

**Elder Economic Security Standard Index™ Index for California,
2007**

Methodology Report

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The Elder Economic Security Initiative™ project in California, which this report is part of, is led by the Insight Center for Community Economic Development, Oakland, California, with the guidance of a statewide steering committee. The California project is part of a national initiative led by Wider Opportunities for Women (WOW), Washington, DC, which holds the trademarks to Elder Economic Security Standard Index, Elder Economic Security Initiative project, and Elder Index. The national methodology was developed by the Gerontology Institute at UMass-Boston and WOW. The UCLA Center for Health Policy Research assisted in refining the methodology and applied it to California. California funding has been provided by: California Community Foundation, The California Endowment, California Policy Research Center, The California Wellness Foundation, Council on Aging-Silicon Valley, The Health Trust, LA City Department of Aging, LA County AAA, UC-Program on Access to Care, United Way of the Bay Area, WOW, Y&H Soda Foundation.



Wider Opportunities for Women

www.insightccd.org

www.wowonline.org

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Introduction: Background/History of the National Initiative

The national Elder Economic Security Initiative™ (EESI) program at Wider Opportunities for Women (WOW) is a multi-year project that offers a conceptual framework which includes concrete tools to shape public policies and programs to promote the economic well being of older adults, whether or not they have the capacity to be fully self-reliant or are in need of certain public supports to age in place with dignity. The EESI program combines coalition building, research, education, and advocacy at the community, state, and national level. With support from the Retirement Research Foundation, WOW has partnered with five states, California, Illinois, Massachusetts, Pennsylvania, and Wisconsin, to launch the national EESI. Support from The Atlantic Philanthropies will expand the project to 20 states and produce a national database with information on all 50 states and the District of Columbia.

Undergirding the EESI program is the Elder Economic Security Standard™ Index (Elder Index), a new tool for use by policy makers, older adults, program providers, leaders in the aging advocacy community and the public at large. Developed by the Gerontology Institute at the University of Massachusetts Boston and WOW, the Elder Index is a measure of income that older adults require to maintain their independence in the community and meet their daily costs of living, including affordable and appropriate housing and health care. The development and use of the Elder Index promotes a measure of income that respects the autonomy goals of older adults, rather than a measure of what we all struggle to avoid - poverty.

The information developed through the Elder Index helps us understand that many older adults who are not poor, as defined by the official poverty level, still do not have enough income to meet their basic needs. The Elder Index can be used to answer the questions such as: How much income – or combination of personal income and public programs – is needed by older adults living on fixed incomes to cover today’s rising living costs? What is the impact of public programs, such as Medicare, Medicaid, or housing assistance on meeting an elder’s basic needs?

The EESI program is guided by a National Advisory Board, which has been a resource in reviewing the design of the EESI program and considering the selection of measures and data sets for the Elder Index to ensure they are replicable and consistent. The National Advisory Board has also helped guide the strategy for maximizing the role of state EESI partners, and ensuring that a broad range of aging and caregiver organizations are included in the state coalitions being formed. State partners include: The Insight Center for Community Economic Development in California, The Health and Medicine Policy Research Group in Illinois, Massachusetts Association of Older Americans, Pathways PA in Pennsylvania, and the Wisconsin Women’s Network.

The California Elder Economic Security Initiative (Cal-EESI) program is led by the Insight Center for Community Economic Development (formerly NEDLC), in coordination with the national effort, led by Wider Opportunities for Women. Using the Elder Index, Cal-EESI provides education, advocacy and outreach to policymakers, advocates, foundations and direct service providers. Cal-EESI is powered by a broad-based coalition of policymakers, advocates, researchers, direct service providers and public agencies, seniors, non-profits, grant-makers, and senior membership organizations. A statewide steering committee guides the overall direction of the initiative and identifies policy priorities—based on Elder Index data—to help close the gap between elders’ income and the high cost of living in California. Local steering committees across the state use the Elder Index data to educate local leaders and improve programs and policies for older adults.

Cost Component of the California Elder Index

One of the strengths of the Elder Economic Security Standard Index is that it is based on actual spending experiences.¹ The following sections describe how each of the major cost components is anchored to data on the costs of older adults in California. When 2007 data are not available, the most recent data was used and then inflated to the June 2007 value using Consumer Price Index data.

Housing

Housing costs for elders are determined by a number of factors, the most significant of which have been incorporated in the calculations for the housing component. They include housing tenure (renter versus owner), county of residence, and housing-related costs such as heat, utilities, insurance, property taxes, and condo assessment fees. The Elder Index assumes that the housing costs are the same for an older person living alone or with a spouse.

Some items that are not explicitly included in the housing component for any housing type are implicitly included in the “other” category. Those costs include home repairs, telephone, and some taxes. Home repairs and telephone service are both included under housing costs in the Consumer Expenditure Survey (CEX), which we do not use directly for calculations because of sample size limitations. Home repairs are episodic costs that are not available in the data we use and are likely to vary widely. California had a “lifeline” telephone rate in 2007 designed for low-

¹ For a discussion of how the Elder Index is a better measure of income adequacy than the Federal Poverty Guideline in California, see Wallace SP and Molina LC. *Federal Poverty Guideline Underestimates Costs of Living for Older Persons in California*. Los Angeles: UCLA Center for Health Policy Research, 2008. That policy brief, and the values for the Elder Index and its components in California, are available at http://www.healthpolicy.ucla.edu/elder_index08feb.html. For information on how the Elder Index is being used in California see <http://www.insightcced.org>.

income residents with incomes (single or couple) of under \$22,000 per year, which provided basic telephone service at a cost of \$2.85 per month in all counties.²

Property taxes are explicitly included in homeowner costs. In California, property taxes are capped at about 1% of the assessed value when the property was most recently purchased, with no more than a 2% annual increase subsequently in the assessed value that is taxed. For long-time homeowners, such as many older persons, this results in significant savings.³

Owner Costs. In California, approximately 38% of low-income⁴ older adults own their homes free and clear (no mortgage) and 27% are own but are still paying a mortgage. Because of the significant proportion of older adults who are still paying a mortgage, we present data on both ownership types.

The California Elder Index calculated owner costs using data from the 2005 American Community Survey (ACS). This is a large survey conducted by the U.S. Census Bureau that is designed to replace the “long form” of the decennial census. The data was obtained from www.ipums.umn.edu, a university-based data archive that allows users to subset the exceptionally large dataset into areas (e.g. California), populations (e.g. age 65 and over), and specific variables to create smaller and easier to use datasets. For each respondent, information on the following costs (variable name in parenthesis) are available in the data: age of respondent (age), location of respondent residence (stateicp, puma), owner versus renter (ownershd), presence and amount of a primary mortgage (mortgage, mortamt1), presence and amount of a secondary mortgage (mortgag2, mortamt2), utilities costs (costelec, costgas, costwatr, costfuel), taxes and insurance (taxincl, insincl, propinsr, proptx99), and other ownership fees (condofee,

² See <http://www.cpuc.ca.gov/PUC/Telco/Public+Programs/ultr.htm>

³ California State Board of Equalization. California Property Tax, An Overview. Pub 29. <http://www.boe.ca.gov/proptaxes/pdf/pub29.pdf>

⁴ Incomes under 200% of the federal poverty level

moblhome). The number of persons that each respondent represents is provided by a “weight” variable (hhwt). Some data was reported as annual amounts and so were divided by 12 to calculate monthly costs. Taxes were reported in ranges, not exact amounts, so the midpoint of each range was used in the calculations. Once all variables were converted into continuous variables of dollars per month, the housing variables were all added together to create a “total owner costs” variable.

The dataset was subsetting to only include those aged 65 and over in California. In order to get data by county, a county variable was created using the Census Bureau’s sampling unit called PUMAs, which were the smallest unit available on the ACS. Both an ASCII file provided by IPUMS as well as maps of California by PUMA were used to categorize them into counties. The Census Bureau combined smaller counties into single PUMAs since each PUMA includes a minimum sample size and smaller counties did not have large enough samples. In general, counties are aggregated until the total population size exceeds 100,000 residents to create a PUMA. In these instances there is a single value for owner costs for the clusters of counties listed below:

- (1) Del Norte, Lassen, Modoc, Siskiyou
- (2) Colusa, Glenn, Tehama, Trinity
- (3) Nevada, Plumas, Sierra
- (4) Sutter, Yuba
- (5) Monterey, San Benito
- (6) Alpine, Amador, Calaveras, Inyo, Mariposa, Mono, Tuolumne
- (7) Lake, Mendocino

All other counties have owner data for the individual county. Counties with large populations contain multiple PUMAs, which were combined to form the county. Because of the exceptionally large size of Los Angeles County, and the presence of two AAAs in the county, we divided the county into Los Angeles City and the rest of Los Angeles County. We refer to both

the county clusters of small counties noted above, as well as the split LA City-County, generically as “counties.”

If the ACS data variables “mortgage” and “mortgag2” both indicated no current mortgage, we classified the owner as “own free and clear.” Others with first or second mortgages of any amount are classified as “with a mortgage or loan”. The median values were calculated using the SPSS explore command by county separately for the two ownership categories. Finally, an inflation adjustment was used to bring the 2005 ACS dollar amounts to 2007 values using the June 2007 CPI data from the U.S. Bureau of Labor Statistics⁵. The July 2005 to June 2007 Western CPI-U for housing increased approximately 8.3%.

Renter costs. About one-third of all older adults with low-incomes in California rent. The U.S. Department of Housing and Urban Development (HUD) publishes annual fair market rent (FMR) estimates for all ages for all counties, but not by subcounty areas (e.g. LA City versus County).⁶ The Los Angeles City Housing Department uses the County FMR, so also use the LA County data for both the City and County. The fair market rent for a one-bedroom apartment was used for the housing cost component for both singles and couples. The FMR measures rental costs at the 40th percentile in each county, together with utilities that are not otherwise included in the rent. The FMR does not include telephone service (see discussion above).

Food

The Elder Economic Security Standard Index food cost component includes only food consumed at home and is based on the U.S. Department of Agriculture’s (USDA) Low-Cost Food Plan. This food plan is designed to provide a low cost, nutritionally adequate diet for

⁵ <http://data.bls.gov/cgi-bin/dsrv?cu>

⁶ <http://www.huduser.org/datasets/fmr.html>

persons based on their age and gender. It was designed to reflect food consumption at the 25th-50th percentile of average food expenditures nationally.⁷ The USDA publishes monthly estimates for the country as a whole (without regional variation) and has separate values for an individual child, adult male, and adult female categorized by certain age groups, as well as adult families of two and families of four persons. Three separate values for June 2007 were used to calculate the food component—individual male aged 51 and over, individual female aged 51 and over, and family of two aged 51 and over.⁸

To obtain the California-weighted monthly food costs for individual elders (who are a mix of men and women), the Low-Cost Food Plan monthly amount for individual males aged 51 and over was averaged with the monthly amount for individual females aged 51 and over. The numbers were weighted to reflect the gender distribution in California, which is 45% male and 55% female. The USDA calculations assume that people live in households of four people and can benefit from economies of scale in purchasing and preparing food. Therefore, when we calculate the values for elders living alone we have to increase the per person costs by 20%. The calculation for individuals is:

\$189.80 = monthly amount using individual male 51+ using USDA Low-Cost Food Plan
\$168.90 = monthly amount for individual female 51+ using USDA Low-Cost Food Plan

$$(\$189.80)(.45) + (168.90)(.55) = \$178.30 * 1.2 = \$214$$

The amount for an elder couple of \$395 was obtained from the USDA Low-Cost Food Plan for a family of two aged 51 and over.⁸ It did not need to be weighted to the gender distribution for California since it includes both men and women equally, nor for economies of scale since the USDA already included the family-size adjustment in their published costs for couples.

⁷ USDA, The Low-Cost, Moderate-Cost, and Liberal Food Plans: 2003 Administrative Report. At <http://www.cnpp.usda.gov/Publications/FoodPlans/MiscPubs/FoodPlans2003AdminReport.pdf>

⁸ <http://www.cnpp.usda.gov/Publications/FoodPlans/2007/CostofFoodJun07.pdf>

Data on regional variations in the cost of food was obtained using the ACCRA Cost of Living Index for 2006 for the 11 California Metropolitan Statistical Areas (MSAs) covered by their published data.⁹ The food values for all MSAs was obtained by WOW from ACCRA, and the California data was provided to the UCLA CHPR. We used those values to determine the relative costs of food in the surveyed counties compared to the national average. An example of the data can be found at <http://cgi.money.cnn.com/tools/costofliving/costofliving.html> and <http://www.bankrate.com/brm/movecalc.asp>. The separate ratios for Riverside, Palm Springs, and San Bernardino, were averaged together since all three are in the same MSA and have overlapping purchasing areas. The counties and their costs relative to the national average (in parentheses) were: Alameda/Contra Costa (141%), Fresno (117%), Kern (110%), Los Angeles (123%), Orange (127%), Riverside/San Bernardino (108%), Sacramento/Placer/Yolo (123%), San Francisco/San Mateo (144%), San Joaquin (113%), Santa Clara (144%).

The ratio for each MSA was multiplied by the national USDA Low-Cost Food Plan amount described above (\$214) and by the amount for elder couple (\$395). For the other 43 counties it was decided to adjust the food cost data by the lowest amount, that for San Bernardino/Riverside. The decision to raise all other counties above the national average cost was based on the fact that (1) all measured counties in the state had above average costs and (2) research has consistently shown that rural areas, which comprise the majority of the remaining areas, have food costs as high or higher than urban areas.¹⁰ This results in the lowest food costs being \$231 for individuals and \$427 for couples.

⁹ <http://www.coli.org/Method.asp> contains a summary of the ACCRA methods and <http://www.coli.org/surveyforms/colimanual.pdf> contains a detailed methodology.

¹⁰ Phillip R. Kaufman, James M. MacDonald, Steve M. Lutz, and David M. Smallwood. 1997. Do the Poor Pay More for Food? Item Selection and Price Differences Affect Low-Income Household Food Costs. Agricultural Economics Report No. (AER759). U.S. Department of Agriculture. <http://www.ers.usda.gov/Publications/AER759/>

Validation note

Since the ACCRA data is designed to represent a “management” *level* lifestyle,⁹ a sensitivity analysis was conducted to see if the *relative* cost of food between cities in the ACCRA index varied substantially from relative costs using the USDA Low-Cost Food Plan market basket. The ACCRA food plan contains a somewhat different mix of products than the USDA standard, such as more steak and less ground beef. We mapped the USDA selection of items and quantities onto the ACCRA purchase prices for the appropriate categories. The actual price data was obtained directly from ACCRA for the California MSAs. Several items in the ACCRA market basket were not used, such as T-bone steak, Crisco, potato chips, Kleenex, and Cascade. Where items in the USDA market basket were not available in the ACCRA data, the quantity of that item was added to the most similar item. We then calculated the relative costs between counties for the ACCRA food total and the USDA low-cost food plan shadow food total. Overall, the between-city comparisons using the two methods differed by only a few percent and there was no consistent bias. Therefore, we used the unmodified ACCRA calculations for weighting county food costs to enhance its ability to be replicated and applied nationally.

Health Care

Total out-of-pocket health care costs for elders include premiums, deductibles, co-payments, and other out-of-pocket expenses for services not covered by health insurance. For calculating the California Elder Index, we assume the elder has enrolled in Medicare, is either in an HMO (Medicare Advantage) or has purchased a private Medicare supplemental Medigap policy, and is enrolled in the Medicare prescription drug benefit (Part D). Nationally, total out-of-pocket costs vary by the health status of the older person, so we examine spending by health status.

Enrolling in Medicare entails a number of costs. Part A (hospitalization) has no monthly premiums but does include a deductible and potential copayments (deductibles and copayments are included in the out-of-pocket component, described below). Medicare Part B (physician care) requires a monthly premium in 2007 of \$93.50, which is the same throughout the country.¹¹ Part B also has deductibles and copayments, which are included in the out-of-pocket spending below.

¹¹ Medicare and You, 2007. Centers for Medicare and Medicaid, at <http://www.medicare.gov/publications>

The vast majority of older Medicare recipients are in HMOs or purchase private supplemental insurance to limit their liability for deductibles, copayments, and some uncovered services.¹² For the Elder Index, we include the price of either a Medicare Advantage plan with prescriptions, or the price of a Part B supplemental Medigap policy plus a Part D policy.

The costs from the Kaiser Senior-Advantage Plan that includes prescription drugs was used for counties with over 20% of its Medicare population enrolled in a Medicare Advantage plan. This information was verified from http://www.cms.hhs.gov/HealthPlanRepFileData/02_SC.asp. Those counties accounted for 98% of all Medicare Advantage enrollees in the state.¹³ In other counties, even though Medicare HMOs market various products, the low take up rates of Medicare HMOs indicate that services are not sufficiently available. The premium amounts from the Kaiser Senior-Advantage Plan were used since Kaiser accounts for 46% of all Medicare Advantage enrollments in California -- 664,000 of 1,440,000 enrollees¹⁴ and using a single plan standardizes the benefit package across counties. The costs for coverage by county were obtained from the Kaiser website for Northern California¹⁵ and Southern California.¹⁶ The costs of a Kaiser Medicare Advantage plan in 2007 varied from \$0 (in Los Angeles, Orange and Ventura Counties) to \$99/month in nine Northern California counties. The Medicare Compare website does not provide county specific rates for Kaiser.

¹² Over 85% of older adults nationally have some type of supplemental health insurance in addition to Medicare. See National Center for Health Statistics. Health, United States, 2007. Hyattsville, MD: 2007. Table 140.

¹³ Counties using Medicare Advantage rate include Alameda, Contra Costa, El Dorado, Fresno, Kern, Los Angeles, Madera, Marin, Napa, Orange, Placer, Riverside, Sacramento, San Bernardino, San Diego, San Francisco, San Joaquin, San Mateo, Santa Clara, Solano, Sonoma, Stanislaus, Tulare, Ventura, Yolo. We also list Medigap rates for those counties, even though we do not use them in the calculations, for comparison purposes.

¹⁴ <http://www.cms.hhs.gov/MCRAdvPartDEnrolData/Downloads/MA%20Enrollment%20by%20SCC%20-%20Alt%20-%20June%202007.zip>

¹⁵ http://prospectivemembers.kaiserpermanente.org/kpweb/medicare/detailpage.do?bodyContainer=/htmlapp/feature/211medicare/ca_nocal_benefits.html

¹⁶ http://prospectivemembers.kaiserpermanente.org/kpweb/medicare/detailpage.do?bodyContainer=/htmlapp/feature/211medicare/ca_socal_benefits.html

In counties without adequate Medicare Advantage presence we assume seniors purchase a Medigap policy. For the Medigap policy cost we use the AARP monthly Medigap rates since AARP is available nationally, is community-rated (meaning all seniors in a county pay the same rate, regardless of their age), and is among the largest providers of Medicare supplemental policies.

We obtained the AARP rates from their website.¹⁷ To obtain the current (June 2007) rate we entered the state of residence, zip code, date of birth, and Medicare Part B effective date. A separate zip code for each county in the state was used. We entered 7/1/1937 for the date of birth (70 years old) and 7/1/2002 as the Medicare Part B effective date (when the applicant reached age 65). The rate for Plan C was used because it is the most commonly sold AARP plan. It covers hospital, nursing home, and physician deductibles and copayments. AARP plan premiums do not vary by age, but they do have a discount for persons who enroll soon after they qualify for Medicare. The rate used does not reflect this discount. Costs were most commonly \$156.75, with four counties having higher rates.

We also used AARP rates to calculate monthly costs for Part D prescription drug policies in those counties where we priced Medigap policies. AARP plans were selected because they are available nationally and AARP is the largest provider of Part D benefits in California and nationally.

We obtained the Part D rate from the AARP website was used for prescription coverage.¹⁸ For "when would you like coverage to begin" we used the next available date, August 1, 2007. Then it asks for zip code or state; we entered the zip code for the county seat of

¹⁷ <http://www.aarphealthcare.com/prodsvcs/medsup/screen.aspx?ReturnURL=index.aspx&planType=MEDSUP>

¹⁸ https://www.aarpmedicarerx.com/find_a_plan.html

each of California's counties. All of the plan rates are the same for all counties in California and the AARP MedicareRx Plan of \$27.40 per month was chosen.

Finally, out-of-pocket expenses were calculated at the national level since there is no statistically significant regional variation in the available data. Data are from the U.S. DHHS, Agency for Health Care Research and Quality (AHRQ), 2004 Medical Expenditure Panel Survey, on-line data query system.¹⁹ Using the interactive data system we obtained the median out-of-pocket costs for persons age 65 and over without Medicaid. The variable name for "out-of-pocket costs" is TOTSLF04, which is the total amount paid by self/family. The variable name for "without Medicaid" is MCDEV04 with the data for persons who do not report ever having Medicaid during 04. Costs are given by perceived health status, which is variable name HEALTH. Costs are updated using the CPI-U Medical Care for the Western US from 6/04 to 5/07 (=1.137).²⁰ Data presented in the Elder Index summary tables are for "good" health, which represents about one-third of seniors. About 40% of seniors report "excellent or very good health" and report out-of-pocket costs that are \$295 per year less, while the 25% of seniors who report "fair or poor health" report median costs of \$363 per year more.

Transportation

Transportation costs use automobile costs since they account for 93% of all transportation costs for older adults in the U.S. Consumer Expenditure Survey. The best data available is from the National Household Transportation Survey (NHTS) of 2001 that provides information for a sample of persons on the total miles driven per year. By excluding air travel and calculating median travel we intend to represent the costs of local travel.

¹⁹ http://www.meps.ahrq.gov/mepsweb/data_stats/MEPSnetHC.jsp

²⁰ Series ID: CUUR0400SAM from <http://www.bls.gov/data/home.htm> ("create customized tables, multiple screen," not seasonally adjusted, West urban, current series, SAM medical care, monthly)

We took the person file and calculated median annual miles driven for those with any miles driven (variable name YEARMILE) for California residents (variable name HHSTATE='CA') age 65 and over who live alone. For older persons in two-person households (variable name NUMADLT=2) we calculated the median annual miles driven for all persons (whether or not they had any miles). The rationale for the different populations for the calculations is that elderly living alone have transportation needs, whether or not they drive. For those without a car or not driving, assigning them a \$0 value fails to include any transportation needs for them. Thus, the median for elders living alone who have driving miles is more likely to reflect actual transportation needs. For couples, however, we assume that those reporting no driving miles obtain their transportation by accompany a driving spouse. To the extent that the driving spouse increases their mileage to accommodate the nondriving spouse, total transportation needs are reflected best when considering both members of the couple. The final calculations found older persons living alone with any miles had a median of 5,000 driving miles per year, while all individuals (with and without miles) in two adult households had a median of 4,000 miles each (8,000 total).

The weight variable used was WTPERFIN. The dataset was downloaded from the Inter-university Consortium for Political and Social Research which included SPSS code to import the data.²¹

The average miles driven is multiplied by the Internal Revenue Service allowable per mile cost (\$.485/mile) as of Jan 2007 to arrive at a total cost estimate.²²

If the data can not be run directly, the data are available using an on-line data query system from the National Household Transportation Survey website.²³ This system, however,

²¹ <http://www.icpsr.umich.edu/>

²² <http://www.irs.gov/newsroom/article/0,,id=163828,00.html>

only provides mean values, which overstate driving patterns due to a small number of elder drivers with high mileage. This system allows the user to specify an analysis variable (annual vehicle miles per driver, which is also yearmile), three-way table, mean (statistics), row variable respondent age (r_age), column variable number of adults in the household (numadlt), and page variable by state. The system allows the user to redefine the age ranges to those we used. The miles calculation includes those households with no driven miles. The values given are per person, so two person households need to have the value doubled to accurately represent the household.

Other Costs

The U.S. Bureau of Labor Statistic's Consumer Expenditure Survey (CEX) contains a number of other categories that account for a small proportion each of spending by older adults, all of which are intended to be covered by our "other costs." These include apparel, household furnishings and appliances, housekeeping supplies, entertainment, and "other costs" (including books, education, insurance payments, tithing and other miscellaneous spending). There are also several other costs that the CEX places in one of our component categories (i.e. housing, food, transportation, or medical) that we have not included in those categories. Costs that we do not have direct data for, but that the CEX places in the component categories, we implicitly place instead in the "other" category. These include home repairs and telephone. Because the California Elder Index is designed as a minimum standard, it does not include food consumption away from home, alcohol or tobacco, cable television service, or other discretionary expenses.

Some other taxes are directly accounted for in our estimates (e.g. property taxes) while others are implicitly included in the other category. Payroll and income taxes are an important

²³ <http://nhits.orml.gov/index.shtml>

component of the “other” category in the CEX. After exemptions and deductions, the effective federal income tax rate is at or near zero in 2007 for most elders with incomes under the California Elder Index level. Because we assume the elder was retired there are no payroll taxes. State incomes taxes affect few seniors with incomes under the Elder Index, and those taxes are implicitly included in the “other” category. California does not tax social security benefits, but does not follow federal exemptions for pension income. In 2007 a single older person with income under \$18,838 was not required to file a state tax return, and the six tax brackets are graduated starting at 1%.²⁴ California sales taxes are implicitly included in our estimates of consumption. Sales taxes range from 7.25-8.75%, but are not assessed on food, medicines, services, and a variety of other purchases.²⁵ This means that a limited amount of the consumption in the Elder Index is subject to sales taxes in California.

In the CEX for older adults, roughly 20% of total spending is for costs other than housing, food, transportation, and medical. To be conservative, we calculate the other costs to be 20% of the calculated (housing+food+transportation+medical; not total) costs. Since these miscellaneous costs are not likely to vary dramatically by housing type, but the costs of housing do vary dramatically between owners with and without mortgages, we use the calculated costs for owners without mortgages (the most common category for older adults) and apply the 20% to that category, then use the owner without mortgage value for all housing types in each county.

National data comparison

The U.S. Bureau of Labor Statistics conducts an annual survey of consumption that can be analyzed by age and income. A report by the Congressional Research Service analyzed the

²⁴ California Franchise Tax Board. 2007 California Tax Rates and Exemptions. http://www.ftb.ca.gov/forms/catxrate_exmpt07.shtml

²⁵ California State Board of Equalization. Sales and Use Taxes: Exemptions and Exclusions. Pub 61. <http://www.boe.ca.gov/pdf/pub61.pdf>

2005 Consumer Expenditure Survey (CEX) for consumer units (similar to a family) headed by an older adult (age 65 and over) of different income levels.²⁶ At the national level (Exhibit 1), couples in the lowest income category (under \$30,000 per year) had median spending of \$23,616. Of that spending, 30.8% went to housing and 17.5% was spent on food (both in and outside the home). Unmarried older men and women nationally both had substantially lower median spending, with a larger fraction of their incomes going to housing.

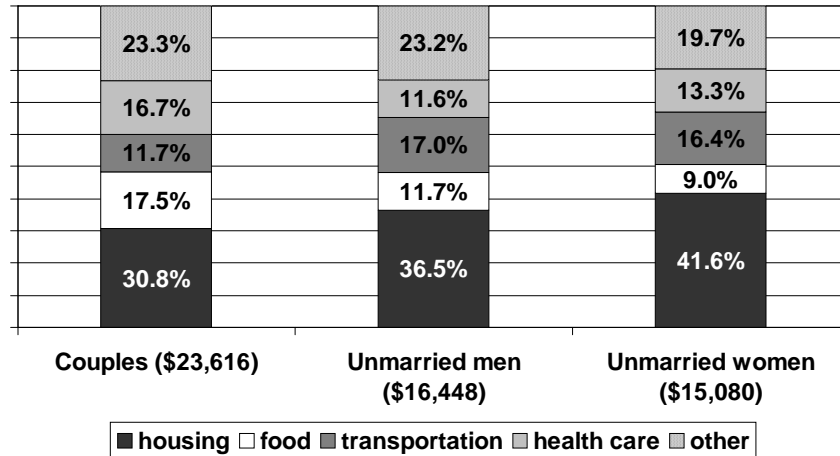
The California Elder Economic Security Standard Index (Elder Index) varies by county. The 2007 Elder Index for Sacramento County is close to the statewide average and is presented in Figure 2 for renters in good health. Similar to the national data on actual spending, the California Elder Index for a couple is about 50% higher than for a single older adult. In both the national data on actual expenditures of lower income elders and the California Elder Index, renting couples spend a smaller proportion of their income on housing than single older adults (since singles and couples live in similarly sized units), while couples spend a higher proportion than singles on food and health care. The consistent spending pattern between the Elder Index for an average county in California with national spending data on lower income older adults supports the validity of the methods used in calculating the California Elder Index.

The original Elder Economic Security Standard Index national methodology, and links to other states' programs, can be found at <http://www.wowonline.org/ourprograms/eesi/> and <http://www.geront.umb.edu/eess/eesi.jsp>.

²⁶ Congressional Research Service. Consumer Spending by Older Americans, 1985 to 2005. Report RL34185. September 24, 2007. <http://www.opencrs.com/document/RL34185>

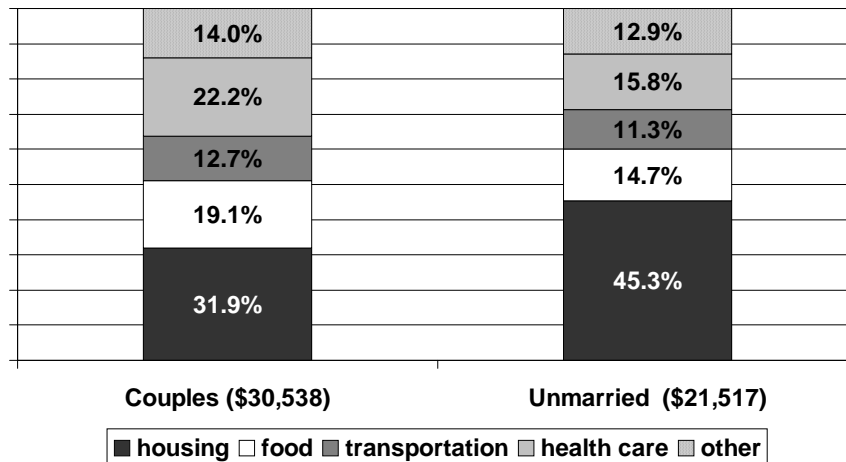
National Comparison, Charts

Exhibit 1: Spending by persons age 65 & over, income <\$30,000/year, U.S. 2005



Source: Congressional Research Service, Consumer Spending by Older Americans, 1985 to 2005. Data from Consumer Expenditure Survey, September, 2007

Exhibit 2: California Elder Index, renter in good health, Sacramento, 2007



Note: Dollar value for national data is average spending for consumer units with spending under \$30,000 per year; for California data it is the value of the Elder Index.

Appendix A: Data Sources & Methods Summary

Data Type	Source	Methods
Housing	<p>Rent: US Department of Housing and Urban Development. Fair Market Rents - Fiscal Year 2007. http://www.huduser.org/datasets/fmr.html</p> <p>Owner Costs: US Census: American Community Survey 2005, Public Use Microdata (PUMS data). Median selected monthly owner costs for each geographic area reported separately for owners 65+ with, and without a mortgage. www.ipums.umn.edu</p> <p>Owner costs adjusted to June 2007 by CPI-U for housing in the Western region. http://data.bls.gov/cgi-bin/dsrv?cu</p>	<p>Fair Market Rents (FMRs) for 1-bedroom units by county.</p> <p>Median selected monthly owner costs (SMOC) for owners 65+ with and without a mortgage.</p> <p>SMOC includes property taxes, insurance, heat & utilities, condo fees, & mortgage payment (if any)</p>
Food	<p>U.S. Department of Agriculture, Low-Cost Food Plan: http://www.usda.gov/cnpp/FoodPlans/Updates/foodjun07.pdf</p> <p>Per USDA, listed food costs for single adults are increased 20% to reflect lesser economies of scale; listed food costs for couples were already USDA adjusted.</p>	<p>Low Cost Food Plan costs for older men and women are averaged to the CA population determine food costs for single elders. ACCRA data used to adjust counties relative to national average costs. Counties w/o ACCRA data adjusted same amount as lowest cost county.</p>
Total Health Care Costs (premiums and out of pocket cost)	<p>Medicare Part B Premiums: http://www.cms.hhs.gov/apps/media/press/release.asp?Counter=1958</p> <p>Medicare Advantage (Kaiser, including Part D drugs) http://prospectivemembers.kaiserpermanente.org/kpweb/medicare/entrypage.do / how to enroll / benefit details / benefit highlights</p> <p>Medigap (AARP supplement) http://www.aarphealthcare.com/prodsvcs/medsup/screen.aspx?ReturnURL=index.aspx&planType=MEDSUP</p> <p>Part D Prescription Drugs (AARP) https://www.aarpmedicarerx.com/find_a_plan.html</p> <p>Out-of-Pocket Costs: Agency for Healthcare Research and Quality, Medical Expenditure Panel Survey. Household Component Analytical Tool (MEPSnet/HC). 2004. Rockville, MD. Retrieved from: http://www.meps.ahrq.gov/mepsnet/HC/MEPSnetHC.asp</p> <p>Inflation Factor: http://data.bls.gov/PDQ/outside.jsp?survey=cu</p>	<p>Premium costs are Part B 2007 plus</p> <p>2007 premiums for Medicare Advantage (MA) plan w/prescriptions (Kaiser) where 20% or more of county in any MA</p> <p>-or-</p> <p>Medigap Plan (AARP) + Part D Prescription Drug Plans (AARP)</p> <p>Median out-of-pocket costs calculated for elders 65+ by health status = good, excluding those on Medicaid. Data is updated with the Medical CPI-U for the Western region.</p>
Transportation	<p>Private Automobile Cost: National Household Travel Survey (NHTS) http://www.bts.gov/programs/national_household_travel_survey/</p> <p>Per Mile Cost: US Internal Revenue Service http://www.irs.gov/taxpros/article/0,,id=156624,00.html</p> <p>Public Transportation Cost: Web sites of each county public transit authority.</p>	<p>Annual mileage driven by retired adults in state x IRS standard mileage reimbursement rate for operating and owner costs for 2007.</p> <p>Cost of 30-day senior discount pass in counties with significant public transit systems.</p>
Miscellaneous	<p>Miscellaneous expenses are estimated at 20% of costs of other basic expenditure categories: housing, food, health care, and transportation, which is equal to 16.67% of total expenses. Includes all other essentials: clothing, shoes, paper products, nonprescription medicines, cleaning products, household items, personal hygiene items, and telephone.</p>	<p>Miscellaneous expenses for owners without a mortgage, and applies that amount to each of the housing types.</p>
Long-Term Care	<p>Data, surveys, and interviews with state and federal agencies, trade associations, and numerous agencies, providers, and stakeholders. Private rates from Genworth Financial 2007 Cost of Care Survey http://longtermcare.genworth.com/overview/cost_of_care.jsp</p>	<p>Authors' calculations using area costs for three prototypical levels of long-term care services packages.</p>

About the lead organizations

The **UCLA Center for Health Policy Research** is one of the nation's leading health policy research centers and the premier source of health policy information for California. Established in 1994, the it is based in the School of Public Health and affiliated with the School of Public Affairs. The UCLA Center for Health Policy Research improves the public's health by advancing health policy through research, public service, community partnership, and education. www.healthpolicy.ucla.edu

The **Insight Center for Community Economic Development** is a nonprofit national research, consulting and legal organization dedicated to building economic health and opportunity in vulnerable communities. Founded in 1969, it works in collaboration with foundations, nonprofits, educational institutions, government and businesses to develop, strengthen and promote programs and public policy that * Lead to good jobs—jobs that pay enough to support a family, offer benefits and the opportunity to advance; * Strengthen early care and education systems so that children can thrive and parents can work or go to school; * Enable people and communities to build financial and educational assets. www.insightccd.org

Wider Opportunities for Women (WOW) is a nonprofit organization that works nationally and in its home community of Washington, DC to build pathways to economic independence for America's families, women, and girls. WOW has a distinctive history in changing the landscape of women and work. For more than 40 years, WOW has helped women learn to earn, with programs emphasizing literacy, technical and nontraditional skills, the welfare-to-work transition, career development, and retirement security. WOW leads the National Women's Workforce Network, which is comprised of organizations committed to increasing women and girls' access to well-paid work, the Family Economic Self-Sufficiency Project (FESS), and the Elder Economic Security Initiative (EESI). www.wowonline.org

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