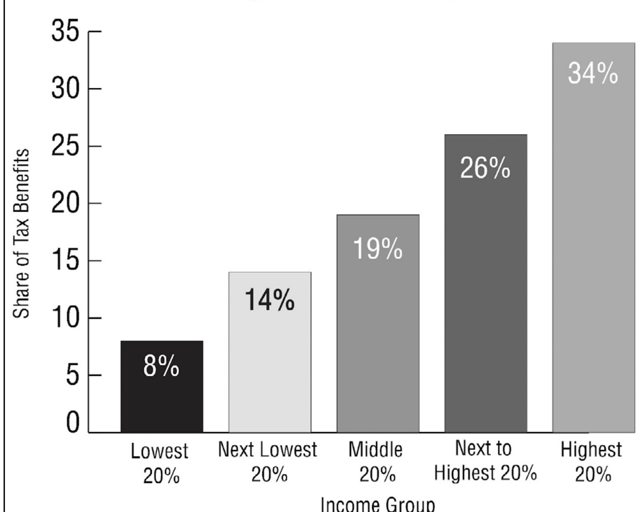
> Social Security is, put simply, a financial terrorist organization. Its routine abuse of countless Americans — something I've been writing about for decades — has finally started receiving mainstream media attention.... But nothing short of an act of our dysfunctional Congress will remove the financial Sword of Damocles hanging over the heads of 70,000 million American Social Security beneficiaries. That's one in six of us!

How the Government Subsidizes Private Health Insurance

Although the U.S. federal tax system is judged to be the most progressive among all developed countries, the way the federal government subsidizes private health insurance is surely the most regressive.

The graph below shows the most recent assessment of these subsidies by the Congressional Budget Office. As the graph shows, families in the top fifth of the income distribution are getting four times as much help from the federal government as families in the bottom fifth when they obtain private health insurance from an employer.

Share of Employer Premium Tax Benefits By Income Group



Source: Congressional Budget Office, *The Distribution of Major Tax Expenditures in the Individual Income Tax System. 2013.*

Things are very different in the (Obamcare) exchanges. In 2023, the national average premium for a silver plan for a 35-year-old couple with two children is $16,331. The table at the top of the next column shows the federal subsidy available at various levels of income if the family purchases the plan in a marketplace exchange. The table also shows the tax relief available if the family obtains that same insurance through an employer.

Government Subsidies for Health Insurance

Family of 4 (35-year-old couple with 2 children).
Annual health insurance premium = $16,331 for a standard silver plan.

Federal Poverty Level	Income	Subsidy When Plan Is Obtained Online	Subsidy When Plan Is Obtained at Work
150%	$45,000	$16,331	$3,149
200%	$60,000	$12,955	$3,209
400%	$120,000	$6,145	$4,817
600%	$180,000	$0	$4,842
800%	$240,000	$0	$5,169
1000%	$300,000	$0	$5,021

Source: Author calculations based on HHS and IRS data.
Note: The subsidy on the left is only available to people who are not eligible for the subsidy on the right. ***Does not include temporary "enchanced subsidies."***

At 150 percent of the poverty level ($45,000), a family getting insurance in the exchange pays zero premium and is effectively getting the insurance for free. By contrast, federal help for a family at the same income level, getting the same insurance through an employer, comes to just $3,149, or only about 19 percent of the premium.

Help for the first family is five times the help for the second.

At higher levels of income (but still very middle-class levels), the unfairness is reversed. Above 400 percent of the poverty level ($120,000), families with employer-provided insurance get a subsidy ($4,817) that is roughly equal to 30 percent of the cost of their insurance. Families at this level who must buy their own insurance, by contrast, get no help at all.

We are giving radically different subsidies to families at the same level of income.

Obamacare's Dirty Little Secret

If you have to buy your own health insurance in America today, have an average income and never get sick, your options have never been better. But if you have a serious health problem, your options have never been worse.

According to President Biden, health insurance in America is free or almost free ($10 a month or less) for 80% of people who acquire it in an Obamacare exchange. Plus, preventive medicine (the only kind of care healthy people require) is also free.

If you are sick, however, things are very different.

Writing in the *Wall Street Journal*, John Goodman and Kansas state senator Beverly Gossage give the example of a middle-aged couple in Dallas, Texas, earning $70,000 a year. Suppose they have two children – both of whom have serious birth defects. Although this family will pay no premium for a Blue Cross bronze plan in the (Obamacare) exchange, they will face a $9,100 deductible for each child. Their total out-of-pocket exposure is $18,200 – every year.

In case the family doesn't qualify for a subsidy (because of high income or some other reason), they will face an annual premium of $12,312.

All told, health care for this family according to HealthCare.Gov will cost $30,512 every year!

It gets worse. Patients with special needs often require the care of highly trained specialists who often work at centers of excellence. But our family in Dallas will discover that their Blue Cross (Obamacare) plan is not accepted at the University of Texas Health Science Center – one of the top medical centers in the whole country. Nor will it be accepted at MD Anderson (Cancer) Center in Houston.

When a patient with Obamacare coverage goes out of network, the plan usually pays nothing and the cost does not apply to the deductible nor to the out-of-pocket maximum.

In addition to Obamacare's high medical expenses for the sick, there is an implicit tax on their earned income. Suppose our Dallas family earned only $60,000. Their children would qualify for the federal Children's Health Insurance Program (CHIP), and HealthCare.Gov says they would not be allowed into a private exchange plan. The parents could select a plan with zero premium and, staying healthy, they would have no out-of-pocket medical expenses.

So, the penalty for earning an extra $10,000 of income is $18,200 of higher medical costs – even after Obamacare's subsidy. That's a marginal tax rate of 182%!

Dean Clancy (Americans for Prosperity), Genevieve Collins (Americans for Prosperity – Texas) and Dr. Goodman conducted a "how to" session at the State Policy Network conference in Chicago in August.

Capital and Growth

There is an old Keynesian notion that has resurfaced and become increasingly noisy. It's the idea that the world in general and the U.S. in particular is suffering from an overabundance of saving – producing a capital glut.

Too much saving in the face of a dearth of investment opportunities would cause economic stagnation, without an active role for government. So the argument goes from economists ranging from Ben Bernanke to Larry Summers.

A new study by Kotlikoff and Auerbach sets the record straight:

- Our country is not suffering from a capital glut; nor is it experiencing secular stagnation.
- Neither U.S. nor global economic growth appears to have stopped or even slowed in recent decades.

Far from saving too much, we are actually saving too little, and we've been relying on foreigners to make up the difference:

- The U.S. household saving rate has dropped significantly: from 17.0% in the 1950s to just 4.1% in the last decade.
- Foreign investment has been replacing U.S. saving. In the 2000s, foreigners invested more than $2 in the U.S. for every dollar invested by Americans.
- In the last decade, they invested roughly $2 for every $3 invested by Americans.

Outreach

This quarter, John Goodman briefed the House of Representatives Doctors' Caucus on health policy reform. Dr. Goodman joined Congressman Pete Sessions to explain the new Sessions health care bill to the House Republican Leadership, the House Republican Study Committee, and the Americans for Tax Reform coalition. They also highlighted a session called "Making Healthcare Fair for All: A Conversation with Congressman Pete Sessions," at the Healthcare Innovation Congress in Washington, DC in August.

The Goodman Institute also partnered with Americans for Prosperity to conduct a "how-to" session for state think tanks and activist organizations at the State Policy Network conference in Chicago.

Congressman Pete Sessions and John Goodman briefed The Healthcare Innovation Congress on health policy reform.

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