UCLA CENTER FOR HEALTH POLICY RESEARCH

Health Policy Brief

August 2015

The Hidden Poor: Over Three-Quarters of a Million Older Californians Overlooked by Official Poverty Line

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"The hidden poor have incomes above the FPL, but not enough income to meet their basic needs."

SUMMARY: More than three-quarters of a million (772,000) older Californians are among the "hidden poor" – older adults with incomes above the federal poverty line (FPL) but below a minimally decent standard of living as determined by the Elder Economic Security Standard™ Index (Elder Index) in 2011. This policy brief uses the most recent Elder Index calculations to document the wide discrepancy that exists between the FPL and the Elder Index. This study finds that the FPL significantly underestimates the number of economically insecure older adults who are unable to make ends meet. Yet, because many public assistance programs are aligned with the FPL, potentially hundreds of thousands of economically insecure older Californians are denied aid. The highest rates of the hidden poor among older adults are found among renters, Latinos, women, those who are raising grandchildren, and people in the oldest age groups. Raising the income and asset eligibility requirement thresholds for social support programs such as Supplemental Security Income (SSI), housing, health care, and food assistance would help California's older hidden poor make ends meet.

Economic security requires that older adults have sufficient income to pay for basic housing, food, transportation, health care, and other necessary expenses. The Elder Index is an evidence-based approach that identifies the actual costs of those basic needs at the county level for renters, homeowners with a mortgage, and homeowners without a mortgage.[1] Using data from the 2009-2011 American Community Survey[2] and the 2011 Elder Index, this policy brief documents the large differences between the number of older Californians with incomes below the federal poverty level (FPL) and those with incomes below the Elder Index. First, differences between the numbers below the FPL and the Elder Index by household composition are examined, followed by differences by housing types, race and ethnicity, gender, and age. This study includes policy recommendations that, if implemented, would decrease the gap between income and need for hundreds of thousands of older Californians today and in the future.

The Hidden Poor Among Older Californians

The hidden poor are defined as those who have incomes above 100 percent of the Federal Poverty Level (FPL), but not enough income to make ends meet as calculated by the Elder Index. In California, 30.9 percent of all single elder heads of household (393,000) and 20.7 percent of all older couple heads of household (379,000) are among the hidden poor (Exhibit 1). Of these, only 18.9 percent of single and 5.6 percent of older couple household heads (240,000 and 102,000, respectively) have incomes below the FPL. This means that fewer than half of elder-headed households that have insufficient incomes are officially identified as poor.

THE CALIFORNIA Wellness FOUNDATION

promoting equity, advocacy and access

Funding for this policy brief was provided by a grant from The California Wellnes Foundation.

The Elderly in California

Of the 4 million older adults age 65 and over in California in 2011, one out of three (38.4 percent) was part of an older couple living alone, one out of four (27 percent) was a single elder living alone, one out of twenty (5.5 percent) was part of an older couple housing adult children, one out of thirty (3.6 percent) was a single elder housing adult children, and less than 1 percent were grandparents raising grandchildren without the parents present. These family types account for about three-quarters of all families that include older adults in the state. Even though grandparents raising grandchildren make up a small proportion of older adults in California, the disproportionately high rates of economic insecurity among this group warrant attention, as both the older adults and the children are impacted by the negative effects of having basic needs unmet.[3]

"Elder Index provides a more accurate picture of the number of older adults who have insufficient income to cover basic living expenses."

Because they often have too much income to qualify for public assistance but not enough income to meet their basic needs, the hidden poor are a particularly vulnerable population. Many public assistance programs use the FPL to determine whether or not a person is eligible to receive assistance for basic needs, such as health care and housing. Other programs, such as income supports like SSI that do not explicitly use the FPL, use the measure as a benchmark in policy discussions about eligibility levels. However, for many older adults in high-cost states like California, the FPL is an insufficient measure of need and, on average, does not cover even half of the older adult's basic living expenses.[4]

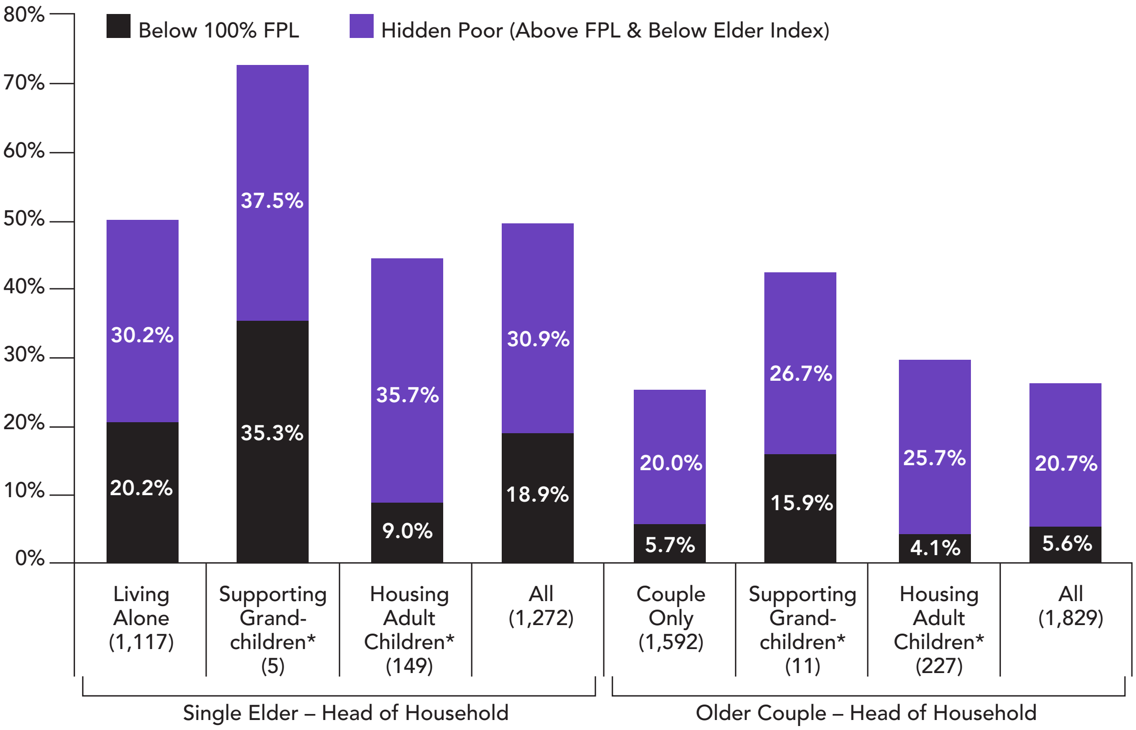
The FPL and the Elder Index differ in two important areas. First, the FPL is one uniform amount across the United States and does not account for the higher costs of housing and other expenses in California. The Elder Index, in contrast, is calculated at the county level. Second, the FPL was designed in the 1960s and was based on the consumption patterns and standard of living among young families in the 1950s, and it has been updated to account only for inflation, not for the increased standard of living. The Elder Index is based on the current basic living expenses actually faced by older adults.[5] The geographical variation and actual costs of basic expenses captured in the Elder Index provide a more accurate picture of the number of older adults who have insufficient income to cover basic living expenses, and who must therefore struggle to live their golden years independently and with dignity.

In 2011, the single nationwide FPL for an older adult living alone was $10,890. However, the average cost of basic living expenses as measured by the Elder Index was $23,364 for single older renters in California.[6] Many single elders with incomes above the FPL but below the Elder Index do not qualify for assistance. For example, recipients of food assistance (SNAP, called CalFresh in California) cannot have net incomes above the FPL, and the maximum income for Medicare Part D prescription assistance is 150 percent of the FPL.[7]

Grandparents Raising Grandchildren Most Likely to Be Among Hidden Poor

Households with grandparents raising grandchildren alone had the highest rates of economic insecurity among the family types we examined, but fewer than half are considered poor according to the FPL. Among households in which single older adults are the primary caregivers of their minor grandchildren, 35.3 percent of families had incomes below the FPL, but 72.8 percent had incomes below the Elder Index. This leaves 37.5 percent of these families among the hidden poor (Exhibit 1). Similarly, the incomes of older couples supporting minor grandchildren were below the FPL in 15.9 percent of families, while 26.7 percent of families had incomes above the FPL but below the Elder Index.

Household Composition of Older Heads of Household/Spouse (Age 65 and over) with Incomes Below the Elder Index, California 2011, Percent Under FPL and Percent Above FPL but Below Elder Index (Population in Thousands) **Exhibit 1**



* "Supporting Grandchildren" refers to households with only minor grandchildren and no other adults in the household. "Housing Adult Children" refers to households with only adult children and no minor children.

Source: American Community Survey, 2009-2011

Housing adult children is another economic challenge.[8] Single elders housing adult children had the second-highest rate of being among the hidden poor (35.7 percent), almost four times higher than the rate among those with incomes below the FPL alone. The hidden poor rate among older couples who housed adult children was more than six times higher than the rate among those with incomes below the FPL only (Exhibit 1).

Renting Older Couples and Single Elder Homeowners with a Mortgage Have High Rates of Being Among Hidden Poor

Housing is one of the biggest costs for older adults. Renters among both single elder and older couple heads of household had the highest rates of economic insecurity (69.6 percent and 60.6 percent, respectively) (Exhibit 2). However, the FPL identified less than one-quarter of older couple renter households (15.6 percent of 60.6 percent), leaving 45.0 percent as hidden poor. While the total rate of economic insecurity was lower for older single adults with a mortgage (49.7 percent), the FPL identified only 9.4 percent as poor, leaving 40.3 percent as hidden poor.

Latinos, Women, and the Oldest Seniors Have the Highest Rates of Being Among Hidden Poor

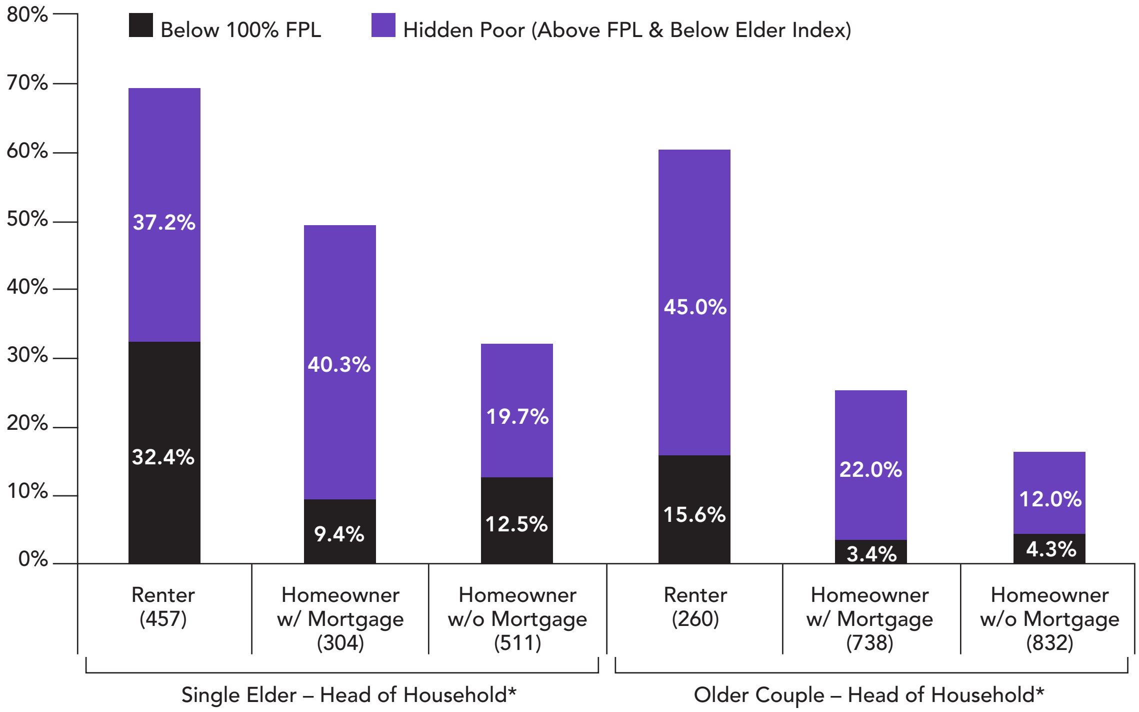
Race and Ethnicity

Single elders of color who are heads of households had higher rates of economic insecurity compared to single white elders. Single Latino heads of household had the highest rate of economic insecurity[9] (69.0 percent), and among all groups of elders of color, the total rate of economic insecurity for single-headed households was over 60 percent (Exhibit 3). In every group except Asian single-headed households, the proportion of elders in the gap between the FPL and the Elder Index was larger than the proportion below the FPL.[10] While non-Latino white older couple households had the lowest total

"Older adults raising grandchildren are among the most vulnerable."

Exhibit 2

Housing Type of Older Heads of Household/Spouse (Age 65 and over) with Incomes Below the Elder Index, California 2011, Percent Under FPL and Percent Above FPL but Below Elder Index (Population in Thousands)



*"Head of household" includes all older adults who are living alone, raising minor grandchildren, or housing adult children as head of family.

Source: American Community Survey, 2009-2011

"Across the state, 40-50 percent of single elder heads of household had incomes below the Elder Index."

rate of economic insecurity (20.1 percent), the FPL missed most of them, since it only identified 3.8 percent as officially poor.

Gender and Age

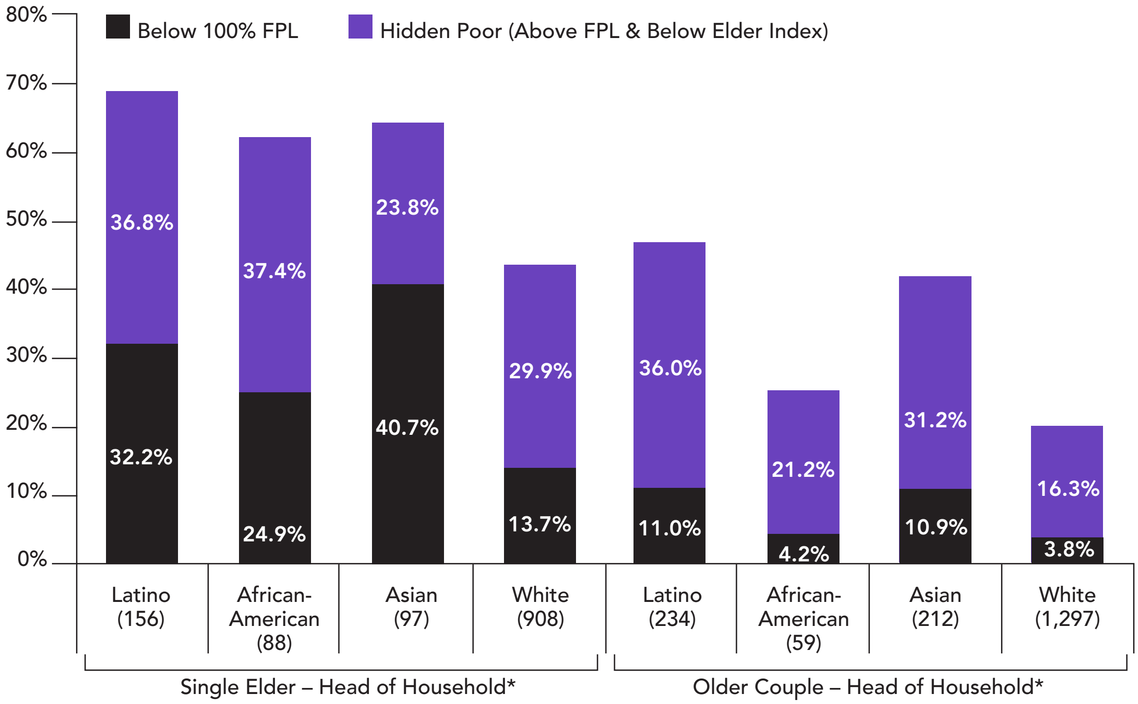
Single female heads of household age 65 and over had higher rates of economic insecurity than similar single male heads of household (52.4 percent vs. 43.8 percent, respectively). The proportion of hidden poor as identified by the Elder Index was higher than the proportion of poor identified by the FPL for both females and males, but was highest among single females (data not shown). For instance, one in five (20.2 percent) older single females had an income below the FPL, and one in three (32.2 percent) had an income above the FPL but below the Elder Index. Among older single males, the rates were 15.9 percent and 27.9 percent, respectively.

Economic insecurity overall and the percent who are among the hidden poor both rise modestly with age (data not shown). Among households headed by single elders, the proportion below the Elder Index was 48.2 percent for those ages 65-74, and 51.1 percent for those 75 years old and over. Among households headed by older couples, the rates were 23.9 percent and 30.1 percent, respectively. Households headed by older couples age 75 and over were four times more likely to be among the hidden poor (24.1 percent) than to be among the poor as identified by the FPL (6 percent). To see all demographic data by county, please go to *http://healthpolicy.ucla.edu/hiddenpoor2011*.

All Counties in California Home to Hidden Poor Among Older Adults

In all California counties, 40-50 percent of single elder heads of household and 20-30 percent of older couple heads of household had incomes below the Elder Index. The counties with the highest proportion (40 percent or more) of hidden poor among households headed by single elders are all rural: Nevada/Plumas/Sierra, Colusa/Glenn/Tehama/Trinity, and Mendocino/

Race and Ethnicity of Older Heads of Household/Spouse (Age 65 and over) with Incomes Below the Elder Index, California 2011, Percent Below FPL and Percent Above FPL but Below Elder Index (Population in Thousands) **Exhibit 3**



*"Head of household" includes all older adults who are living alone, raising minor grandchildren, or housing adult children as head of family. African-American, Asian, and White are all non-Latino.

Source: American Community Survey, 2009-2011

Lake. Among couple-headed households, Imperial is the only county with over 40 percent hidden poor. Imperial also leads the state in both single- and couple-headed households in total economic insecurity (77 percent and 55.3 percent, respectively) (Exhibit 4). A complete list of all counties can be found at *http://healthpolicy.ucla.edu/hiddenpoor2011*.

Policy Implications and Recommendations

Policymakers and program and services planners can use the Elder Index to identify the hidden poor among older adults and to shape innovative policies and programs to reduce the gap between income and need among the hidden poor. State policymakers have reported a preference for data that are geographically and economically relevant to California, and they took steps to ensure that better economic security measures are being used by passing the Elder Economic Planning Act (AB 138) in 2011.[11,12] Offsetting the costs of basic living expenses will reduce the number of hidden poor among older adults, now and in the future.[13]

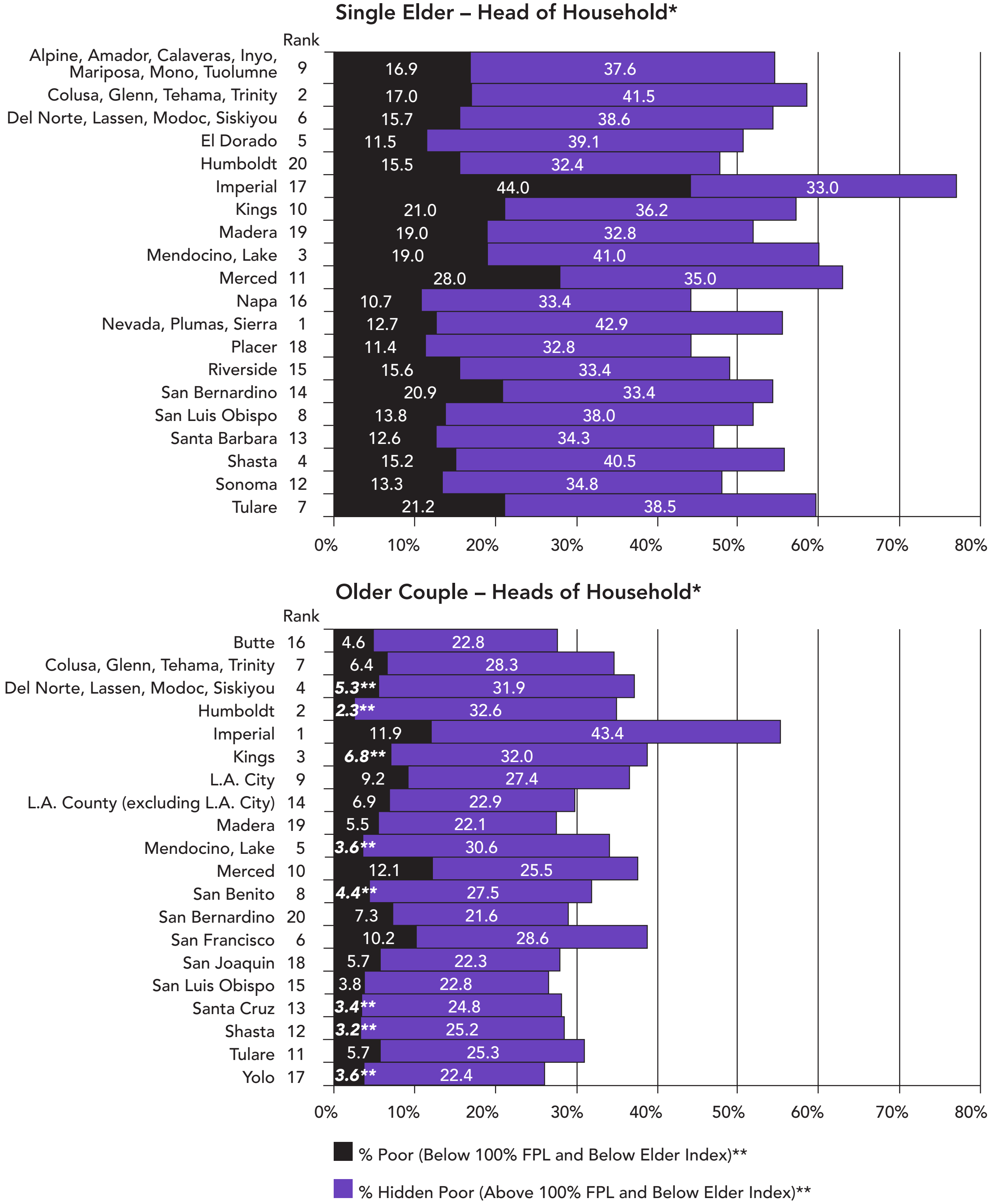
Income: *Increase and Protect Income Supports for Low-Income Elders*

Increased cash flow is the most flexible resource for helping older adults meet their basic needs. Supplemental Security Income (SSI) and state supplementation (SSP) provide monthly cash payments for those in need. In 2011, the combined federal and state benefit rate was $830 a month for individuals and $1,407 a month for couples.[14] However, the amount for individuals was only 92 percent of the FPL, and both of these amounts cover less than half of the Elder Index. Improving SSI payments can be accomplished through several approaches:

- Increase the maximum SSI/SSP grant from $889 for individuals (which remains at 91 percent of the 2015 FPL and 46 percent of the 2011 Elder Index) to at least $1,099 per month, as proposed in the 2015 CA Assembly Bill No. 474.[15]
- Restore the Cost-of-Living Adjustments (COLA) for the state supplement, which were suspended in 2007-08 (e.g., AB 474).

"Increased cash flow is the most flexible resource for helping older adults meet their basic needs."

Exhibit 4 **Counties with Highest Percentage of Hidden Poor Among Older Head of Household/ Spouse (Age 65 and over), California 2011**



* "Head of Household" includes all older adults who are living alone, raising minor grandchildren, or housing adult children as head of family.

** Estimates for "% Poor" are unstable (<500) for older couple heads of household in Del Norte/Lassen/ Modoc/Siskiyou, Humboldt, Kings, Mendocino/Lake, San Benito, Santa Cruz, Shasta, and Yolo.

Source: American Community Survey, 2009-2011

A complete list of all counties can be found at *http://healthpolicy.ucla.edu/hiddenpoor2011*.

- Increase income disregards and asset limits along with other provisions such as those proposed in federal legislation – Supplemental Security Income Restoration Act.[16]
- Allow older adults in low-income households to maintain the same level of SSI benefits when they are housing adult children.[8]

Housing: ***Improve Access to Affordable Housing***
Housing is one of the greatest expenses for many older adults, and the largest proportion of hidden poor are found among those who rent. Policies to assist that group include:

- Raise income eligibility limits for housing assistance.[17]
- Increase the stock of affordable housing by allocating some of the former redevelopment funds for affordable housing construction.
- Establish housing trusts in local jurisdictions to support new construction funded by hotel taxes or taxes on the sale of expensive homes (as has been proposed in San Francisco).[8]

Health Care: ***Enhance Health Care Coverage***
Medi-Cal, California's Medicaid program, helps cover health care expenses for elders with very low incomes (less than 100 percent of the FPL). Elders with slightly higher incomes may be eligible but are required to pay a "share of costs" that often exceeds state average premium, deductible, and out-of-pocket costs.[18] To help older adults with their Medicare premiums, copayments, and prescriptions, policymakers could raise the income eligibility level to 200 percent of the FPL, which would be more consistent with income needs as identified by the Elder Index.[17]

Food: ***Expand Food Benefits***
Older adults who receive SSI in California are not currently eligible for food assistance through the Supplemental Nutrition Assistance Program (SNAP), because the $10 average cash value of food assistance was added to the California SSI benefit when it was created in 1974 (called "cash-out"). However, the amount of that food supplement has not increased since then, even though the cost of food has increased by 403 percent. For older adults who do not receive SSI, net monthly income must not exceed 100 percent of the FPL for SNAP eligibility, and assets cannot exceed $3,000. To ensure that older adults —and, in some cases, minor grandchildren— receive proper nutrition, policymakers could:

- Update cash-out value to reflect the current value of SNAP benefits for SSI recipients.
- Increase the income eligibility level to 200 percent of the FPL for non-SSI recipients.
- Increase asset limits to be consistent with Medi-Cal expansion.[17]
- For grandparents raising grandchildren, allow individual benefits for children by excluding grandparents' income for eligibility purposes.[9]

In addition to helping today's older Californians achieve income security, preventing elder economic insecurity among future generations requires additional proactive policies such as assuring a living wage, helping low-income families obtain pensions, and creating progressive social services that will eliminate the cliff effect and ensure that many families can reach economic self-sufficiency.[19]

Methodology

Data are from the U.S. Census Bureau's 2009-2011 American Community Survey (ACS). The three-year file was used in order to have a large enough sample size for stable county-level estimates. All economic data were updated to 2011 values. The 2011 Elder Index was used because it provided the most recent data available to us at the time of analysis. The Elder Index for each household composition in each county was calculated using actual cost data for single elders and older couples, grandparents raising grandchildren, and older adults housing adult children.[20] The total income in the ACS of a family with a single elder or older couple head of household was compared to the Elder Index amounts to determine economic insecurity.

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Acknowledgments

The authors appreciate the valuable contributions of Aleksandra van Loggerenberg; statistical support from Tara Becker and Yueyan Wang; reviews by Kevin Prindiville, Jenny Chung Mejia, and Kathryn

"Preventing elder economic insecurity among future generations requires additional proactive policies."

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The UCLA Center for Health Policy Research is affiliated with the UCLA Fielding School of Public Health and the UCLA Luskin School of Public Affairs.

PB2015-3

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Kietzman; communication and dissemination efforts by Gwendolyn Driscoll, Venetia Lai, and Celeste Maglan Peralta; and web page support by Bruce Han.

Funder Information

This policy brief's analysis and publication were funded by a grant from The California Wellness Foundation (TCWF), created in 1992 as a private independent foundation. The mission of TCWF is to improve the health of the people of California by making grants for health promotion, wellness education, and disease prevention. Funding for the Elder Index initiative has also been provided by the California Community Foundation to the Insight Center for Community Economic Development.

Suggested Citation

Padilla-Frausto DI and Wallace SP. *The Hidden Poor: Over Three-Quarters of a Million Older Adults Overlooked by Official Poverty Line*. Los Angeles, CA: UCLA Center for Health Policy Research, 2015.

Endnotes

1 Methodology for Elder Index: see *http://healthpolicy.ucla.edu/elderindex*.

2 IPUMS-USA, University of Minnesota; *www.ipums.org*.

3 Padilla-Frausto DI and Wallace SP. 2013. *The High Cost of Caring: Grandparents Raising Grandchildren*. Los Angeles, CA: UCLA Center for Health Policy Research.

4 For basic living costs calculated by Elder Index and comparison to the FPL, see 2011 data at *http://healthpolicy.ucla.edu/elderindex*.

5 The Elder Index is calculated for all counties in all 50 states: *http://www.basiceconomicsecurity.org/EI/*.

6 For 2011 Elder Index amounts for single elders and older couples living alone, see *http://healthpolicy.ucla.edu/elderindex*

7 For a comprehensive overview of programs that use a percentage of the FPL to determine eligibility, see Income Supports in *http://www.wowonline.org/pdf/FinalWOWbriefforCA.pdf*.

8 Walllace SP and Padilla-Frausto DI. 2014. *Older Adults Challenged Financially When Adult Children Move Home*. Los Angeles, CA: UCLA Center for Health Policy Research.

9 Wallace SP, Padilla-Frausto DI, Smith S. 2013. Economic Need Among Older Latinos: Applying the Elder Economic Security Standard Index. *J Cross Cult Gerontol* 28(3): 239-250.

10 Single Asian heads of household were the only group that had a larger proportion of individuals with incomes below the FPL (40.7 percent) compared to the proportion who were among the hidden poor (23.9 percent). The lower percentage of hidden poor among single Asian elders may be due to an older Asian refugee population, with a larger percentage having very low incomes that fall below the FPL. *http://www.pewresearch.org/fact-tank/2014/07/28/where-refugees-to-the-u-s-come-from/*

11 Padilla-Frausto DI and Wallace SP. 2012. *The Federal Poverty Level Does Not Meet the Data Needs of the California Legislature*. Los Angeles, CA: UCLA Center for Health Policy Research.

12 AB 138: *http://www.insightcced.org/uploads/eesi/AB_138_CHAPTERED_2011.pdf*

13 Wider Opportunities for Women and Insight Center for Community Economic Development. February 2008. *Elders Living on the Edge: The Impact of California Supports When Income in Retirement Falls Short*.

14 July 2011 amounts: *http://www.ssa.gov/policy/docs/progdesc/ssi_st_asst/2011/ca.html*

15 AB 474: *https://trackbill.com/bill/CA/2015/AB474/health-facilities-antiretaliation-protections*

16 Supplemental Security Income Restoration Act: *http://www.brown.senate.gov/newsroom/press/release/sens-brown-and-warren-introduce-bill-that-would-encourage-work-strengthen-supplemental-security-income-benefits-for-elderly-disabled-and-blind-americans-and-13-million-children*

17 Average Social Security and retirement incomes often exceed the income eligibility limits for public support programs. Many older adults do not have enough income to afford a basic standard of living and are thus among the hidden poor. To qualify for many of the public support programs, elders must meet income and asset or resource requirements that are too low and often inconsistent across programs.

18 California HealthCare Foundation. *Share of Cost Medi-Cal* (Issue Brief). *http://www.chcf.org/publications/2010/09/share-of-cost-medical*

19 The "cliff effect" occurs when a small increase in income, such as a raise, leads to complete termination of benefits. This is particularly problematic if the small increase in income is less than the benefit amount, because it leaves individuals or families worse off financially than they were before the raise or small increase in income. To read more about the cliff effect, see: *http://www.wfco.org/pages/content/the-cliff-effect*.

20 For Elder Index costs by family type and by county, see *http://healthpolicy.ucla.edu/elderindex*.