



Elders Living on the Edge

When Meeting Basic Needs Exceeds Available Income in Minnesota

2009





The Minnesota Women's Consortium

The Minnesota Women's Consortium is the only one of its kind in the country. As a statewide collaboration of 160+ member organizations, the Consortium serves as a resource center to enhance equality and justice for women and children.

Since 1981, Minnesota women have come to the Consortium with concerns and proposed solutions. The Consortium has supported and helped many vital organizations that work toward heightened awareness on women's issues, sound public policy, and ultimately, full equality for women. For more information about the Minnesota Women's Consortium please visit <http://www.mnwomen.org>.

The Minnesota Women's Consortium is grateful for the assistance of its key partners in the Minnesota Elder Economic Security Initiative (MinnEESI): the Minnesota Legislative Office on the Economic Status of Women; Minnesota Community Action Partnership; Transform 2010 and the Office of Economic Opportunity in the Minnesota Department of Human Services; and the Center on Aging at the University of Minnesota. While all partners provided valuable assistance in gathering the information for this project, the conclusions in this document are the sole responsibility of the authors at the Minnesota Women's Consortium and Wider Opportunities for Women. To learn more about MinnEESI key partners please visit the websites below.

MinnEESI Key Partners

Minnesota Community Action Partnership: <http://www.mncaa.org>

Minnesota Department of Human Services: Office of Economic Opportunity: <http://www.dhs.state.mn.us/cfs/oec>

Minnesota Department of Human Services: Transform 2010: <http://www.dhs.state.mn.us>

Office on the Economic Status of Women: <http://www.oesw.leg.mn/>

University of Minnesota Center on Aging: <http://www.hpm.umn.edu/coa/>



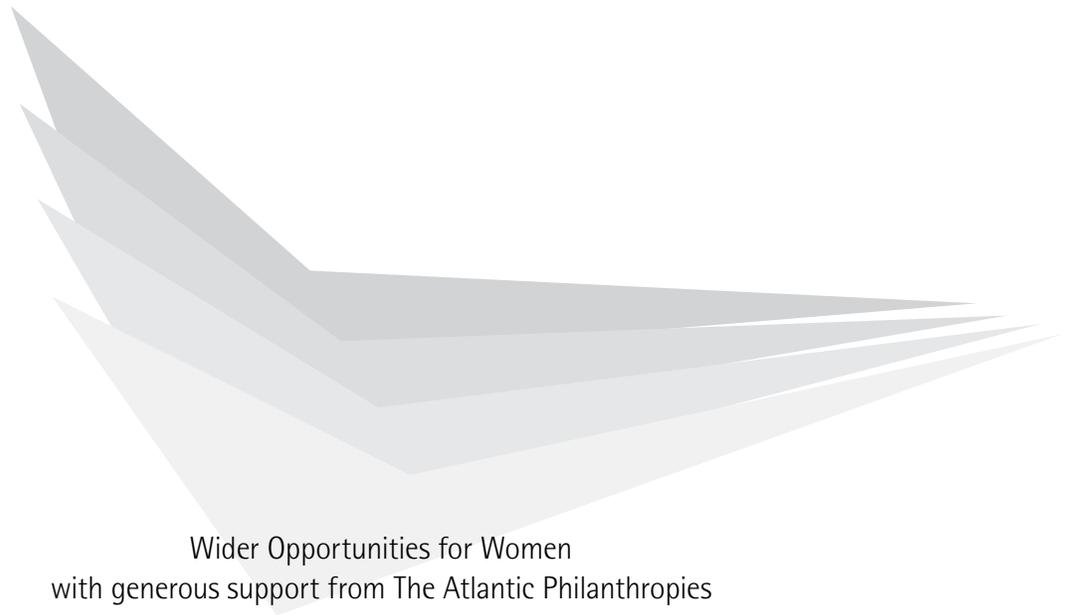
Wider Opportunities for Women (WOW)

Wider Opportunities for Women (WOW) works nationally and in its home community of Washington, DC to achieve economic independence and equality of opportunity for women and their families 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 (FESS) Project. 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 the Elder Economic Security Initiative. For more information about WOW's programs please visit www.wowonline.org or call WOW at 202-464-1596.

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The Minnesota Elder Economic Security Initiative™

Low-income elders in Minnesota face financial challenges that threaten their economic security and the health of their communities. They are pressured by increasing housing, health care, fuel, and utility expenses while their fixed incomes are eroded by weaknesses within the economy. And when income falls short of needs, the potential impact of public support programs is undermined by underfunding, low income limits, and asset limits which prevent savings. As a result, many seniors, including those eligible for public assistance, are unable to attain economic security.

The national Elder Economic Security Initiative™ (Initiative) is a multi-year, research-driven initiative to raise awareness of the challenges facing elders and to improve public policies for older adults. The Initiative combines coalition building, research, advocacy, education, and outreach at the national, state, and community levels to promote the economic well-being of elders and their families. The Minnesota Women's Consortium leads the Minnesota Initiative in partnership with Wider Opportunities for Women.

Policy Recommendations

Policy changes, outreach, and funding are needed to ensure that every Minnesota elder has adequate shelter, food, health care, transportation, and income to cover basic needs.

1. Defend effective Minnesota initiatives such as Alternative Care and the Property Tax Refund which assist older Minnesotans in moving toward economic security, and expand innovative approaches to meeting basic needs.
2. Advocate for a strengthened commitment to affordable housing. Maintain programs which help with housing costs and develop new ways to assist elders to remain in their own homes and communities.
3. Encourage elders who choose to improve their economic status by remaining in the workforce after age 65. Encourage employers to provide flexible, non-traditional work configurations and other features helpful to all employees.
4. Reform and redefine health care and "long term-care" to increase the emphasis on wellness and prevention. Increase access to care provided in the elder's own home and community and increase support for family caregivers.
5. Broaden and deepen outreach and public information related to income adequacy for older Minnesotans, to increase appropriate use of services and engage whole communities in mutual caregiving. Simplify and streamline the process of applying for programs and services.
6. Promote equitable and rational policy by using the Elder Index as a more realistic cost of living measure, when evaluating existing policies and developing new policies for older Minnesotans.

Measuring Economic Well-Being

How much income do Minnesota's elders need to meet the real costs of living? How much do public support programs – nutrition, medical, housing, and utility assistance – help elders meet their rising expenses? To answer these questions, social service providers, advocates, and policymakers need an accurate measure of elders' economic security. The national Elder Economic Security Initiative™ (Initiative), offers such a benchmark – the Elder Economic Security Standard™ Index (Elder Index).

The Elder Index measures the income older adults require to make ends meet, live with dignity, and remain in their own homes. The Elder Index strengthens evaluation of state and national public policy and programs. This tool helps to:

- quantify elder economic security;
- examine the components of economically secure elders' basic expenses;
- measure the gaps between typical incomes and economic security;
- measure how well public policies can help fill those gaps;
- evaluate current income support programs' ability to move individuals toward economic security; and
- measure returns on public investment in support programs.

Findings

- Local Elder Indexes composed of housing, food, health care, transportation, and miscellaneous expenses vary widely among Minnesota's counties.

- Gaps between typical elder incomes and economic security vary, but typical incomes for elder women fall short of economic security throughout the state. In 2008, single women renters' statewide median annual income in retirement fell short of economic security by more than \$4,000 in Minnesota's less expensive counties and by more than \$8,600 in more expensive counties.
- The average Social Security payment for a single Minnesota retiree does not allow economic security in any of the state's counties, regardless of whether the elder is a renter or a homeowner. In 2008, a typical Minnesota renter who relied entirely on a local average Social Security payment for men fell more than \$3,800 short of economic security. A typical Minnesota renter who relied entirely on the local average Social Security for women fell nearly \$8,000 short of economic security. Even so, these payments were high enough to disqualify Minnesota elders from receiving critical public assistance.
- Despite recent increases in food and transportation costs, medical, and housing expenses still have the greatest impact on economic security. As a result, while all supports are important, medical and housing assistance programs are most critical to elders living above the federal poverty level, and can easily improve economic security for even a healthy low-income elder by 5% and 25%, respectively.
- The Minnesota Property Tax Refund can have a great impact on welfare, particularly for those elders who don't receive housing assistance. The Property Tax Refund can improve economic security by more than 5% by adding nearly 10% to the resources of an elder living on average Social Security.

- Modeling suggests that with a full array of supports including housing assistance, many Minnesota elders living on Social Security, including those in more expensive locations such as Minneapolis, can reduce their expenses by as much as one-third, and can approach economic security.
- Modeling suggests that without housing assistance, renters across a spectrum of incomes fall well below economic security, even when they receive all other supports for which they are eligible. In Minnesota's more expensive counties, an elder woman living on Social Security will not attain even 65% economic security if she does not receive housing assistance.
- The need for long-term care threatens even those Minnesota elders who enjoy economic security. Seniors who require LTC but don't require the level of care provided in an LTC facility have limited options, and LTC not provided by relatives is often paid out of pocket. As a result, an economically secure Minnesotan who must pay for LTC services is unlikely to sustain even 50% economic security – unless she or he receives assistance from Minnesota's Alternative Care Program, which provides subsidized in-home and community-based services as an alternative to nursing homes.
- Because Minnesota's Alternative Care Program eliminates between 70% and 100% of average LTC expense, it allows elders to regain much of the economic security lost when LTC becomes necessary. However, despite public supports, many LTC recipients living on the state median income or above are left with monthly budget deficits which prevent them from paying Alternative Care fees and participating in the program.
- Due to benefit cliffs – incomes at which eligibility ends or receipt of one support effects eligibility for another – many Minnesota elders living above the federal poverty level are almost as far from economic security as those living below the federal poverty level. Single Minnesota elder renters with annual incomes between \$6,000 and \$12,000 who don't receive housing assistance face annual economic security gaps between \$2,000 and \$3,000. In fact, an elder with a \$12,000 annual income, an income greater than the average Social Security payment for women in Minnesota, faces an economic security gap larger than that faced by an elder with a \$6,000 income.

What Does It Take To Age In Place With Dignity?

To arrive at a measure of income adequacy, the Elder Index sums the five major monthly expenses which constitute the basic elder household budget. As a measure of basic needs, the Elder Index includes only those goods and services essential to health and welfare:

- Housing: Rent or mortgage payments and all housing-related costs (heat, utilities, insurance, property taxes) as applicable
- Food: Costs of food prepared at home, based on the USDA Low-Cost Food Plan for older adults
- Health Care: Premiums for Medicare Parts B, C, and D, and out-of-pocket costs, including co-payments and deductibles

- Transportation: Costs of private auto ownership and use, and/or public transportation where widely available
- Miscellaneous: Essential household and personal items such as clothing, paper products, cleaning products, etc. Miscellaneous expense is estimated at 20% of all other expenses, based on Department of Labor Consumer Expenditure Survey data.

Table 1 displays the Elder Index expenses for a single elder and elder couple living in Minnesota.

Varied housing statuses, varied health statuses, and local differences among the Elder Index's five expense components create a broad range of minimum retirement income requirements.

As shown in Table 2, Elder Indexes for Minnesota elders in good health range from \$15,660 for single homeowners without mortgages in Mahnomen County to a high of \$38,297 for homeowner couples in Washington County. For more information on county Elder Indexes and further explication of the Elder Index methodology, see *The WOW-GI National Elder Economic Security Standard: A Methodology to Determine Economic Security for Elders*.

Housing and Medical Expenses Have the Greatest Impact on Economic Security

In recent years, price instability has highlighted the budget impact of each Elder Index expense component. However, despite increases in food and transportation costs, medical and housing

Table 1: Minnesota Statewide Elder Economic Security Standard Index, 2008

Monthly Expenses	Single Elder			Elder Couple		
	Owner without mortgage	Renter, one bedroom	Owner with mortgage	Owner without mortgage	Renter, one bedroom	Owner with mortgage
1. Housing	\$395	\$589	\$1,085	\$395	\$589	\$1,085
2. Food	\$234	\$234	\$234	\$430	\$430	\$430
3. Transportation	\$235	\$235	\$235	\$414	\$414	\$414
4. Health Care ("Good Health")	\$300	\$300	\$300	\$600	\$600	\$600
5. Miscellaneous	\$233	\$233	\$233	\$368	\$368	\$368
Total Monthly (Index) Expenses	\$1,397	\$1,591	\$2,086	\$2,207	\$2,401	\$2,896
Total Annual (Index) Expenses	\$16,767	\$19,090	\$25,038	\$26,486	\$28,809	\$34,757

Source: Alison Gottlieb, Jan Mutchler, and Wider Opportunities for Women, *The Elder Economic Security Initiative™ Program: The Elder Economic Security Standard Index for Minnesota* (Washington, DC: Wider Opportunities for Women, 2008).

Table 2: Elder Economic Security Standard Index for Select Minnesota Counties, by Housing Status, 2008

County	Single Elder Renter	Single Elder without Mortgage	Single Elder with Mortgage	Elder Couple with Mortgage
Mahnomen County (Low)	\$17,274	\$15,660	\$22,594	\$32,433
Traverse County	\$17,249	\$15,797	\$23,737	\$33,575
Todd County	\$17,699	\$16,326	\$22,700	\$32,685
Hennepin County	\$20,602	\$18,113	\$25,594	\$35,133
St. Louis County	\$17,972	\$16,183	\$22,520	\$32,500
Washington County (High)	\$21,152	\$18,023	\$28,787	\$38,297

Source: Alison Gottlieb, Jan Mutchler and Wider Opportunities for Women, *The Elder Economic Security Initiative™ Program: The Elder Economic Security Standard Index for Minnesota* (Washington, DC: Wider Opportunities for Women, 2008).

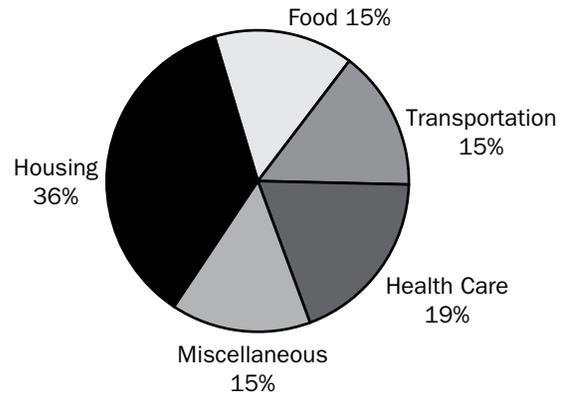
Note: Indexes are those for elders in good health.

expenses still have the greatest impact on economic security. In every Minnesota county, housing costs are the greatest determinants of elder economic security:

- Those 20% of Minnesota seniors with mortgages will spend nearly three times more for housing than elders who have paid off their mortgages – whether they live in low-cost areas (Clay, Cottonwood, Kittson, Polk Counties), or high-cost areas (Rice, Scott, Ramsey, Washington Counties).
- Approximately 22% of all Minnesota seniors are renters. Typical rents for Minnesota's counties vary widely, from \$395 (Houston County) to \$787 (Dakota County) per month. The typical elder renter spends more than one-third of his or her monthly expenses on rent. In counties with the least expensive rents, an economically secure senior will allocate approximately 28% of her or his income to rent. However, in Minnesota counties with the most expensive rents, a typical economically secure renter will devote 44% of his or her spending to housing.

Figure 1: Minnesota Statewide Average Elder Economic Security Standard Index Expenses for a Single Elder Renter, 2008

Housing and Health Care Account for the Greatest Proportion of Expenses



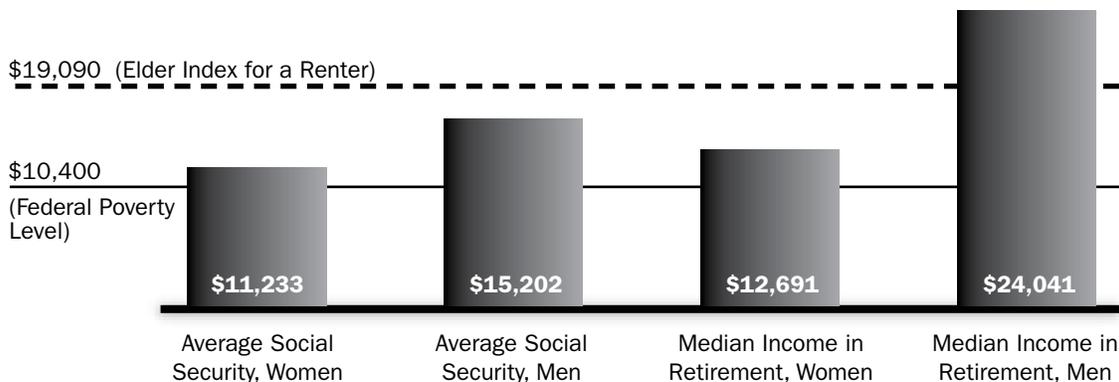
Neither Social Security Nor Median Incomes Allow Elders Economic Security

Social Security is the sole source of income for nearly 20% of Minnesota elders.¹ However, the average Social Security payment for a single

¹Social Security: Minnesota Quick Facts (AARP, 2005).

Figure 2: The Elder Economic Security Standard Index for Single Renters in Good Health and Benchmark Annual Incomes for Single Elders in Minnesota, 2008

Many Minnesota Elders Can't Make Ends Meet



US Census Bureau, 2007 American Community Survey PUMS data. Median income values inflated using BLS CPI inflator for the Minneapolis-St. Paul area. Social Security Administration, *OASDI Beneficiaries by State and County, 2006*. Average Social Security values inflated using SSA COLAs.

Note: Income in retirement includes all personal income, excluding public supports, of those without earnings.

Minnesota retiree does not meet Elder Index expenses in any of the state's counties, regardless of whether the elder is a renter or a homeowner. Even for elder homeowners who have paid off mortgages, Social Security payments fall far short of economic security as defined by the Elder Index. In 2008, a Minnesota single elder who rented and relied entirely on the statewide average Social Security payment for men fell more than \$3,800 short of economic security. A Minnesota single elder who rented and relied entirely on average Social Security for a single woman elder fell nearly \$8,000 short of economic security. However, average Social Security payments are high enough to disqualify Minnesota elders from participating in critical public assistance programs such as nutrition assistance and medical assistance.

Many of those who live on Minnesota retirees' median income also live below statewide and county Elder Indexes. This demonstrates that even those with retirement incomes that include personal retirement accounts, private savings, and pensions may fall short of economic security. This problem is most severe for single elder women. In 2008, **single women renters' median retirement income fell short of economic security by more than \$4,000 annually in the state's less expensive counties and by more than \$8,600 in more expensive counties.** Even at incomes above \$30,000, some senior couples who rented or paid mortgages in high-cost counties lived below the local Elder Index and lacked the income and public supports required to make ends meet.

Bridging Gaps: Income Supports

Once gaps between income and economic security have been measured, the questions arise: Can the gaps be bridged? Are there public support programs that provide economic security?

Table 3: Minnesota Public Supports Income and Asset Eligibility Limits, 2008

Minnesota Elders are Presented with an Array of Eligibility Requirements			
Federal Poverty Level (FPL)		Single: \$10,400	Couple: \$14,000
Support Program	Income Limits*, % FPL, Single	Asset Limits, Single	Asset Limits, Couple
SSI & MSA	81%**	\$2,000	\$3,000
Food Support	100%	\$7,000	\$7,000
Medical Assistance	100%	\$3,000	\$6,000
QMB (MSP)	100%	\$10,000	\$18,000
SLMB (MSP)	120%	\$10,000	\$18,000
QI (MSP)	135%	\$10,000	\$18,000
Part D Low Income Subsidy, Full	100%	\$7,790	\$12,440
Part D Low Income Subsidy, Partial	150%	\$11,990	\$23,970
Energy Assistance	204%***	N/A	N/A
Housing Assistance	80% AMI	N/A	N/A
Property Tax Refund	900%****	N/A	N/A

AMI = area median income
 * Income limits may be gross income or net/countable income, and are elder-specific where possible. Limits as a percentage of the FPL are the same for single elders and elder couples unless otherwise noted.
 ** Approximately 90% FPL for a couple
 *** Approximately 198% FPL for a couple. For income eligibility the state uses 50% of state median income which equals 204% of FPL.
 **** \$93,480, income limit for a single homeowner for the 2007 tax year. Income limit is \$50,430 for a single renter.

It is possible to answer these questions by modeling the impacts of widely available public support programs. Using the Elder Index and Wider Opportunities for Women's Economic Security Simulator,TM which calculates support levels based on program eligibility and benefit rules, one can measure changes in economic security as elders obtain or lose public supports.

The Simulator models the impact of the following major federally- and state-administered support programs. See the Appendix for additional program details.

Supplemental Security Income (SSI)

Supplemental Security Income, administered by the federal Social Security Administration,

provides monthly cash payments to elders with no or very low income. SSI eligibility income and asset limits are the lowest of any work or income support available to elders.

Minnesota Supplemental Aid (MSA)

Minnesota Supplemental Aid, a state-funded program, provides monthly cash payments to elders who receive Supplemental Security Income (SSI). Because the income eligibility limits are approximately 10% higher for MSA than for SSI, some elders who do not receive SSI may receive MSA.

Food Assistance – Food Support

Food Support, Minnesota's version of the US Department of Agriculture's Supplemental Nutrition Assistance Program (the recently renamed Food Stamp Program), provides low-income households with electronic benefits cards that participants can use to purchase food.

Medical Assistance

Minnesota's (Medicaid) Medical Assistance program is a public health insurance program serving low-income families which include elders and persons with disabilities. Medical Assistance pays for nearly all "medically necessary" health care for single and couple elders with total countable incomes approximately 100% of the federal poverty level. Elders with higher incomes may be eligible to participate in Medicare Savings Programs or the Medical Assistance "spend down" program, which covers medical costs after an elder's income less regular medical expenses is approximately 75% of the federal poverty level.

Medicare Savings Programs (QMB, SLMB, and QI)

Medicare Savings Programs (MSPs) include the Qualified Medicare Beneficiary (QMB), Specified Low-Income Medicare Beneficiary (SLMB/SLMB+), and Qualified Individual (QI) programs. The programs pay part (SLMB, QI) or all (QMB) of low-income elders' Medicare Part A and B premiums, deductibles and co-payments. Elders must be eligible for Medicare, and the programs normally

assist those with incomes or assets above the Medical Assistance limits.

Prescription Assistance – Medicare Part D Low Income Subsidy (LIS or "Extra Help")

The Low Income Subsidy helps low-income elders with prescription drug costs. The federal government subsidizes premiums paid to the participant's private Medicare Part D drug (insurance) plan. Recipients of full benefits pay no premiums, deductibles or co-payments; recipients of partial benefits pay low deductibles and co-payments.

Utility Assistance – Energy Assistance Program (EAP)

The Energy Assistance Program provides direct payment to energy suppliers to assist low-income households that spend a high proportion of their income on energy, primarily for cooling and heating.

Housing Assistance

Eligible elders can receive direct or indirect housing subsidies from three programs funded by the US Department of Housing and Urban Development (HUD): The Housing Choice Voucher Program (HCVP, formerly Section 8), Public Housing, and the Section 202 Supportive Housing for the Elderly Program.

Property Tax Relief – Minnesota Property Tax Refund

The Minnesota Property Tax Refund provides refunds to all Minnesota homeowners and renters who live independently and complete Minnesota property tax refund forms with their annual taxes. Renters participate by claiming that portion of their rent assumed to have been used by a landlord to pay property taxes. Claimants may receive no refund if rents paid are low and household income exceeds the poverty level.

Table 4 illustrates the impact of these supports on the economic security of a typical elder woman who rents in Minneapolis. Like many elders in Minnesota, she lives alone and relies on Social

Table 4: The Impact of Supports on Economic Security for a Single Elder Renter Living on Average Social Security for Women (\$1,043/mn, \$12,516/yr) in Minneapolis, MN, 2008

While Public Support Programs Reduce Expenses, Minnesota Elders Still Fall Short of Economic Security							
		Income Plus . . .					
Average Monthly Social Security Income	\$1,043			Food + Rx + Medicare Savings Program (MSP) Assistance	Food + Rx + MSP + Energy Assistance	Food + Rx + MSP + Energy + Housing Assistance	Food + Rx + MSP + Energy + Housing Assistance + Property Tax Refund
Elder Economic Security Index (Total Monthly Expenses)	\$1,720	Food Assistance	Food + Rx Assistance				
Monthly Shortfall	-\$677	-\$677	-\$626	-\$530	-\$530	-\$84	-\$84
% Economic Security	61%	61%	62%	66%	66%	93%	93%

Source: Wider Opportunities for Women calculations
 *Utility expenses are included in housing expense.

Security as her only source of income. Her annual income of \$12,516 (\$1,043/month) is the average Social Security payment for a Hennepin County female retiree. Her countable assets do not exceed the eligibility asset limits of support programs such as SSI, Medicare Savings Programs or Food Support.

Table 4 measures the elder's economic security – the ratio of monthly income to monthly expenses. Each column illustrates the change in monthly budget surplus or shortfall that accompanies the elder's receipt of the supports for which she is eligible.

The elder in this scenario is both income and asset eligible for Food Support, LIS, the SLMB Medicare Savings Program, EAP and housing assistance. The programs' cumulative impact is expressed as improved economic security. Receiving all of the supports moves the elder from 61% income security to 93% income security, with the largest increases coming from housing assistance (\$446; 27%) and the SLMB Medicare Savings Program (\$96; 4%). Because she receives housing assistance, which reduces her overall expenses, the elder does not receive significant energy assistance, property tax refund or Food Support benefits for which she would otherwise be eligible.

The gap between income and expenses is significantly larger for those who do not receive housing assistance. Those with 80% area median

income (\$43,050 for a single person in Hennepin County) are eligible for assistance. However, those with "very low" incomes, below 30% area median income (\$16,300 for a single person in Hennepin County), are granted priority by law. Because the supply of public housing and housing vouchers is limited, most housing assistance recipients have incomes below 30% AMI. Housing assistance recipients rarely have incomes above 50% AMI. As a result, eligible Minnesota elders languish on long waiting lists.

Table 5 explicates the difference in economic security attainable by the single elder renter in the absence of housing assistance. The elder is both income and asset eligible for Food Support, LIS, the SLMB Medicare Savings Program, EAP, and the Minnesota Property Tax Refund. Receiving all of the supports moves the elder from 61% income security to only 74% income security, with the largest increase coming from the SLMB Medicare Savings Program (\$96; 4%). She now receives Food Support (\$25; 1%), EAP (\$25; 1%), and a very substantial Property Tax Refund (\$112; 5%). In the absence of housing assistance, the Tax Refund is the largest support available to the elder, representing approximately 5% of the local Elder Index and adding nearly 10% to the elder's resources.

Figures 3 and 4 capture each individual support program's impact as a proportion of total Elder

Table 5: The Impact of Supports, not Including Housing Assistance, on Economic Security for a Single Elder Renter Living on Average Social Security for Women (\$1,043/mn, \$12,156/yr) in Minneapolis, MN, 2008

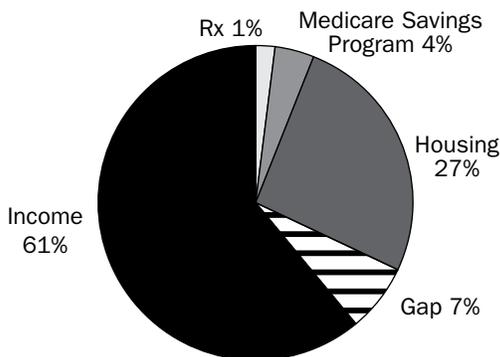
While Public Support Programs Reduce Expenses, Minnesota Elders Still Fall Short of Economic Security

		Income Plus . . .					
Average Monthly Social Security Income	\$1,043						
Elder Economic Security Index (Total Monthly Expenses)	\$1,720			Food + Rx + Medicare Savings Program (MSP) Assistance	Food + Rx + MSP + Energy Assistance	Food + Rx + MSP + Energy + Housing Assistance	Food + Rx + MSP + Energy + Housing Assistance + Property Tax Refund
Monthly Shortfall	-\$677	Food Assistance -\$652	Food + Rx Assistance -\$601	Food + Rx + Medicare Savings Program (MSP) Assistance -\$505	Food + Rx + MSP + Energy Assistance -\$480	Food + Rx + MSP + Energy + Housing Assistance -\$480	Food + Rx + MSP + Energy + Housing Assistance + Property Tax Refund -\$368
% Economic Security	61%	62%	64%	68%	69%	69%	74%

Source: Wider Opportunities for Women calculations
 *Utility expenses are included in housing expense.

Figure 3: Income, Supports and the Remaining Economic Security Gap, as a Percentage of the Elder Economic Security Standard Index for a Single Woman Renter Living on Average Annual Social Security in Minneapolis, MN, 2008

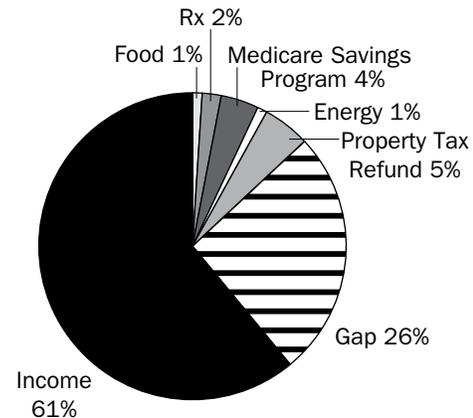
Some Low-Income Elders Can Approach Economic Security with Housing Assistance and Other Forms of Assistance



Index expenses for a Minneapolis single renter. With housing assistance, the supports modeled reduce expenses by 32%. This still leaves the elder with a 7% gap between needs and resources. This suggests that with a full array of supports including housing assistance, many Minnesota elders who live on modest fixed incomes can approach economic security.

Figure 4: Income, Supports (without Housing Assistance) and the Remaining Economic Security Gap as a Percentage of the Elder Economic Security Standard Index, for a Single Woman Renter Living on Average Annual Social Security in Minneapolis, MN, 2008

Low-Income Elders are Unlikely to Achieve Economic Security without Housing Assistance



As Figure 4 illustrates, without housing assistance, the supports modeled collectively reduce the renter's Elder Index expenses by only 13%. This leaves the elder with a 26% gap between basic needs and income. These numbers are a common reality for low-income elders in the state as the large majority of those eligible

for housing assistance do not receive it. Without housing assistance, renters across a spectrum of incomes fall well below economic security. In Minnesota's more expensive counties, an elder woman living on Social Security may approach only 80% economic security even if she receives all federal and state supports for which she is eligible. Without housing assistance, even 65% economic security is out of reach.

The Need For Long-Term Care Threatens Economic Security

The need for long-term care dramatically affects elders' chances of an economically secure old age – no matter what their incomes are. A catastrophic health event or worsening of a chronic ailment can create significant financial difficulties for an elder who would otherwise be economically secure.

Long-term care (LTC) assists those with chronic health conditions, disabilities or rehabilitative care needs. LTC most commonly helps with "instrumental" activities of daily living, such as grocery shopping or household chores. In some cases, it also helps with activities of daily living, such as dressing and bathing. LTC is very often provided by family members in the home. In fact, 91% of Minnesotan elders receiving LTC outside of institutions have reported receiving care from family members.² LTC may also be obtained in institutional settings, such as assisted living facilities or nursing homes. In some cases LTC is provided by professional and/or volunteer service providers who enter the home to assist with activities ranging from homemaker services to skilled nursing care. This is known as home and community-based long-term care.

The number of Americans currently requiring LTC approaches 10 million, and by 2020, 12 million

older Americans may need long-term care.³ Medicare pays for medical care provided in nursing homes or in the home to those who qualify, most often for short-term rehabilitative care, but rarely pays for home and community-based long-term care. Some Medicare (Part C) Advantage Plans pay claims for limited skilled nursing facility and skilled home care, but rarely pay for LTC. Despite the fact that most LTC is non-skilled "custodial care," such as personal care and homemaker services, few assistance options are available to seniors who require this level of LTC. As a result, most LTC expenses are paid out-of-pocket.

Table 6 illustrates the impact of worsening health on the economic security of a single renter with an income well above her county's average Social Security for single men, average Social Security for single women, and Minnesota women's median income in retirement. The elder lives alone in St. Louis County, and has an annual unearned income of \$17,972 per year (\$1,498 per month) – an income equal to the St. Louis County Elder Index for renters in good health. She maintains very limited countable assets, but participates in no public support programs.

In her 70th year, the elder suffers a fall. Despite receiving treatment for the resulting injury, she is no longer able to perform all of her daily self-care tasks, or perform some rudimentary housekeeping tasks; as a result, she prepares to engage long-term care. The care will create an additional expense – beyond her current Medicare premiums and out-of-pocket expenses – of \$1,626 per month.⁴ In addition, her non-LTC monthly Elder Index health care expense increases by \$116 per month. The new higher health care costs become her greatest expense and her greatest financial challenge.

²Minnesota Board on Aging, 2005 Survey of Older Minnesotans, <http://www.mnaging.org/advisor/survey.htm>

³U.S. Department of Health and Human Services, "Long-term Care," <http://www.medicare.gov/LongTermCare/static/Home.asp>.

⁴Alison Gottlieb, Jan Mutchler and Wider Opportunities for Women, *The Elder Economic Security Initiative™ Program: The Elder Economic Security Standard Index for Minnesota*, (Washington, DC: Wider Opportunities for Women, 2008).

Table 6: The Impact of Supports on Economic Security for a Single Elder Renter in Poor Health with Income Equal to the Elder Economic Security Index for Renters (\$1,498/mn, \$17,972/yr) in St. Louis County, MN, 2008

Long-Term Care Needs Can Destroy Economic Security, But Long-Term Care Assistance Can Prevent Impoverishment				
		Income Plus . . .		
Income: Elder Economic Security Index (Total Monthly Expenses)	\$1,498	Food + Rx + Medical + Energy Assistance	Food + Rx + Medical + Energy Assistance + Property Tax Refund	Food + Rx + Medical + Energy Assistance + Property Tax Refund + Alternative Care*
Elder Index with Poor Health and LTC	\$3,263			
Monthly Shortfall	-\$1,765	-\$1,589	-\$1,525	-\$113
% Economic Security	46%	49%	50%	93%

Source: Wider Opportunities for Women calculations
 *Assumes a "medium" level of long-term care for 16 hours per week.
 Alternative Care premium calculated on the basis of average Alternative Care claims paid by the program during the month of April 2008.

The elder's income is too high for her to benefit from public supports, other than limited energy assistance, and a renter's property tax refund. If she is to age in place and avoid the great costs, complications, disruptions, and emotional impact of moving into a nursing home, the elder – who, living on the Elder Index threshold, has an income which covers only basic expenses – must find a way to pay for a "medium" level of care consisting of supplies, a home health aide and/or "homemaker"⁵ help for 16 hours per week.

With the onset of poor health and the need for long-term care, health care costs increase seven-fold. While income remains the same, the elder's level of economic security falls dramatically, from 100% to just 46%. With an income approaching \$18,000, she is newly eligible for Food Support because her large medical expenses are deducted

from the amount she is expected to contribute toward her own food costs. With the addition of modest energy assistance and a small property tax refund, the elder attains 49% economic security. Due to the large LTC expense, the supports do little to make her economically secure.

However, the state's Alternative Care Program, which provides in-home and community-based services as an alternative to nursing homes, holds promise for the elder. Because her combined income and assets do not exceed program guidelines, the program will subsidize the needed long-term care services. Alternative Care, which has no income *eligibility* test, will contract the services in return for sliding scale co-payments. Because her income falls between 100% and 150% of the federal poverty level, she pays just 5% of the cost – approximately half of the market LTC rate – charged in compliance with the Alternative Care Program's reimbursement rates. (If her income were below the federal poverty line, the LTC services would be provided free of charge.) As a result, rather than \$1,627 per month, the elder pays just \$37 per month, and is able to regain much of the economic security lost in her fall.

However, the elder is still left with a monthly budget deficit of approximately \$113 per month. As a result, her ability to pay even \$37 per month, in addition to her basic expenses, is not guaranteed. Hence, as critical as the Alternative Care benefit is, in this scenario – as in so many real lives – the program may fail to achieve its promise and leave an elder well below economic security. This points to the need for other, non-medical support programs to be more available to elders with care needs. When a household budget deficit eventually becomes unsustainable, seniors are often forced to forgo basic needs, sell and/or spend down assets and, eventually impoverished, enter expensive long-term care facilities supported by public funds.

⁵A homemaker helps an elder clean, prepare meals, do laundry, shop, dress, bathe, etc.

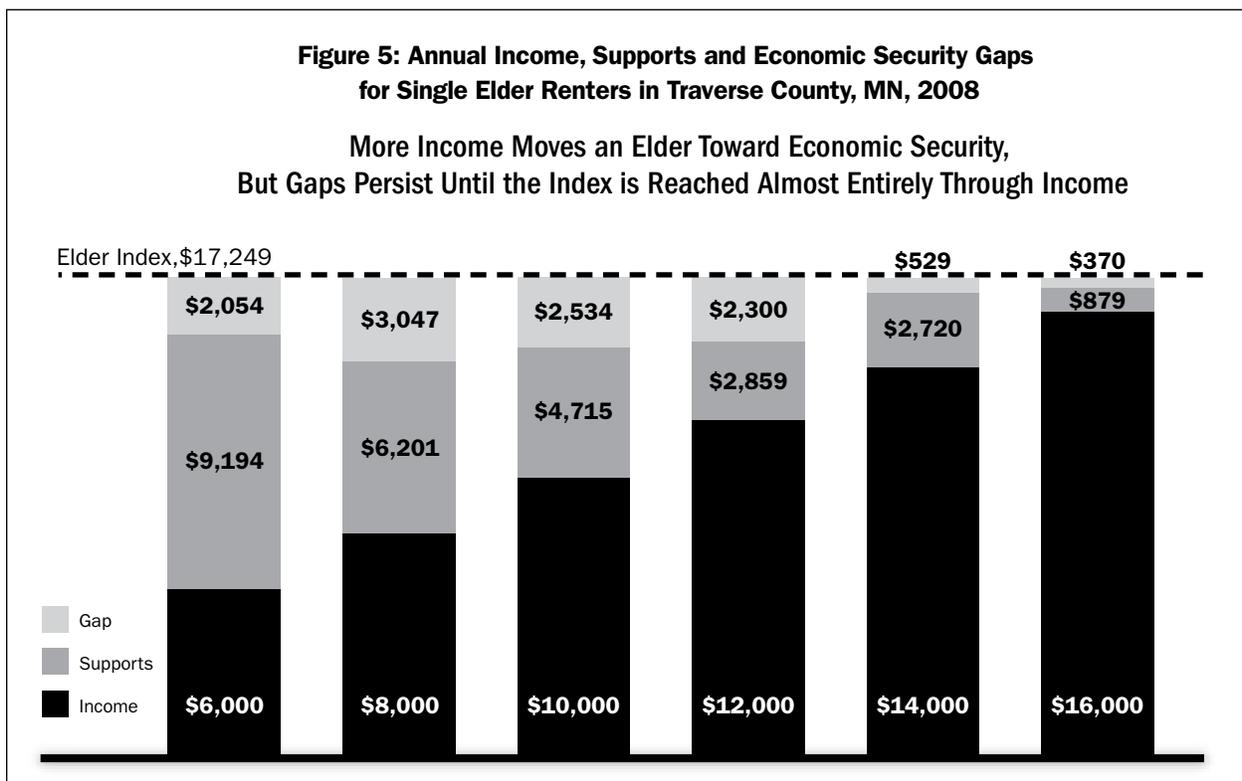
Without Housing Assistance, Gaps Between Income And Economic Security Persist, Even As Income Rises

Because public supports begin to fall off shortly after incomes exceed the federal poverty level, those single elders living above the 2008 federal poverty level of \$10,400 are almost as far from economic security as those living below the federal poverty level. This effect is magnified when elders don't receive housing assistance.

Figure 5 exhibits gaps between income and economic security across a range of incomes for elders renting in Traverse County – a more rural, less expensive county, and the Minnesota county with the highest proportion of elder residents. At the lowest income modeled, \$6,000 per year, income supports (not including scarce housing

assistance) reduce expenses by roughly \$9,200, and contribute more to the elder's security than does her or his income. However, the elder is still left with a gap between annual income and annual Elder Index expenses of approximately \$2,000.

Due to benefit cliffs (incomes at which eligibility ends or the receipt of one support lowers the value of another), Traverse County elders with annual incomes between \$6,000 and \$12,000 face similar income gaps, ranging, approximately, from \$2,000 to \$3,000. In fact, an elder with a \$12,000 annual income faces an economic security gap larger than that faced by an elder with a \$6,000 income, and nearly as large as that faced by an elder with a \$10,000 income. A \$4,000 increase in income, from \$8,000 and \$12,000 will reduce an elder's gap by only \$657.



Policy Recommendations

Policy changes, outreach, and funding are needed to ensure that every Minnesota elder has adequate shelter, food, health care, transportation, and income to cover basic needs. For many reasons, older women are the most vulnerable to economic insecurity and attention is needed to their special needs. With the aging population on the increase, the state must make wise investments to avoid preventable health care costs and costly nursing home placements.

1. Defend effective Minnesota initiatives such as Alternative Care and the Property Tax Refund which assists older Minnesotans in moving toward economic security, and expand innovative approaches to meeting basic needs.

- Maintain funding for Alternative Care, which makes it possible for elders to receive care in their own home and community, including those whose income and assets would otherwise disqualify them for poverty programs. This saves the older person, as well as government, the high costs of nursing home placement.
- Maintain the Minnesota Property Tax Refund and its availability. The refund improves overall income for older people, especially for low-income elder renters.
- Maintain and expand existing innovative strategies such as retirement-focused Individual Development Accounts (IDAs) with matched public/private savings.

2. Advocate for a strengthened commitment to affordable housing. Maintain programs which help with housing costs and develop new ways to assist elders to remain in their own homes and communities.

- Support reverse mortgages that are regulated and responsible.
- Focus a larger portion of the Energy Assistance Program (LIHEAP) on weatherizing to reduce long term energy costs.
- Support home repair-focused Individual Development Accounts (IDAs).
- Explore and support innovative community housing models such as Golden Girl Homes and other "intentional communities."
- Develop rent subsidies and other affordable housing options and affordable assisted living options for seniors, some of whom now represent "circumstantial placements" in nursing homes because they have no other home.

3. Encourage elders who choose to improve their economic status by remaining in the workforce after age 65. Encourage employers to provide flexible, non-traditional work configurations and other features helpful to all employees.

- Assist employers in maintaining productivity as their workforce ages, by offering part-time work, part-year work, and benefits for part-time and part-year workers.
- Encourage employers to offer training and skill development to employees of all ages, supporting career change that also adapts to changing workforce needs.

- Encourage employers to use new technology and other methods of restructuring work to be less physically demanding, to accommodate disabilities, to address transportation costs, and to provide ergonomic, wellness, and safety-related increases in productivity.
- Increase numbers of workers with pensions by requiring employees to "opt out" rather than to "opt in" to employer-sponsored pension and retirement programs.

4. Reform and redefine health care and "long-term care" to increase the emphasis on wellness and prevention. Increase access to care provided in the elder's own home and community and increase support for family caregivers.

- Reform health care to improve quality, access, and affordability for all, addressing services and expenses not covered by Medicare.
- Reform long-term care financing and reduce the cost of prescription medicine.
- Promote "communities for a lifetime" in which physical structures such as housing for all ages and social and health services such as Living At Home Block Nurse Programs (LAHBNPs) are affordable and accessible to all.
- Provide elders at home, work, and in communities with access to wellness programs including weight training, balance, and fall prevention classes, and address barriers to these programs such as lack of transportation and lack of awareness.

- Increase information about and use of assistive technology which supports elders living in their own homes, such as low-cost sensors to monitor daily activities and alert caregivers at remote locations.
- Increase access, to a minimum of one person in every county, for an ombudsperson or advocate who can provide in-person information and assistance to elders on resources, services, programs, qualifications, and application processes. Recognize and support this service where it exists, such as Area Agency on Aging advocates, Lutheran Social Services Older Adult Teams, and LAHBNPs.
- Remove asset limits and spend down requirements for programs such as Medical Assistance and Alternative Care, so that elders can maintain personal responsibility for their own health care, and have a modest "cushion" for contingencies.
- Encourage family caregivers and community volunteers through financial reimbursement, tax credits, flexible work schedules, and paid time off work for caregiving including expansion of the Family Medical Leave Act.

5. Broaden and deepen outreach and public information related to income adequacy for older Minnesotans, to increase appropriate use of services and engage whole communities in mutual caregiving. Simplify and streamline the process of applying for programs and services.

- Recognize and extend the efforts of Transform 2010, the Leadership Council on Aging, Vital Aging Network, Eldercare Rights Alliance, Citizens League, and many others to undertake consistent, powerful, and positive messages about the aging population.

- Increase utilization of the Earned Income Tax Credit, alternative Refund Anticipation Loans, food support programs, Medicare Savings Programs, and other programs through educational campaigns and by removing barriers.
- Make information available on reducing out of pocket Medicare expenses by choosing a low-cost, high-quality provider based on information published by the state.
- Identify needs and resources of communities such as recent immigrants, who have less access to retirement and pension income.
- Ask the state legislature to undertake informational hearings and follow-up action on income adequacy for older Minnesotans, recognizing that assets and needs cross state agency lines.
- Simplify, streamline, and improve government efforts to support older Minnesotans.
- Combine, reduce the complexity, and simplify application processes to the greatest extent possible for all programs.
- Support the recommendations of the Minnesota Poverty Commission, with particular attention to those recommendations that impact older people in Minnesota.

6. Promote equitable and rational policy by using the Elder Index as a more realistic cost of living measure, when evaluating existing policies and developing new policies for older Minnesotans.

For more information, please visit the Minnesota Women's Consortium (www.mnwomen.org) and Wider Opportunities for Women (www.wowonline.org) online.

Appendix: Major Public Supports

Supplemental Security Income (SSI)

Supplemental Security Income, administered by the federal Social Security Administration, provides monthly cash payments to elders with no or very low income. The state of Minnesota may supplement the federal payment for some recipients. SSI eligibility income and asset limits are the lowest of any work or income support available to Minnesota elders. To qualify, single elders must have countable income less than \$7,644; a couple must have less than \$11,472. SSI payments fill the gap between recipients' incomes and the countable income limits. Single and married elders must also maintain no more than \$2,000 and \$3,000 in assets, respectively, not including a home, one car, and household items. In order to receive SSI, participants must also apply for any other cash benefits for which they may be eligible.

Minnesota Supplemental Aid (MSA)

Minnesota Supplemental Aid, a state-funded program, provides additional monthly cash payments to elders who receive Supplemental Security Income (SSI). Because the income eligibility limits for MSA are approximately 10% higher for MSA than for SSI, some elders who do not receive SSI may receive MSA. In state fiscal year 2007, the average payment to recipients was \$87 per month.⁶

Food Assistance – Food Support

Minnesota's Food Support program (in other states known as the Supplemental Nutrition Assistance Program, the former Food Stamps

Program) provides low-income households with electronic benefits which participants use to purchase food. The US Department of Agriculture funds the Food Support program through the Food and Nutrition Service, and Minnesota administers the program, including determination of eligibility and distribution of benefits. In order to participate, a single elder's (net) monthly income must be no more than 100% FPL (\$10,400; \$14,000 per 2-person household) after deductions for earned income and a portion of medical and other basic expenses. Elders must maintain no more than \$7,000 in assets.⁷

Medical Assistance

Minnesota's (Medicaid) Medical Assistance program is a public health insurance program serving low-income families. Medical Assistance for the elderly, blind and disabled pays for nearly all "medically necessary" health care for those with incomes approximately at or below 100% of the federal poverty level. Elders with higher incomes may be eligible to participate in Medicare Savings Programs or the Medical Assistance "spenddown" program, which covers medical costs after medical expenses have effectually reduced an elder's income to approximately 75% of the federal poverty level, or \$650 per month for individuals and \$875 for couples. Single and married elders must maintain no more than \$3,000 and \$6,000 in assets, respectively.

Medicare Savings Programs (QMB, SLMB, and QI)

The Medicare Savings Programs (MSPs) include the Qualified Medicare Beneficiary (QMB), Specified Low-Income Medicare Beneficiary

⁶Minnesota Department of Human Services, "Minnesota Supplemental Aid," <http://www.dhs.state.mn.us>, Accessed 1 November 2008.

⁷The \$7,000 asset limit applies to all who receive the DHS Domestic Violence Information Brochure. A family automobile is not included in asset calculations.

(SLMB/SLMB+), and Qualified Individual (QI) programs. The programs help low-income elders enrolled in Medicare Part A pay for all or part of Medicare Parts A and B premiums, deductibles and co-payments. (Premiums for Part C, which are largely obviated by the Parts A and B subsidies, are not covered.) In Minnesota, the programs are administered by the state and the federal Social Services Administration. For full QMB eligibility, a single elder's gross annual income must be no more than 100% of the federal poverty level or FPL (\$10,400); for SLMB, no more than 120% FPL (\$12,480); for QI, no more than 135% FPL (\$14,040). Single and married elders must also maintain no more than \$10,000 and \$18,000 in assets, respectively, for the QMB and SLMB programs.

Federal Prescription Assistance – Medicare Part D Low Income Subsidy (LIS)

The Low Income Subsidy helps low-income elders with prescription drug costs. The federal government pays subsidies to the participant's chosen private Medicare Part D drug (insurance) plan, helping pay premiums, deductibles and co-payments. Those with Medicaid, or those participating in Medical Savings Programs, automatically qualify for LIS. For full eligibility, a single elder's gross monthly income must be no more than 100% FPL (\$10,400); thereafter the program provides help on a sliding scale to those with incomes up to 150% FPL (\$15,600). Single and married elders must also maintain no more than \$7,790 and \$12,440 in assets, respectively, to receive full LIS benefits.

Alternative Care Program

The Alternative Care (AC) Program helps elders pay for basic long-term care services not covered by Medicare or Medicare Part C supplementary insurance. Alternative Care is administered by

Minnesota Department of Human Services Aging & Adult Services Division. The program covers the services of trained caregivers, including respite care, and "custodial care" such as homemaking, adult day care, and home delivery of meals. The program allows elders to age in place, and avoid the greater expense and disruption of moving into a nursing home or similar care facility. Program fees are paid on a sliding scale based on income and assets.

Utility Assistance – Energy Assistance Program (EAP)

The Minnesota Energy Assistance Program assists low-income households that spend a high proportion of household income on energy, primarily for cooling and heating. Minnesota's EAP is administered by the Minnesota Department of Commerce's Office of Energy Security and local community action, community council and other nonprofit organizations. Assistance is based on income, household size and the cost of utilities. Federal funding that passes to the states is fixed annually, and distributed on a first come, first served basis. For full eligibility, a single elder's gross annual income must be no more than 50% state median income (\$21,184; \$27,702 for a 2-person household).

Housing Assistance

Eligible elders can receive direct or indirect housing subsidies from three programs funded by the US Department of Housing and Urban Development (HUD): The Housing Choice Voucher Program (HCVP, formerly Section 8), Public Housing, and the Section 202 Supportive Housing for the Elderly Program. Recipients of a Section 8 voucher may select any market-rate rental housing with a landlord willing to accept the HCVP voucher, and voucher amounts are based

on a local "fair market rent" established by HUD. The Section 202 program provides capital and operating funds to developers and operators of senior housing.

Those with 80% area median income (AMI; 2008 80% AMI for a single person in Hennepin County is \$43,050) are eligible for assistance (and are assumed to receive assistance within this brief's calculations, unless otherwise noted). However, those with "very low" incomes, below 30% AMI (\$17,000 for a single person in Hennepin County), are granted priority; because the supply of public housing and housing vouchers is limited, most housing assistance recipients have incomes below 30% AMI, and housing assistance recipients rarely have incomes above 50% AMI.

Property Tax Relief – Minnesota Property Tax Refund

Minnesota homeowners and renters of any age who complete Minnesota Department of Revenue Property Tax Refund forms with their annual taxes can receive tax refunds designed to ease increasing property tax burdens. Renters can participate by "claiming" that portion of their rent used by a landlord to pay taxes. For 2007, renters must have lived in their own houses or apartments within the state; qualified renters had incomes of no more than \$50,430, and homeowners had incomes of no more than \$93,480. Claimants may meet all qualifications but still not receive a refund, as credit amounts are indirectly based on the ratio of household income to property taxes or rent. Refunds are smaller for those with lower rents and those with higher incomes. Many of those 65 and older receive a \$3,400 deduction from gross income during the refund calculation process.



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