THE TRUSTEE

March 2022

INFLATION

Over 2000 years ago, Roman civil law established interest rates at 8 ½%. It was the standard prime rate in the U.S. during the post WWII years when the baby boomer generation was born. At 8 ½%, your money would double in 10 years. And, if your money doubled, so did the cost of living.

Rates fluctuated during the last decades of the 20th century. In 1971, there was a meat shortage, prices skyrocketed, and meatless meals were in vogue. In 1979, during the Iranian hostage crisis, prime rates went as high as 18%. Gasoline, if you could find it, surged in price. Odd/Even days, based on your license plate number, dictated when you could buy gasoline. As 8 ½% became the exception, the Rule of 72 was born. To find the number of years required to double your money at a given interest rate, divide 72 by the interest rate.

Since the recession of 2008, rates have been very low. It stimulated business by allowing money to be borrowed at low rates, but, at the same time, any savings drew 1% or less. High earners were able to invest in businesses through the stock market and to earn high returns on their investments where the Rule of 72 didn't matter. For those whose savings were earning 1%, it would take 72 years to double their money. So, the rich got richer and the gap between wealthy and the middle/lower class earners widened. Now, in 2022, after 14 years of very low rates, in a global economy with escalating prices controlled by corporations, it's going to be another reset for prices. The problem is everyone, except the upper class, has been left behind.

Last month, the Social Security Administration announced a 5.9% cost of living adjustment for 2022, the largest COLA in 40 years. SSA stated the average Social Security benefit for a retired worker will rise by about $90/mo. to $1,657 in 2022, while the average benefit for a retired couple will rise by $144/mo. to $2,753. As it was with the Romans and with a stable prime rate, costs also increased. So, for Medicare retirees, the standard Medicare Part B premium, which covers doctor visits and other outpatient services, will increase to $170.10/mo. in 2022, up $21.60 from 2021's monthly premium of $148.50. That's a 15% increase. Nationwide inflation, based on the cost of living, is at 7.9%.

The increase reflects rising prices and utilization across the health care system during the pandemic and the anticipated increases for care provided for those "baby boomers" who have lived through many of these economic stressors. Additionally, Medicare needs to build in contingency reserves as people are living longer. It's a different day. Prepare. Be ahead of the curve.

And, like a barber pole swirling upward, prices will inflate and reset across all business areas. Stimulus checks, chain supply issues, tariffs, the pandemic, and the spending convenience of Amazon create a supply/demand storm. Medical costs, including prescription drugs, medical equipment, and mental health services, will rise. And, this is the third year of inflation growth.

If you're a young active educator, the time to begin planning for retirement is the first year you work. Enrollment in the New York State Teacher's Retirement System (NYSTRS) or the New York State Retirement System (NYSRS) will provide a solid basis for support in retirement, but there is a need for supplemental investments, such as IRA's and TSA's. They provide an opportunity to share in some of the profits benefitting those in the stock market, as long as the stock market provides positive returns. As economic cycles have demonstrated, there are "bust" sides to every "boom." As interest rate increases begin to return this month, it will be a while before the Rule of 72 can be used to provide any stable economic perspective. And, the crypto currencies have produced a new global variant where a steady formula for the future is not a guarantee of future performance. The cost of living is resetting, permanently.

BALANCE BILLING--When services are provided by an in-network provider, the charges for those services have been agreed to by the provider through the contract with the Trust or its vendors. Fully, 95% of all providers are in network, either through KTF, MagnaCare, First Health, or Medicare. If a provider is out of network, every attempt is made to negotiate an in-network rate, a one-time rate agreement, for the member. As a result, there is no balance remaining after the member meets their co-pay and the Trust pays the claim. In out-of-network cases, the new Surprise Law states the provider may not, initially, charge more than the in-network rate. Then, the remainder of their rate is negotiated with the Trust. Based on demographics, there are usual and customary rates for all procedures. If the out-of-network provider still wants to charge more, we will have a peer review performed and it will be the final analysis and claim result. In some cases, the out-of-network provider may attempt to submit a bill for his balance directly to the members. If it ever happens to you, it's called "balance billing." Do not pay the balance and contact the Trust.

We have had several instances where members went ahead and paid the balance. It makes it much more difficult to undo the wrong. Don't go it alone.

IN MEMORIUM: Elaine Apicello | Mary Reynolds