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Older Adults Need Twice the Federal Poverty Level to Make Ends Meet in California

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SUMMARY: New calculations using the Elder Economic Security Standard™ Index (Elder Index) for California show that both singles and couples age 65 or older who rent need more than twice the amount established by the Federal Poverty Level (FPL) Guideline to meet basic living expenses. The gap is greater for elders who own their home and are paying a mortgage than for renters. The gap between basic expenses and the FPL is smaller for owners without a mortgage, but still exists.

Housing and health care are the primary drivers of the high costs. This policy brief documents that the Elder Index provides a better measure of income adequacy than the FPL for older adults because it accounts for those costs at the county level. The growing number of public and nonprofit organizations using the Elder Index will aid the quality of planning and programs that improve income security for California's rapidly growing older population.

The California Elder Economic Security Standard™ Index (Elder Index) finds that a single older adult in the state who rents needs an average of \$21,763 per year while an older couple that rents needs \$30,634 per year.¹ This is twice the FPL of \$10,830 per year for an individual and \$14,570 per year for a couple, documenting that the cost of living in California for older adults is substantially more than that used in federal calculations (Exhibit 1).

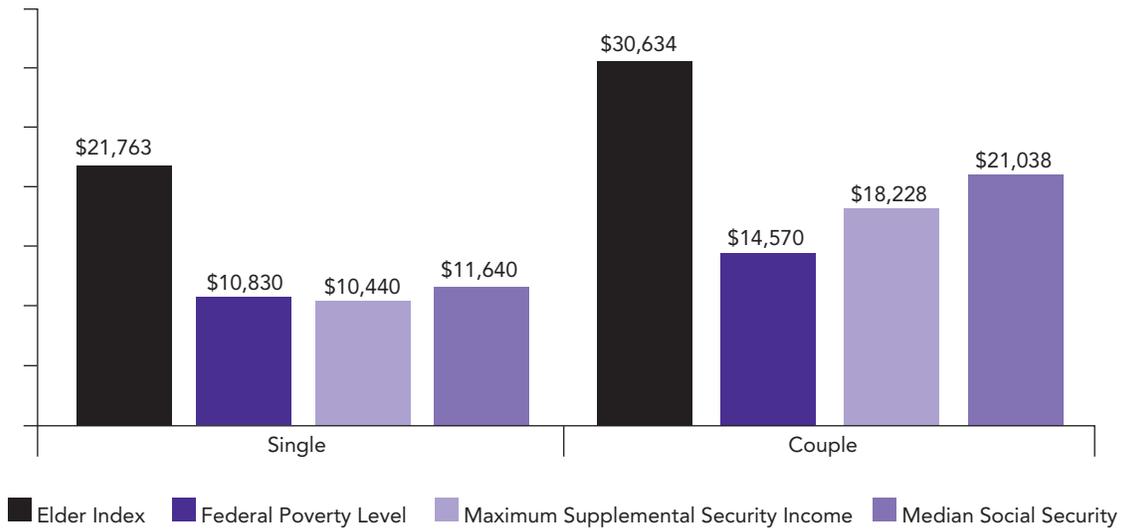
The FPL is designed to indicate the minimum amount of income persons need to meet survival-level living expenses. The basic approach to calculating the FPL has remained the same since it was first used in 1965, ignoring changes in the standard of living of Americans. It also fails to account for the substantial regional variations in the cost of

living by being the same amount for the entire country. And it does not adequately account for the expenses that are more common for older adults, especially their higher out-of-pocket health care spending compared to younger adults. Nevertheless, the FPL has been used for more than 45 years to track the effectiveness of anti-poverty programs, distribute public money to high-need areas, and determine the eligibility levels for many public programs.

In contrast, the Elder Index is calculated using actual costs of housing, medical care, food and transportation experienced by older adults in each county in California. It is a measure of income adequacy and economic security based on a basic, dignified standard of living for those who do not receive public welfare benefits.

Exhibit 1

Annual Elder Index and Comparison Amounts, California Renters, 2009



Sources: See endnote 2

“The high cost of living in California makes the FPL an inappropriate measure of adequate income.”

Limitations of the Federal Poverty Level as an Income Standard

The high cost of living in California makes it impossible to determine a single minimally-adequate standard of living for older adults as the FPL attempts to do. The FPL also places severe limitations on the amount of assistance programs can provide. For example, California’s Supplemental Security Income (SSI) program provides cash assistance to the poorest older adults, people with disabilities and the blind.³ Policy analysts are often limited to using the FPL as a benchmark for SSI benefits because of the official status of the FPL.⁴ Using the FPL as the standard, it appears that couples have an adequate income when they receive SSI benefits (up to \$18,228 per couple in 2009, Exhibit 1) since their SSI income is almost \$4,000 above the uniform national FPL (\$14,570). But when the actual costs of basic needs are calculated using the Elder Index, an older couple who rents needs \$30,634 in California. In other words, SSI benefits for older couples are about \$12,400

less than what they need to be according to the Elder Index, not *more* than necessary as implied by the FPL. Nor are Social Security benefits alone adequate to maintain a basic standard of living for most seniors in the state (Exhibit 1). Nationally, older adults with low and modest incomes rely on Social Security for more than 80% of their total income.⁵

Over 80 state and federal programs for seniors and younger adults link eligibility to the FPL. For example, Medi-Cal has a special eligibility category that is linked to the FPL for the aged, blind and disabled who do not receive SSI.⁶ Similarly, the federal Older Americans Act requires local agencies use the FPL for targeting and reporting, even though it obscures regional variation in need.⁷

Housing Costs Vary Widely by County and Renter Versus Owner

Significant housing cost differences across counties drive much of the geographical variation in the Elder Index. The Elder Index

Annual Elder Index Amounts, Single Renters, California Counties, 2009

Exhibit 2

County	Elder Index	County	Elder Index
<i>Federal Poverty Level guideline is \$10,830 for every county in the nation.</i>			
Alameda	\$24,656	Orange	\$25,935
Alpine	\$20,871	Placer	\$21,918
Amador	\$21,874	Plumas	\$20,448
Butte	\$20,622	Riverside	\$21,380
Calaveras	\$20,734	Sacramento	\$21,645
Colusa	\$19,832	San Benito	\$24,181
Contra Costa	\$24,895	San Bernardino	\$21,232
Del Norte	\$19,712	San Diego	\$23,434
El Dorado	\$21,532	San Francisco	\$27,282
Fresno	\$19,407	San Joaquin	\$19,869
Glenn	\$18,946	San Luis Obispo	\$23,889
Humboldt	\$20,224	San Mateo	\$27,711
Imperial	\$21,100	Santa Barbara	\$26,568
Inyo	\$19,654	Santa Clara	\$25,237
Kern	\$17,277	Santa Cruz	\$26,863
Kings	\$20,211	Shasta	\$20,377
Lake	\$20,735	Sierra	\$21,746
Lassen	\$19,939	Siskiyou	\$19,292
Los Angeles, City	\$23,101	Solano	\$22,320
Los Angeles County, excluding City	\$22,841	Sonoma	\$22,922
Madera	\$18,270	Stanislaus	\$19,451
Marin	\$27,334	Sutter	\$19,629
Mariposa	\$20,871	Tehama	\$19,278
Mendocino	\$21,632	Trinity	\$19,278
Merced	\$20,046	Tulare	\$17,479
Modoc	\$19,458	Tuolumne	\$21,118
Mono	\$22,941	Ventura	\$24,027
Monterey	\$24,715	Yolo	\$21,644
Napa	\$22,479	Yuba	\$19,629
Nevada	\$22,352	State Average	\$21,763

Source: UCLA Center for Health Policy Research calculations.

Details at http://www.healthpolicy.ucla.edu/elder_index10sept.aspx

varies for a single older adult renter from a low of \$17,277 per year (160% of the FPL) in Kern County to a high of \$27,711 per year (256% of the FPL) in San Mateo County (Exhibit 2). Four out of five counties in California have Elder Index values for single renters between \$19,000 and \$25,000 per year, nearly twice the FPL.

The Elder Index is also calculated for homeowners with and without a mortgage. In both higher-rent counties like Alameda as well as lower-rent counties like Glenn, homeowners who are still paying a mortgage can face housing costs up to twice as high as those of renters (Exhibit 3). And even

Exhibit 3

Monthly Housing Costs, Selected Counties, California, 2009

Selected Counties	Monthly Costs		
	Owner without Mortgage	Owner with Mortgage	Renter, One Bedroom
Alameda	\$432	\$2,233	\$1,077
Los Angeles City	\$497	\$2,062	\$1,061
Monterey	\$407	\$1,916	\$982
State Average	\$412	\$1,633	\$802
Humboldt	\$323	\$1,143	\$624
Tulare	\$341	\$1,294	\$561
Glenn	\$340	\$1,092	\$514

Source: UCLA Center for Health Policy Research calculations.

Details at http://www.healthpolicy.ucla.edu/elder_index10sept.aspx

“Most low-income seniors either rent or are still paying a mortgage.”

homeowners whose mortgage is paid off still pay taxes, insurance and utilities, although that amount is significantly lower than the costs renters face.

The cost for renters is highlighted here because they are the most common group among low-income seniors in California (under 200% FPL) and since the proportion of low-income seniors who rent is among the highest nationally. In 2008, 41% of low-income seniors in California lived in rental housing, compared to 29% nationally; only New York, Rhode Island and Massachusetts had higher rates. Similarly, the rate of low-income California seniors who are still paying a mortgage is above the national average (22% vs. 18%). One-third of low-income California seniors lived in a house they owned free and clear.⁸ The different housing situations around the country reinforce the importance of considering the costs of each housing type when determining how much money older adults need in order to make ends meet.

Health Care is Largest Cost for Some Seniors

Health care costs in the Elder Index are *higher* than housing costs in 50 counties for owner couples without a mortgage, in 26 counties

for renter couples and in 16 counties for single owners without a mortgage. Housing is always the most expensive component for single renters and singles/couples with a mortgage.

Counties with lower housing costs like Merced have the most categories where medical care costs exceed housing costs in the Elder Index—both single and couple homeowners without a mortgage as well as couples who rent spend more for health care than for housing (Exhibit 4). Health care costs in rural areas are high in Elder Index calculations because of the high costs of insurance that cover fee-for-service health care. These costs include Medicare Part B and D premiums (physician care and prescriptions), a Medi-gap policy to pay for Medicare’s deductibles and copayments, and direct out-of-pocket spending. In urban areas, health care costs are significantly less because Medicare HMOs are common and are therefore used in the Elder Index calculations, providing supplemental Medicare coverage at a significantly lower cost. The direct out-of-pocket medical expenses used in all calculations presented are for older adults in good health. The out-of-pocket costs for those in fair or poor health are \$27 per month higher, and for those in excellent or

Monthly Elder Index Components, Merced County, California, 2009

Exhibit 4

Monthly Expenses						
Health care costs in rural areas are high in Elder Index calculations.						
	Elder Person			Elder Couple		
	Owner without Mortgage	Owner with Mortgage	Renter, One Bedroom	Owner without Mortgage	Owner with Mortgage	Renter, One Bedroom
Housing	\$360	\$1,392	\$602	\$360	\$1,392	\$602
Food	\$244	\$244	\$244	\$453	\$453	\$453
Transportation	\$204	\$204	\$204	\$286	\$286	\$286
Health Care (Good Health)	\$382	\$382	\$382	\$764	\$764	\$764
Miscellaneous @ 20%	\$238	\$238	\$238	\$373	\$373	\$373
Elder Index Per Month	\$1,428	\$2,460	\$1,671	\$2,236	\$3,268	\$2,478

Source: UCLA Center for Health Policy Research calculations.
 Details at http://www.healthpolicy.ucla.edu/elder_index10sept.aspx

very good health \$18 per month lower.⁹ The lower cost of housing in rural California partially offsets the higher costs of health care compared to urban counties. This variability in the costs of health care is another important factor not accounted for in the uniform national poverty level guidelines.

Detailed information presented in Exhibit 4 is provided for every county in the state, along with comparisons to the FPL, SSI and median Social Security payments, and detailed information on the methodology can be found at www.healthpolicy.ucla.edu/elder_index10sept.aspx

Medi-Cal, the health insurance program for low-income Californians, is automatically given to those who qualify for SSI. The cost of health care in the Elder Index is mostly paid for by Medi-Cal if the older adult receives SSI. This reduces the average income needed by California's older renting couples by \$511.16 per month (\$6,134 per year), but still leaves SSI recipients \$6,212 per year below the Elder Index threshold.

Elder Index Can Improve Programs and Policies

Since the Elder Index for California was first developed in 2008, policymakers, public

agencies, foundations and non-profit organizations have been using the index to help shape programs and policies for older adults, and in so doing, improve the lives of seniors in California. A recent survey of California's Area Agencies on Aging found that 60% now use the Elder Index in their planning processes, in conducting internal and external education about the costs seniors face, and in advocacy efforts to support their programs.¹⁰ In addition, the California Association of Area Agencies on Aging has endorsed legislation to require that all local aging agencies and the California Department of Aging use the Elder Index in their state and local strategic plans, which provide the blueprint for aging services and programs across California.¹¹

The Elder Index has been used by non-profit organizations in the state to demonstrate the value of their programs by quantifying how much a senior saves through their support (for example, a senior may only need to pay \$450 in a non-profit, subsidized housing unit versus \$1,000 in the private market, as reflected in the Elder Index housing costs). The index has also enabled non-profit organizations, foundations and policymakers to quantify a population that is often hidden

“Health care costs exceed housing costs for many seniors.”

“60% of California's Area Agencies on Aging now use the Elder Index in their planning processes.”

“State budget cuts to senior services and programs coupled with California’s high cost of living have made it difficult for older adults to maintain a dignified standard of living.”

from the public eye: seniors with incomes above the official poverty measure but below what it takes to make ends meet in California.

The state budget crisis in California has resulted in cuts to a number of safety-net programs that impact older adults. In particular, the maximum benefit that California pays the poorest older adults through Supplemental Security Income has fallen from its peak of \$10,844 per year for a single person in January of 2009 to a proposed \$9,960 in September of 2010. The result is that older adults who were already struggling with incomes well below the Elder Index level are pushed even further away from a dignified minimum standard of living. If policymakers used the Elder Index rather than the FPL as their benchmark for assessing program effectiveness, they would have a more accurate assessment of what the consequences of reducing SSI levels are for California’s most economically-vulnerable seniors.

While states, counties and cities have developed alternative poverty metrics, ultimately federal action is required to impact federal programs and funding formulas. The California Elder Index is part of a national initiative to reform how policymakers, advocates, service providers and the public-at-large conceptualize

economic needs for the purpose of better designing policies and programs that ensure economic security for elders and their families. In 2010 the Obama Administration announced plans for publishing an improved Supplemental Poverty Measure, and Congress is considering legislation that would make this planning tool permanent.¹² But the Elder Index documents the need to move beyond even these encouraging developments to incorporate measures of economic security into public planning, program design and policy based on the needs of older Americans.

With the state’s older population projected to double in the next 20 years, understanding the actual costs faced by older adults in California is necessary for effective planning of senior services and support. A growing number of public and non-profit organizations have adopted the Elder Index as a measure of economic security in their planning and programs. The more that the Elder Index is adopted, the better prepared California and other states will be to plan for a decent quality of life for all of our older residents.

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Endnotes

- 1 All Elder Index calculations presented are for noninstitutionalized persons age 65 and older in good health (vs. excellent/very good or fair/poor health).
- 2 The Elder Index is calculated using publically available data from a number of different federal agencies. For details see the complete methodology at http://www.healthpolicy.ucla.edu/elder_index10sept.aspx. The 2009 Federal Poverty Guideline level as published in the Federal Register is from <http://aspe.hhs.gov/poverty/09fedreg.shtml>. The SSI level in California in July 2009 (the reference month for the Elder Index), including both the federal and state payments, is from http://www.dof.ca.gov/budget/historical/2009-10/documents/Budget_Agreement_Full_Package-u.pdf. Those levels were further reduced in November 2009, see <http://www.ccl.d.ca.gov/res/pdf/09apx10.pdf>. The median social security benefits were calculated from the 2006-2008 U.S. Census American Community Survey for older adults living alone and couples where at least one person received social security.
- 3 SSI in California includes two components, the federally-financed SSI base amount plus a state-financed supplemental amount, referred to as the State Supplementary Payment (SSP). When we discuss SSI in California we are including both the federal SSI and state SSP amounts together.
- 4 For example, California Legislative Analyst's Office, 2009-10 Budget Analysis Series: Social Services. http://www.lao.ca.gov/analysis_2009/ss/ss_anl09003003.aspx. Koenig M and Kalman R. 2004. SSI recipients in households and families with multiple recipients: Prevalence and poverty outcomes. *Social Security Bulletin* 65(2): 14-27. <http://www.socialsecurity.gov/policy/docs/ssb/v65n2/v65n2p14.pdf>
- 5 Those with incomes in the lowest 40% of incomes among all older adults. See Table 9b of Federal Interagency Forum on Aging Related Statistics. Older Americans 2010: Key Indicators of Well Being. <http://www.agingstats.gov/>
- 6 See <http://www.brsa.gov/reimbursement/states/California-Eligibility.htm>
- 7 Poverty Guidelines for Older Americans Act and Older Californians Act Programs, Updated: February 2009. http://www.aging.ca.gov/aaal/guidance/2009_Poverty_Guidelines.pdf
- 8 Data from the 2008 American Community Survey, provided by IPUMS USA, University of Minnesota, <http://usa.ipums.org/usa/sda/> Data on housing type for each county in California is available at http://www.healthpolicy.ucla.edu/elder_index10sept.aspx
- 9 The health care costs included in the Elder Index do not include the cost of long-term care services. See http://www.healthpolicy.ucla.edu/elder_index_LTC2008.aspx for the costs of various levels of home care.
- 10 <http://www.insightcced.org/uploads/eesi/ElderIndexAAA>
- 11 See http://www.leginfo.ca.gov/pub/09_10/bill/asm/ab_2101-2150/ab_2114_bill_20100630_amended_sen_v96.pdf
- 12 For information on the Measuring American Poverty Act, see http://www.govtrack.us/congress/bill.xpd?bill=s111_1625 For information on the Supplemental Poverty Measure, see <http://www.commerce.gov/news/pressreleases/2010/03/02/census-bureau-develop-supplemental-poverty-measure>

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