



Elders Living on the Edge

The Impact of California Support Programs
When Income Falls Short in Retirement



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Wider Opportunities for Women

February 2008

Prepared for the *California Elder Economic Security Initiative (Cal-EESI)*,
a project led by the Insight Center for Community Economic Development
(formerly NEDLC), in partnership with Wider Opportunities for Women (WOW).



The California Elder Economic Security Initiative™

Led by the Insight Center for Community Economic Development (formerly NEDLC), in coordination with the nationally led effort by Wider Opportunities for Women (WOW), the *California Elder Economic Security Initiative (Cal-EESI)* program is a statewide, research-driven initiative at the forefront of a national effort to raise awareness and promote policy change to ensure that older Americans can live with dignity and economic well-being in their own homes. Using the *Elder Standard Index*, *Cal-EESI* provides education, advocacy and outreach to policymakers, advocates, foundations and direct service providers. The *Elder Standard Index* for California was tabulated by UCLA's Center for Health Policy Research using the national methodology developed by WOW and The Gerontology Institute at the University of Massachusetts Boston.

Cal-EESI is powered by a broad-based coalition of organizations dedicated to ensuring the well-being of elders and their families in California including 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—drawn from the *Elder Standard Index* data—to help close the gap between elders' income and their rising cost of living in California. Local steering committees across California use the *Elder Standard Index* data to educate local leaders and improve programs and policies for older adults. All coalition members are empowered to roll out and institutionalize the *Elder Standard Index* in their own communities as they see fit. For more information on *Cal-EESI* or the *Elder Standard Index*, contact Susie Smith by phone 510.251.2600 x108 or e-mail at ssmith@insightccd.org.



Wider Opportunities for Women (WOW)

WOW works nationally and in its home community of Washington, DC to achieve economic independence and equality of opportunity for women and girls at all stages of life. For over 40 years, WOW has been a leader in the areas of nontraditional employment, job training and education, welfare to work and workforce development policy. Since 1995, WOW has been devoted to the self-sufficiency of women and their families through the national Family Economic Self-Sufficiency project (FESS). Through FESS, WOW has reframed the national debate on social policies and programs from one that focuses on poverty to one that focuses on what it takes families to make ends meet. Building on FESS, WOW has expanded to meet its intergenerational mission of economic independence for women at all stages of life with EESI. For more information about WOW's programs go to www.wowonline.org or call WOW at 202-464-1596.

The authors, of course, are responsible for the contents of this report, and accept responsibility for any errors or omissions.

Elders Living on the Edge:
The Impact of California Support Programs When Income Falls Short in Retirement
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The Impact of California Support Programs When Income Falls Short in Retirement

It is increasingly difficult for older Americans to live with dignity and economic well-being in their own homes. This is particularly true in California, where the actual cost of living far exceeds traditional measures of income sufficiency. Californian low-income elders face financial challenges that threaten their already fragile economic stability and the health of their communities. On one side, they are pressured by ever-increasing expenses—housing, health care, fuel and utilities. On the other, they see their fixed incomes eroded by Social Security payments and Supplemental Security Income that do not keep pace with the rapidly rising costs of basic needs, underfunding of public support programs, and asset limits that prevent those receiving public supports from saving for their retirement. California elders are between the proverbial rock and a hard place.

How Much Income Is Needed by Our Growing Population of Older Adults to Cover Today's Rising Costs of Living?

What is the true impact of public programs, such as Medi-Cal, utility assistance, or housing assistance on an elder's income, housing and health care expenses? To accurately answer these questions, policymakers, advocates and social service providers require an accurate measure of economic security for elders. The National Elder Economic Security Initiative™ program, a multi-year, research-driven initiative to raise awareness and promote policy change for older adults, offers such a benchmark—the Elder Economic Security Standard™ Index ("the Index"). This new Index measures what adults 65 and older require to make ends meet and remain in their own homes. Using this Index, the Elder Economic Security Initiative works to ensure that ultimately all older

adults can live with dignity, independence, and economic well-being.

This brief illustrates how a selected group of public supports can help seniors achieve economic security as defined by the new Index. The Index allows us to:

- examine the compositions of the average elder's costs of basic needs
- measure the gaps between income and economic security;
- determine how well public supports can help fill those gaps; and
- benchmark an elder's progress toward achieving economic security.

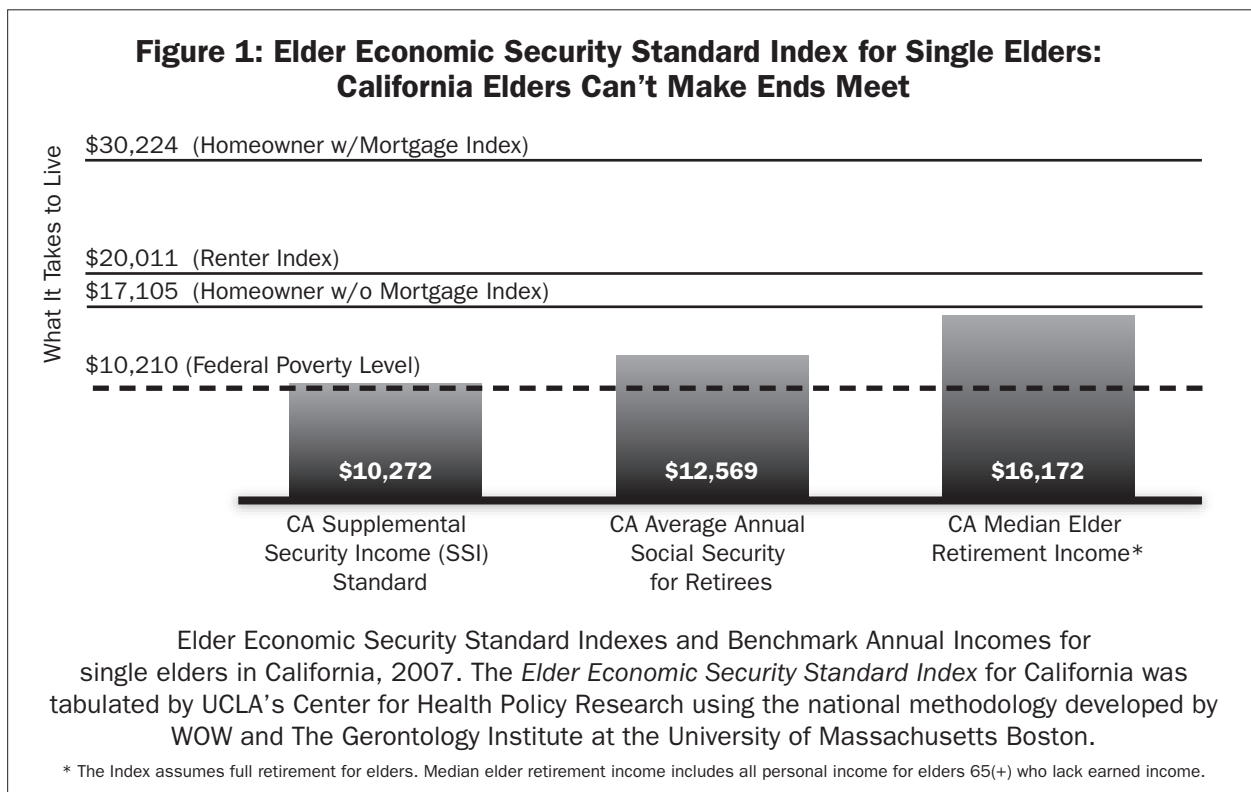
Above Average Income But Still Falling Short of Economic Security

Even elders whose incomes are above the average retirement income for their counties often fall short of economic security as measured by the Index (see Figure 1). This is true not only for those elders entirely dependent on Social Security, but also for those whose incomes include retirement accounts, private savings, and pensions. Single women with the average woman's retirement income find themselves more than \$3,000 below the economic security threshold in low-cost counties, and more than \$10,000 below the Index in high-cost counties. Even at incomes above \$20,000, nearly double the federal poverty line (FPL), elders who rent in high-cost counties commonly lack the income required to make ends meet.

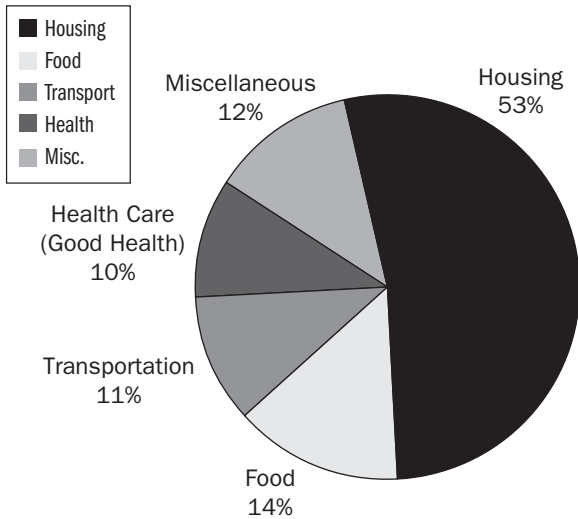
Housing Costs Threaten Economic Security, But Housing Assistance Can Close the Gap

Across all counties in California, elders experience significant housing expenses regardless of homeownership or rental status. A typical elder may **pay four times** as much for housing depending on where he or she lives and whether or not he or she rents, has paid off a mortgage, or is still paying off a mortgage.

In high-cost counties such as the San Francisco Bay Area and Los Angeles, housing costs for renters comprise more than 50% of the Index total expenses (see Figure 2), and housing costs for homeowners with mortgages comprise as much as 70% of the Index expenses.



**Figure 2:
Housing Expenses Can Comprise
Over Half of an Elder's Budget**



Elder Economic Security Standard Index expenses for a single elder renter in the City of Los Angeles, 2007. The *Elder Economic Security Standard Index* for California was tabulated by UCLA's Center for Health Policy Research using the national methodology developed by WOW and The Gerontology Institute at the University of Massachusetts Boston.

Without housing assistance, renters across a spectrum of incomes fall well below the Index—but with geography-based housing assistance and other supports, nearly all low-income renters can come within 5% of attaining their counties' Indexes—including elders living below the 2007 federal poverty level of \$10,210. In low-cost counties, housing assistance can help close the income gap by 18% (see Figure 3); in high-cost counties housing assistance may help close the gap by more than 30%.

Low-income renters in low-cost counties who don't receive housing assistance will only come close to economic security if they receive a variety of other supports.

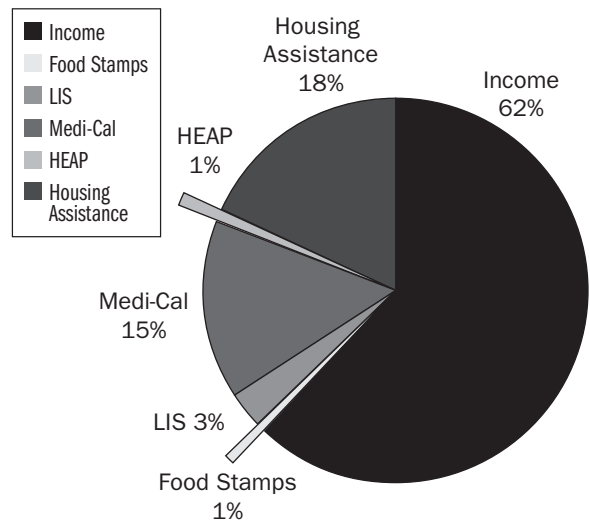
Helping Elders Close the Gap: Income Supports

Once the gap between income and economic security has been measured, the question to be asked and answered by policy makers, service providers, potential support recipients, and concerned citizens is clear: If you don't have enough retirement income to meet your basic needs, what supports can help? This brief examines the impact of income supports that can assist elders in closing the gap.

Nutrition Assistance—Food Stamps

Administered by the U.S. Department of Agriculture, the Food Stamp Program provides low-income households with coupons or electronic benefits to purchase food. **For single elders**

**Figure 3: All Supports Are Essential,
But Only Housing Assistance Can
Guarantee Economic Security**



Income and supports as a percentage of the Elder Standard Index for a single elder renter living on average annual Social Security in Fresno County, CA, 2007.

to be eligible, "net" monthly income must be no more than 100% FPL (or \$10,210 annually) after deductions for earned income, child care, medical expenses, a portion of some shelter costs and other expenses. Assets cannot exceed \$3,000. The average amount of Food Stamps benefits received per California household in 2005 was \$242 per month, but single retired elders, who lack earned income and dependent children, commonly just receive \$10 per month.

Prescription Assistance—Medicare Part D Low-Income Subsidy (LIS)

The Low-Income Subsidy helps elders with prescription drug costs. The Social Security Administration and local Medi-Cal offices administer the program. The federal government pays subsidies to the participant's chosen Medicare Part D insurance plan, helping pay premiums, deductibles and co-payments. Those with Medicare and Medi-Cal, or those participating in the Medical Savings Programs automatically qualify for LIS. **For single elders to be eligible for full LIS, their income cannot exceed 100% FPL. Elders with income between 100% FPL and 150% FPL (or \$15,315 annually) are eligible for LIS on a sliding scale of coverage. Elders must also maintain less than \$7,620 in assets.**

Health Care Assistance—Medi-Cal

Medi-Cal is California's Medicaid program, a public health insurance program serving low-income families with children, seniors, persons with disabilities, and others. Medi-Cal pays for nearly all "medically necessary" health care, adult day health services, home health care, some prescription drugs excluded by Part D, dental care, and some medical equipment. Medi-Cal also covers Medicare Part B premiums and Part A and B deductibles and co-payments. **For single elders to be eligible for Medi-Cal, countable income**

cannot exceed 127% FPL (or \$12,972 annually). Assets cannot exceed \$2,000. Those 65 years old or older who receive Supplemental Security Income/State Supplementary Payment (SSI/SSP) are automatically eligible for Medi-Cal.

Utility Assistance—LIHEAP

The Low Income Home Energy Assistance Program (LIHEAP) assists low-income households that spend a high proportion of household income on energy, primarily cooling and heating. The U.S. Department of Health and Human Services allocates LIHEAP funding to the Department of Community Services & Development, which distributes funds to community providers, which make direct payments to utilities on recipients' behalfs. Assistance is based on income, household size and the cost of utilities within each county. **For elders to be eligible for HEAP, their income cannot exceed 60% of state median income or 130% FPL (or \$13,237 annually).** Funding is fixed annually, and distributed among all applicants; the greater the number of applicants, the smaller the payment to each recipient. In 2006, the average annual assistance in California for homes using gas and electric was \$275.

Housing Assistance

Eligible elders can receive direct or implicit housing subsidies from 3 programs funded by the U.S. Department of Housing and Urban Development (HUD): the Housing Choice Voucher Program (a part of Section 8), Public Housing, and the Section 202 Supportive Housing for the Elderly Program. Recipients of a Section 8 voucher may select any housing, and voucher amounts are based on a local "fair market rent" established by HUD. Section 202 provides capital and operating funds to nonprofit organizations that develop and operate senior housing including the construction of housing.

Housing assistance recipients generally have incomes less than 50% of area median income (in Los Angeles this would translate to 254% FPL or \$25,900 annually). If eligible for priority assistance status, the recipient's income must be less than 30% of area median income (in Los Angeles this would translate to 152% FPL or \$15,550 annually).

Supplemental Security Income (SSI)

Administered by the Social Security Administration, SSI provides monthly cash payments to people in need. SSI is for people who are 65 or older, blind or disabled. The state of California supplements the federal payment. **To qualify an elder must have countable income less than \$10,272 (or 105% FPL), and few assets other than a home and one car.** In order to receive SSI, an elder also must apply for any other income supports they may be able to get.

Each of these programs, as well as the Medicare Savings Program, can individually help move elders closer to achieving economic security, but only the full package of income supports including often unattainable housing assistance will guarantee economic security.

Barriers to Securing Support

Many seniors desperately in need of supports often find their Social Security income provides them too little income to be economically secure but too much income to meet the various income eligibility guidelines of the support programs. Even more challenging are programs' varied income eligibility guidelines for programs. **Many elders find the range, from 100% FPL to 254% FPL, confusing, and therefore are unsure about their eligibility.**

Elders face other barriers to enrollment in government supports including the burdensome

application process, cultural and language barriers, exceedingly low asset limits, and the stigma of "welfare." Enrollment in programs of this nature could save an elder hundreds of dollars a month.

The limited nature of assistance also prevents elders from gaining help. For instance, due to already insufficient public housing, Section 8, and Section 202 housing, housing assistance is hard to come by in California. Vouchers are limited in number and little public housing has been built since the early 1980s. A survey recently conducted by the Housing Authority Association of Southern California and the Northern California/Nevada Executive Directors Association reports the **Housing Choice Voucher Program waiting list hovers around 597,890 individuals and the Public Housing waiting list includes 319,892 individuals.** This number will only increase once the few outstanding Housing Authorities submit reports. The Housing Authority Association of Southern California and the Northern California/Nevada Executive Directors Association collected this data while working jointly on the 2008 Legislative Focus. With demand far exceeding supply, and only a small percentage of eligible applicants receive assistance; the majority of applicants, especially in California, languish on waiting lists.

Not Eligible for Help Nor Economically Secure

Programs with low income eligibility based on the FPL are ignoring the majority of elders living on incomes *above* the FPL but *below* what they need to make ends meet. Of the 25 most populous California counties, 20 counties have Indexes that are 200% FPL or greater, and the average of all county Indexes for the state of California is \$22,709–222% FPL.

Low-income single elders with incomes between approximately \$13,500 (about 130% FPL) and

\$16,000 (about 155% FPL) are the most vulnerable, even if they receive housing assistance. Without housing assistance, the Index demonstrates that such elders are unlikely to meet more than 70% of their economic needs.

Policy Recommendations

In the face of today's high and rising living costs, there must be a continuum of access to programs that help elders when their incomes fall short of the basic costs of living in California's communities. Expanded access to programs will require changes, outreach, and funding—at both the federal and state levels—to ensure that elders maintain a roof over their heads, food on their table, and prescriptions needed to manage health conditions as they age. To ensure economic security for all elders, we must:

- 1. Defend Retirement Income.** Erosion of the progress that has been made on behalf of elder economic security must be reversed by supporting and strengthening Social Security, expanding (or providing) worker savings opportunities such as defined contribution and benefits plans, and resisting the temptation to again balance budgets on the backs of seniors by freezing the SSI annual cost of living adjustment (COLA) and cutting Medi-Cal benefits.
- 2. Support housing trust funds, affordable housing development, housing assistance and homeowner tax exemptions**

for elders below the Index. Without affordable housing, attaining the local Index is nearly impossible for the majority of low-income Californian elder renters.

- 3. Outreach and public information on low-income supports** must be enhanced and broadened to reach more individuals in need of assistance.
- 4. Adjust unreasonably low income and asset limits among public support programs.** Average Social Security incomes and average retirement incomes often exceed eligibility limits, but leave single elders well short of the income needs indicated by their local Indexes.
- 5. Promote equitable and rational policy by using the Index in evaluating existing policies and developing new policies for older adults.** The Index is a realistic, geography-based measure of need that can be used to guide policies and programs, and to determine more realistic income eligibility guidelines and funding levels for critical public supports. The Index also provides a tool to help direct service providers benchmark an elder's movement toward economic security.

For more information, please visit The Insight Center for Community Economic Development website (<http://www.insightccd.org/>) or the Wider Opportunities for Women website (www.wowonline.org).



Wider Opportunities for Women

Building pathways to economic independence for women and girls since 1964.

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