Top Social Security and Medicare Developments of 2022

Throughout 2022, rising inflation was among the top financial stories — coverage that peaked in October, when the SSA announced the highest cost-of-living adjustment (COLA) in more than 40 years. Indeed, concern about higher prices led to important legislation that may benefit Medicare enrollees.

The ongoing pandemic, increased inflation, and climbing interest rates are all having an impact on retirement planning as well as the financial wellbeing of current retirees. To put these trends into perspective, we have reached out to leading experts, who have summarized what has happened and provided insights as to what might be expected in 2023.

Higher and Higher

The 2023 COLA did not come out of nowhere. It was presaged by the year-earlier inflationary boost. "The 2022 cost-of-living-adjustment was 5.9%," says Jim Blair, lead consultant at Premier Social Security Consulting LLC in Cincinnati, OH. "At that time, this was the largest COLA since 1982. Late in 2022, an even higher COLA was announced: 8.7% for 2023, which was the highest increase since 1981."

Because the last two increases have been much higher than most of those of the prior 40 years, many seniors are keen to make sure those COLAs come through, Blair adds. COLAs are effective in December but the payment increase doesn't show up until the January check.

"The good news," says Blair, "is that someone does not have to be receiving a Social Security benefit to get the COLA. The only requirement is having reached 62 years of age."

Example 1: Bonnie, age 63, would have received $2,000 a month at her full retirement age (FRA). Bonnie has not started Social Security yet, but the 8.7% COLA was added to her FRA benefit: $2,000 times 1.087% would equal $2,174, her new monthly benefit. (The actual number might include added benefits as Bonnie continues to defer starting Social Security.)

"There is a potential downside to this COLA," says Blair. "A robust COLA means higher monthly Social Security benefit payments to millions of recipients. The larger payouts, in turn, will reduce the amount of time..."