

# **THE FLORIDA ALLIANCE FOR RETIRED AMERICANS, INC.**

**Quarterly Executive Board Meeting**

## **LEGISLATIVE REPORT**



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## **Cost of Collecting Early Social Security**

Many Americans are living on the edge these days, and that means more are opting to take Social Security early. The potential consequences for them down the road are troublesome.

Applying for benefits as soon as eligibility begins at age 62 obviously brings an immediate payoff in the form of monthly checks that won't stop until you do. Who knows if you will live long enough to come out ahead if you delay?

The downside is locking in smaller amounts for life at a time when people are living longer and retirement can last for decades. For that reason, it's best to make deliberate calculations and give careful consideration to waiting until you can collect as much as 75 or 80 percent more per check.

Still, a move that should often be held off as long as possible has become a routine step for many during the recession.

The evidence: a big spike in early retirement claims for Social Security. Through last week, applications for benefits in the current fiscal year were up 23 percent over a year ago.

Part of the increase is attributable to aging baby boomers and the increasing percentage of women reaching retirement age after only joining the work force en masse a few decades ago. Social Security Administration says applications are still running about 7 percent above expectations because of the economy.

The average age when people start collecting Social Security is 63.6, based on the most recent calculation. That is likely to drop after this year's barrage of claims is factored in.

Social Security checks are about 25 percent less if you retire at 62 instead of full retirement age, which is 66 for those born from 1943-54. After full retirement age, the monthly benefit will increase by 8 percent for each year you delay.

All of this isn't to say that taking Social Security early is automatically a bad decision. Sometimes it's necessary because of a layoff or other setback; other times it may make sense due to failing health or limited life expectancy. But it needs to be thought through carefully.

A good place to start is the Social Security Administration's Web site, which has a discussion on when to start receiving benefits as well as a retirement calculator ([www.socialsecurity.gov/estimator](http://www.socialsecurity.gov/estimator)). If you don't have your annual statement from Social Security, you can find the amount of your estimated benefit there.

It's important to factor in how long you might live.

The average life expectancy of a 62-year-old today is about 86.5 for a woman and 84 for a man. Those who delay Social Security until 70 begin to surpass early filers in total lifetime benefits roughly about the time they pass 80, according to the American Academy of Actuaries.

If you decide to take Social Security early but ultimately go back to work, be aware there's a penalty if you make too much. In 2009, half of every dollar you earn above \$14,160 is deducted from benefit payments.

It's also critical to consider a spouse's situation and survivor benefits. Many planners recommend that the higher earner of a couple delay taking benefits until 70 while the lower earner should take them at 62. The lower earner thus would enable the couple to start receiving some early benefits.

## Drug companies pay to get doctor's orders

There are lots of reasons why your doctor might switch your prescription to a Lilly drug.

One of them might be found in a new online database that lists how much Eli Lilly & Co. paid physicians for their expertise during the first quarter of 2009.

For the first time, Floridians can see if their doctors juggled patient appointments with speaking gigs for the maker of popular drugs like Cymbalta, Zyprexa and Cialis.

Drug companies spend billions on marketing to doctors because it works: Targeted doctors prescribe more of the company's products. Lilly was forced to disclose its physician pay data, which it calls a "faculty registry," as part of a \$1.4-billion settlement with the federal government earlier this year. Lilly spread \$22-million among 3,400 health care providers nationwide during the first three months of the year.

According to Pharmedout.org, a group that tracks drug industry marketing, pharmaceutical companies will spend as much as \$100,000 a year on a physician considered to be particularly influential. Most favored are specialists like psychiatrists, cardiologists and internists, who are apt to prescribe a brand-name drug that the family physician will simply renew, rather than switch to a cheaper generic.

The drug maker's payoff for each dollar paid to physicians: More than \$12 in additional prescription sales, according to Pharm Exec, an industry publication.

The most frequent assignment for Lilly's paid physician-representatives: Talk to fellow doctors about the drug maker's products over dinners and "lunch-and-learns." Despite the informal, conversational nature of these peer-to-peer sessions, the physician-speakers are supposed to strictly adhere to a company-approved script. "The speaker's presentation is carefully regulated and provided by Lilly alone," the company says in its online registry.

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Nationwide, Lilly paid doctors for an average of six speaking engagements during the first quarter, at an average of \$1,000 per activity. The company says compensation varied based on the expertise of the speaker.

One example is a Tampa neurologist, who made her extra money speaking to colleagues 27 times during the quarter, or more than twice a week, at about \$2,000 an appearance. She told *Health News Florida*, an online news service, that the topic of her talks was Lilly's Cymbalta, an antidepressant approved for fibromyalgia and peripheral neuropathy in diabetics. Lilly has an annual cap on payments of \$75,000 a year.

Lilly touted its new online database as "one more step toward increasing transparency." It announced its intentions to voluntarily disclose the information in September. The federal settlement five months later, over the off-label marketing of Lilly's popular antipsychotic Zyprexa, made the move mandatory.

Several states, including Minnesota and Vermont, require drug companies to disclose physician gifts valued at as little as \$25. Sen. Charles Grassley, meanwhile, has proposed a federal law, which would make drug makers' payments to doctors public to patients.

Lilly said its speakers "serve as a credible voice in bringing information to their peers. But it is said the impact is often biggest on the speaker, who ends up prescribing more of the sponsor's drugs than any of the attendees. In these cases where you have a small group of physicians in a nice restaurant, it's just an excuse for the drug company to give the doctor \$1,000. One drug company insider said, they go after doctors who are a little insecure because they'd be really grateful for the friendship and the opportunity to become a speaker."

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## **Drug Makers Agree to Offer Medicare Discounts**

Drug makers have offered to spend \$80 billion over 10 years to help older Americans afford medicines and to lower the cost of a proposed overhaul of the health care system, officials said Saturday.

In a statement, President Obama said an agreement reached between drug makers and Senator Max Baucus, a Montana Democrat who is the chairman of the Finance Committee, narrowed the “doughnut hole” in the Medicare prescription-drug program that raises costs for many seniors.

“As part of the health reform legislation that I expect Congress to enact this year,” President Obama said, “pharmaceutical companies will extend discounts on prescription drugs to millions of seniors who currently are subjected to crushing out-of-pocket expenses.”

Congressional Democrats have been working on draft legislation to fulfill one of his top campaign promises: expanding health care coverage and lowering the cost of a system that makes up 17 percent of the economy.

Republicans questioned the price tag of an overhaul when the Congressional Budget Office estimated that a version of the plan being considered by Sen. Baucus’s panel would cost at least \$1.6 trillion. The United States Chamber of Commerce began a campaign against the plan, criticizing provisions being proposed, like a mandate on employers to provide health insurance to their workers.

The agreement would commit companies to cover as much as 50 percent of the cost of brand-name medicines in Medicare’s Part D prescription drug program.

Under Medicare’s prescription drug benefit program, patients buy medicines through conventional or mail-order pharmacies. They pay the first \$295 of costs, then the plan covers 75 percent of the purchases until the total reaches \$2,700, according to Medicare’s explanation of the program. Patients must then pay all costs until

spending \$4,350 out of pocket. Thereafter, patients pay a small co-payment for each drug until the end of the year.

## Florida's Population Loss

There was a time in the not so distant past when the state's decades-long binge on real estate had given way to empty homes in rich and poor neighborhoods alike, Hundreds of thousands of jobs have vanished, empty stores are everywhere and even golf courses are shutting down.

There's been plenty of bad news about Florida. The state lost 58,000 people last year, the first such population drop since 1946. Florida lost 392,000 jobs in the past year, and unemployment is approaching 11 percent. In the first six months of this year, 268,064 Florida properties were slapped with foreclosure notices.

Florida ranked last in the nation in per capita federal stimulus funds received, yet Florida still has 18.3 million people. It has great cities, deep-water ports and the ability to keep the improving mentality that has ruled the state virtually since its inception.

Florida still has the potential to position itself as an American hub of world trade and commerce, and an epicenter for green-energy development and high-tech manufacturing. Yet this reality brings with it a mixed bag of concerns and opportunities. What's most sorely needed to help fulfill that potential is not new growth, but rather visionary leadership.

It is sad to think that the fresh approaches and variety of life that newcomers bring are now missing. It is disturbing to see stores vacant in our strip and indoor malls, new schools unable to fill their classrooms. It is not a pleasant sight to watch businesses fail. Non-profit services and organizations have a challenging effort to continue.

Where will the people live in the coming years and what will their homes look like? Where and how will they shop? What jobs will be needed to provide an economic base to sustain prosperity? It is vital to re-examine the future of transportation, healthcare and education.

State elected officials have done little these past few difficult years other than to cut the budget and hope for better times to come. They

have shied away from the difficult tasks, such as fundamental tax reform, that can help better position Florida for a more sustainable, less-growth-dependent economic future. Neither have our politicians been willing to make the sort of work-force-training investments necessary to keep this state competitive in an increasingly high-tech economy.

Yes, the news about Florida has been more bad than good lately. But anticipating that Florida's best days are yet to come is not necessary an exercise in blurred optimism.

It is a sure thing that Florida needs to be an attractive destination to keep our tourist based economy alive also. Plans made today will determine what kind of change that growth will bring.

## Illegal Benefits

A question that seems to come up whenever people get together & start talking about illegal residents is their receiving benefits that should be only for legal citizens of the U.S.

For the record, answers to these questions can be found from Government websites to many to mention here.

To try and explain them here to some degree I will start with how illegal residents are receiving child credit tax refund checks from the IRS.

Some illegal immigrant workers improperly claim child tax credits that cost U.S. taxpayers about \$1.8 billion a year. Non-citizens frequently use Individual Taxpayer Identification Numbers to illegally work even though the numbers do not entitle a person to work in the U.S., or change a person's immigration status. In addition, federal law denies the Earned Income (child) Tax Credit to people who file a tax return without a work-authorized Social Security number.

In order to legally work in the United States, immigrants must first have work authorization from the Department of Homeland Security and a valid Social Security number to provide employers. But there's plenty of ways that illegal immigrants get numbers and papers that pass the scrutiny of employers. Employers then file wage reports (copies of W2s) to the Social Security Administration using those numbers.

Here's just a partial list of ways illegal immigrants get numbers to show employers:

**Buy them:** Immigration officials say the counterfeit document business is no small-time industry, but a lucrative national enterprise. Recently Immigration and Customs Enforcement (ICE) undercover investigators report making purchases of immigration papers and Social Security cards, for about \$50 to \$60 a set. The Social Security numbers may be completely fabricated, but all too often, legitimate Social Security numbers, are stolen from real people.

**Borrow them:** The Office of the Inspector General of Social Security reports that some immigrants with legitimate Social Security numbers appear to have allowed family members to use their number. Sometimes it's the number of U.S. born children. By law, children born in the U.S. to immigrant parents, even illegal immigrant parents, are citizens. Shortly after birth they will be issued Social Security numbers, then their parents may borrow the numbers to get jobs.

**Rent them:** The media reports that some immigrants rent their numbers out to friends and neighbors. Not only does the number holder make money from renting the Social Security number, he or she gets additional earnings credited to his work record that could later be used to calculate higher benefits than he or she would actually be entitled to.

Some get them from the Department of Homeland Security (DHS) — Immigrants may receive valid temporary work authorization from DHS, but once their visa expires, they overstay their visa and continue to work without legal authorization.

Get them from the Social Security Administration, although the numbers are harder to come by now, prior to January 1, 2004 the Social Security Administration assigned 7 million Social Security numbers to immigrants not authorized to work in this country. The cards were imprinted "**NOT VALID FOR EMPLOYMENT**", but according to government audits they have been frequently used for work.

Another place is to get them from the IRS. The Internal Revenue Service has issued about 15 million Individual Taxpayer Identification Numbers to enable people without Social Security numbers to pay taxes. Immigrants then show the numbers to employers for getting jobs.

## **More New Laws**

Smokers will now pay an additional \$1 tax on a pack of cigarettes under one of 65 new state laws that went into effect on July 1<sup>st</sup>, including a \$66.5 billion budget.

Some of the others establish an electronic tracking system to reduce the illicit sale and abuse of prescriptions drugs, require felony suspects to provide DNA samples even if not convicted, limit lawyer fees in workers' compensation cases and allow state universities to put up columbariums for the ashes of deceased alumni.

Florida's previous 34-cents-a-pack cigarette tax was among the nation's lowest. It's going up to \$1.34 through what's called a "surcharge" in the Protecting Florida's Health Act. The law also increases a 25 percent tax on the wholesale price of other tobacco products except for cigars, which are exempt, to 60 percent.

That's on top of higher federal tobacco taxes consumers began paying April 1. Cigarettes went up by 62 cents a pack, bringing the federal tax to \$1.01. The federal tax also increased from 5 to 40 cents on large cigars and a bit less for smaller ones.

Besides raising more than \$900 million a year for health care, sponsors say they hope Florida's higher tobacco taxes will encourage smokers to kick their often fatal habit and discourage young people from taking it up.

The higher tobacco tax is one of several new revenue sources needed to pay for the \$66.5 billion in spending during the budget year beginning today.

### **New revenue sources**

Others include \$5.3 billion in federal stimulus money and about \$1 billion in fee increases. A conforming law already has gone into effect to raise court filing fees, but a wide range of motor vehicle fees won't go on the books until Sept. 1.

Drug dealers and addicts from across the county flock to Florida's storefront "pill mills," with the biggest concentration in Broward

County, because this is the most populous of 12 states without a prescription tracking system.

Gov. Charlie Crist, who also is running in the Republican primary for the U.S. Senate, signed the tracking bill without ceremony or comment after several GOP House leaders urged him to veto it. They argued the measure would violate patient privacy rights and may lead to criminals or terrorists hacking the system to get sensitive information.

It'll be at least several months, though, before the new system is in operation. The law gives officials until Dec. 1, 2010, to get it going.

Florida also will join 13 other states that collect DNA samples of felony suspects upon arrest. Samples previously were taken only after someone was convicted.

The new law will be phased in over 10 years, starting with murder and sex crime suspects, until all accused felons are included.

Those samples will be added to the state's DNA database. Opponents argue that demanding DNA before conviction violates a suspect's rights and predict the law will be challenged.

The columbarium law had been sought by the University of Florida, where officials get calls about once a month from Gator alumni who want to have their ashes spread on the school's football field - "The Swamp."

Under existing law the schools would have to be licensed as a cemetery to build a columbarium. The university, though, cannot meet a requirement for cemeteries to have at least 30 acres.

The workers' compensation law reverses a Florida Supreme Court decision that removed the fee cap on lawyers who represent employees' with injury claims. The measure restores the limits that were part of a 2003 law credited with cutting premiums by more than 60 percent.

Trial lawyers say the caps will make it difficult for injured workers to get legal representation and eventually lead to another challenge.

Another makes zero-tolerance policies more tolerant. Children no longer can be arrested or expelled for insignificant misbehavior such as petty theft, bringing plastic butter knives to school, drawing pictures of guns or throwing erasers.

It's expected to cut costs and prevent kids from having criminal records.

Other new laws tighten the leash on local governments and law enforcement agencies.

One prohibits "crash taxes" - fees for causing wrecks. City and county officials say they needed the extra cash for police, ambulance and other emergency response expenses.