

Elders Living on the Edge

When Meeting Basic Needs Exceeds
Available Income in Illinois



Health & Medicine
POLICY RESEARCH GROUP

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Wider Opportunities for Women

June 2008

Prepared for the
Health & Medicine
Policy Research Group



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Health and Medicine Policy Research Group

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Elders Living on the Edge:
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Elders Living on the Edge

When Meeting Basic Needs Exceeds Available Income in Illinois

The Illinois Elder Economic Security Initiative™

Lower-income elders in Illinois face financial challenges that threaten their already fragile economic stability and the health of their communities. They are pressured by ever-increasing expenses for housing, food, health care, fuel and utilities while the buying power of their fixed income erodes. The weakness in the economy plus Social Security payments that are by themselves insufficient to help make ends meet, Supplemental Security Income that stagnates well below the poverty level, underfunded public support programs, and asset limits that prevent those receiving public supports from saving for their retirement all create devastating effects on elder economic security.

How much income do elders in Illinois need to meet the rising costs of living? What are the real effects of public support programs—such as Medicaid, utility assistance, or housing assistance—on their expenses and income needs? To answer these questions accurately, policymakers, advocates and social service providers require an actual measure of income adequacy. 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").

Policy Recommendations

Defend Retirement Income—Avoid further erosion of the progress that has been made on behalf of elder economic security by strengthening Social Security's ability to meet the income needs of women, families, people with disabilities, and other low-income individuals. Preserve it as a universal, age-based entitlement.

Advocate for a strengthened commitment to affordable housing, an absolute necessity if older people are to be able to make ends meet.

Provide resources for home repair and weatherization programs that permit people to remain in their homes.

Subsidize the costs of Medigap policies or mandate lower premium and cost-sharing for lower income seniors to make Medigap policies more affordable for people who need to fill the gaps in medical care but do not qualify for Medicaid. Consider a state risk pool as a way to implement this assistance.

Adjust the Community Care Program's sliding scale co-payment formula to represent a more realistic cost of living by replacing the use of the federal poverty level with the Elder Economic Security Standard Index.

Expand the Illinois Cares Rx Program so that all older adults receive the enhanced benefit, Illinois Cares Rx Plus, which covers most of the costs of Medicare Part D.

Remove barriers to qualifying for publicly supported programs. Elders are often excluded by asset limits that dissuade saving for retirement and prevent all but the very poor from participation. Consider legislation that exempts retirement savings from asset limits.

The Index measures the income older adults require to make ends meet at a minimal level. It is calibrated to household size, geographic area, and life circumstances. The Index also allows us to better evaluate the impact of public policy. With the Index we are able to:

- quantify elder economic security or lack thereof;
- examine the composition of basic expenses and its relation to income;
- assess the gaps between elders' incomes and what they need to be economically secure; and
- evaluate public supports' efficacy in narrowing those gaps and moving individuals toward economic security.

The Elder Economic Security Standard Index Measures Elders' Basic Needs

Table 1 exhibits the Elder Economic Security Standard Index for a single elder and elder couple living in DuPage County, Illinois—just one of the

102 Illinois counties for which Indexes have been calculated. An elder couple's expenses may be equal to those of a single elder (as in the case of housing), may be double those of a single elder (as in the case of health care), or may lie somewhere in between.

Housing Expenses are the Greatest Determinants of Economic Security

While each of the cost components of the Index is a key budget component, within any single county housing costs have the greatest influence on an elder's ability to achieve economic security. The current inflationary pressure on rental housing costs adds to this already significant problem.

Housing is also the most variable expense, ranging from 21% of total expenses for an Illinois renter living where rent is relatively inexpensive to 56% of total expenses for a homeowner paying a mortgage in a county where homes are expensive.

Housing expenses for single elders and elder couples who rent one-bedroom apartments range greatly, from \$398 in Western Illinois counties

Table 1: The Elder Economic Security Standard Index for DuPage County, IL, 2007						
Elders' Housing Expenses are the Greatest Determination of Economic Security						
Monthly Expenses	Single			Couple		
	Owner without mortgage	Renter	Owner with mortgage	Owner without mortgage	Renter	Owner with mortgage
Housing	\$653	\$832	\$1,464	\$653	\$832	\$1,464
Food	\$215	\$215	\$215	\$395	\$395	\$395
Transportation	\$286	\$286	\$286	\$369	\$369	\$369
Health Care (Good Health)	\$366	\$366	\$366	\$731	\$731	\$731
Miscellaneous	\$304	\$304	\$304	\$430	\$430	\$430
Index Per Month	\$1,825	\$2,003	\$2,635	\$2,578	\$2,756	\$3,389
Index Per Year	\$21,895	\$24,039	\$31,624	\$30,934	\$33,077	\$40,663

Source: Russell, Laura Henze; Bruce, Ellen A.; and Wider Opportunities for Women, *The Elder Economic Security Initiative™ program: The Elder Economic Security Standard Index for Illinois*. (Washington, DC: Wider Opportunities for Women, 2008).

Table 2: Statewide Average Elder Economic Security Standard Index			
Statewide Illinois Elder Economic Security Standard Index, 2007			
Monthly Expenses	Owner without mortgage	Renter	Owner with mortgage
Housing	\$410	\$538	\$976
Food	\$215	\$215	\$215
Transportation	\$286	\$286	\$286
Health Care (Good Health)	\$357	\$357	\$357
Miscellaneous	\$254	\$254	\$254
Index Per Month	\$1,522	\$1,651	\$2,088
Index Per Year	\$18,269	\$19,810	\$25,060

Source: Russell, Laura Henze, Bruce, Ellen A., and Wider Opportunities for Women, *The Elder Economic Security Standard™ Index for Illinois*, (Washington, DC: Wider Opportunities for Women, 2008).

such as Adams and Schuyler to \$832 in Chicago area counties such as Cook and DuPage. Those who own homes but do not carry mortgages have lower housing expenses than others, but still incur significant costs associated with taxes, home repairs, insurance, and other costs associated with home ownership that can threaten economic security. Monthly housing expenses for these elders range from \$286 in Southern Illinois counties such as Alexander, Pulaski, and Wabash, to \$695 in Lake County in the Chicago area. If they are owners, the collapsing housing market will make it especially difficult for them to sell or refinance should they need to.

As **Tables 1 and 2** suggest, elders who enter retirement holding mortgages typically pay between two and three times as much for housing as their counterparts who have paid off mortgages. This holds true throughout the state. In Cook County, and all of its neighboring counties, where the difference between the expenses of those with and without mortgages is largest, typical couple homeowners with mortgages who wish to achieve basic economic

Elder Economic Security Standard Index Expenses for Single Elder Renters in Selected Illinois Counties, 2007

Elder Renters in Different Counties Devote Varying Proportions of Income to Basic Needs

Figure 1: DuPage County, IL

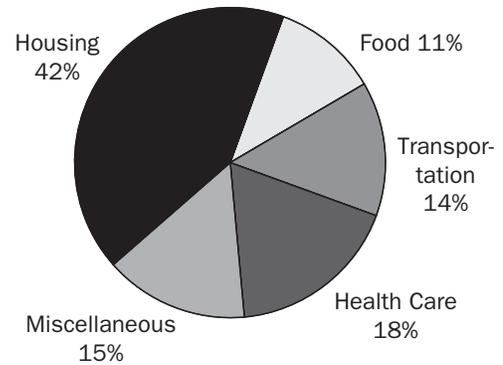


Figure 2: Champaign County, IL

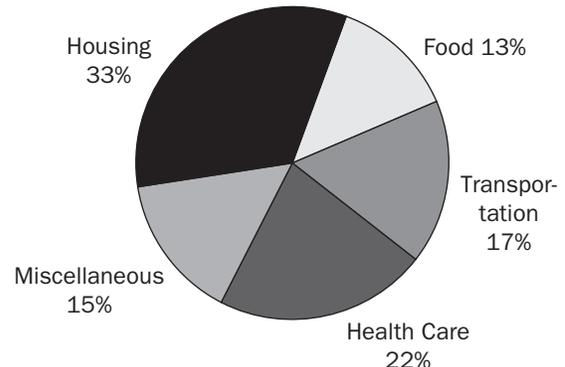


Figure 3: Williamson County, IL

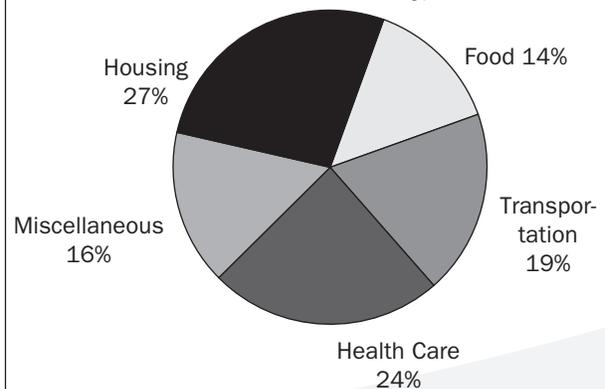
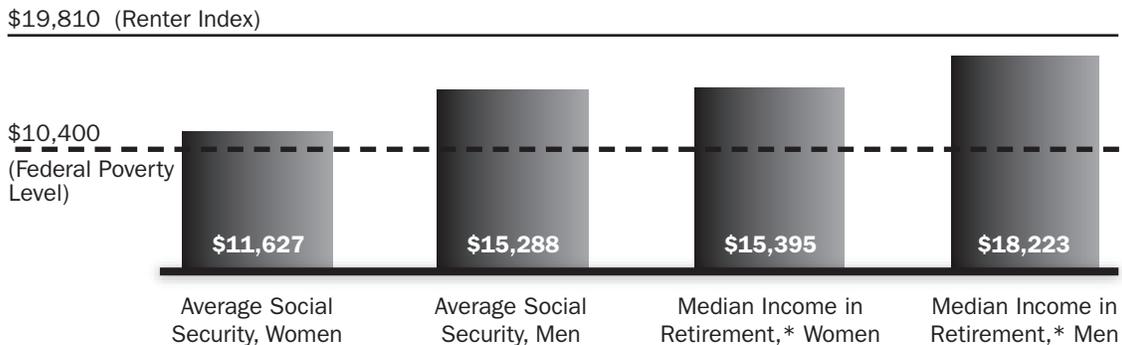


Figure 4: Statewide Average Elder Economic Security Standard Index for Renters and Benchmark Annual Incomes for Single Elders in Illinois, 2007

Elder Economic Security Standard Index for Single Elders—Illinois Elders Can't Make Ends Meet



Sources: US Census Bureau. 2006 American Community Survey PUMS data.

*Median Income values inflated using BLS CPI inflator for the Chicago area. Social Security Administration. OASDI Beneficiaries by State and County, 2006. Average Social Security values inflated using SSA COLAs.

security require approximately \$10,700 more per year than owners without mortgages. Similar differences are found in several counties where home ownership is very costly, including Carroll, Woodford and St. Clair Counties. And while the popular image of the senior secure in homeownership is prevalent, in reality only 59% of Illinois seniors have paid off mortgages. In 2006, over 21% of Illinois elders 65 and older were still paying mortgages.¹

While entering retirement holding a mortgage is undesirable, homeownership is obviously critical to moving elders toward economic security. Renters, another 20% of Illinois seniors, spend significantly less on housing than those with mortgages, but pay on average over 50% more than those who have paid off mortgages. As a result, in the state's more expensive counties, such as Will County, single renters who wish to achieve basic economic security require more than \$3,500 more per year than owners without mortgages.

Neither Social Security Nor Median Income Allow Elders Economic Security

The average Social Security payment for a single Illinois retiree does not allow economic security in any of the state's counties, regardless of whether the elder is a renter or a homeowner. Even those homeowners who have paid off mortgages find that their Social Security payments do not allow economic security. Approximately 1 out of 5 Illinois elders rely entirely on Social Security as their sole source of income.²

As **Figure 4** illustrates, single men in Illinois who rent and rely entirely on Social Security find themselves more than \$4,500 short of economic security; single women in Illinois who rent and rely entirely on Social Security find themselves nearly \$8,200 short of economic security. Average Social Security payments to both men and women fall short of all three statewide average Indexes (renter, homeowner without a mortgage, homeowner with a mortgage), and leave many below or teetering on the brink of the federal poverty level (FPL) of \$10,400 for an individual

¹ Russell, Laura, Henze, Bruce, Ellen A., and Wider Opportunities for Women, *The Elder Economic Security Standard™ Index for Illinois*, (Washington, DC: Wider Opportunities for Women, 2008).

² AARP (2008) *Divided We Fail: Key Findings in Illinois*. Retrieved on June 16, 2008 at http://assets.aarp.org/rgcenter/general/dwf_states_08_il.pdf

and \$14,000 for two persons.³ These inadequate Social Security payments hit widows and divorced women the hardest.

Individuals and couples whose incomes meet the state's median income fare little better than those who rely on Social Security. They also live below statewide and county Indexes for renters and elders with mortgages. This demonstrates that even those 41% of Illinois elders who rent or pay mortgages and are fortunate enough to have retirement incomes which include retirement accounts, private savings and pensions may find themselves falling short of economic security. This problem is most severe for single older women. Women find themselves in this position most often as the result of meeting cultural expectations about both child and eldercare and because of labor market conditions, which have meant lower lifetime earnings and inadequate, if any, pension coverage.

Single women renters living on median retirement income find themselves coming up short by approximately \$2,500 in less expensive counties (Adams, Brown, Mason, Pike and Schuyler Counties) and \$9,000 in more expensive counties (Lake, McHenry and others). Even at incomes well above \$20,000, nearly double the federal poverty level (FPL), some seniors who rent or make mortgage payments in high-cost counties live below the local Index and lack the income and income supports required to make ends meet.

Some Illinois Elders Can Approach Economic Security If They Receive Supports

Once we identify the gaps between available income and economic security and understand the sources of these gaps, we must ask: Can the

³ US Department of Health and Human Services (HHS). <http://aspe.hhs.gov/poverty/07poverty.shtml>. The federal poverty level, officially the "federal poverty guidelines," are used in determination of income eligibility for federal, state and local support programs.

gaps be bridged? Do public programs (federal, state, federal/state) together provide security?

It is possible to answer these questions by modeling the impact of major, widely used, critical public support programs. The Index and Wider Opportunities for Women's Economic Security Simulator™ can be used to measure changes in economic security when the benefit level of public supports are added to income. The Simulator will also demonstrate the gaps between economic security and available income that persist despite these benefits.⁴

The Simulator models the impact of the following major state- and federally-administered support programs. See **Table 3** and the Appendix for program details.

Housing Assistance

Eligible seniors can receive direct or indirect housing subsidies from 3 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. Long waiting lists are common, especially in urban areas. In Cook County alone there is a 10 year waiting list.

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 for cooling and heating, based on income, household size, fuel type and the cost of utilities within each county.

Nutrition Assistance—Food Stamps

The US Department of Agriculture Food Stamp Program provides low-income households with

⁴ WOW's Economic Security Simulator calculates support levels by employing the same eligibility algorithms used by service/support providers.

Table 3: Supports' Income and Asset Eligibility Limits, 2008

Illinois Elders are Presented with a Dizzying Array of Eligibility Requirements		
Federal Poverty Level	100%	Single: \$10,400 Couple: \$14,000
Eligibility		
Support Program	Income Limits	Assets Limits
SSI	Single: 74% FPL Couple: 82% FPL	Single: \$2,000 Couple: \$3,000
AABD Medical Assistance	100% FPL	Single: \$2,000 Couple: \$3,000
(Part D) Low Income Subsidy	100% FPL (full) 150% FPL (partial)	Single: \$7,790 Couple: \$12,440
IL Cares Rx Plus	Single: 223% FPL Couple: 223% FPL	N/A
IL Cares Rx Basic	Single: 239% FPL Couple: 235% FPL	N/A
Community Care Program	N/A	Single: \$17,500 Couple: \$35,000
LIHEAP	150% FPL	N/A
Housing Assistance	80% AMI 30% AMI (priority)	N/A
Food Stamps	Single: 100% FPL Couple: 100% FPL	Single: \$3,000 Couple: \$3,000
Medicare Savings Programs (MSP)		
QMB	100% FPL	Single: \$4,000 Couple: \$6,000
SLMB	120% FPL	Single: \$4,000 Couple: \$6,000
QI	135% FPL	Single: \$4,000 Couple: \$6,000
<small>AMI = Area median income FPL = Federal poverty level Income limits may be gross income or net/countable income, and are elder-specific where possible.</small>		

coupons or electronic benefits which participants can use to purchase food.

Medical Assistance—Medicare Savings Programs (QMB, SLMB, QI)

The Qualified Medicare Beneficiary program (QMB), Specified Low-Income Medicare Beneficiary program (SLMB), and Qualified Individual program (QI) pay part (SLMB, QI) or all (QMB) of low-income elders' Medicare Parts A and B premiums, deductibles and co-payments.

AABD Medical Assistance

Aid to the Aged, Blind, or Disabled (AABD) Medical Assistance is Illinois' Medicaid public health insurance program for elders and the disabled. The program enrolls applicants with incomes up to 100% federal poverty level (FPL) and covers all "medically necessary" health care and Medicare Part B premiums and Parts A and B deductibles and co-payments. Elders with incomes above 100% FPL may participate in the AABD spend-down program in which medical costs are covered after medical expenses have effectually reduced an elder's monthly income to the AABD eligibility threshold.

Prescription Assistance (Federal)—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 pays subsidies to the participant's chosen private Medicare Part D drug (insurance) plan, helping pay premiums, deductibles and co-payments.

Prescription Assistance (State)—IL Cares RX (Plus, Basic)

Like LIS, the state-funded IL Cares Rx program helps low-income Illinois elders pay Medicare Part-D premiums and provides them with the option of IL Cares Rx drug co-payments. Illinois Cares Rx applicants may be eligible for LIS, but they are required to apply for it separately. Unlike LIS, IL Cares Rx doesn't provide help on a sliding scale; once allowed into the Plus or Basic programs based on income eligibility, participants pay no IL Cares Rx premiums and all participants pay the same co-payments.

Community Care Program

The Community Care Program helps seniors who require significant long-term care by providing in-home and community-based services such as

Table 4: The Impact of Supports on Monthly Costs and Economic Security for a Single Renter Living on Average Annual Social Security (\$10,484/yr, \$874/mn) in Williamson County, IL, 2007

While Public Support Programs Help Reduce Expenses, Illinois Elders Still Fall Short of Economic Security						
	Elder Economic Security Standard Index	Food Stamps	Food Stamps + Rx Assist.	Food Stamps + Rx Assist. + Medical Assist.	Food Stamps + Rx Assist. + Medical Assist. + Energy Assist.*	Food Stamps + Rx Assist. + Medical Assist. + Housing Assist.**
Housing	\$406	\$406	\$406	\$406	\$370	\$246
Food	\$215	\$215	\$215	\$215	\$215	\$215
Transportation	\$286	\$286	\$286	\$286	\$286	\$286
Health Care	\$356	\$356	\$291	\$0	\$0	\$0
Miscellaneous	\$233	\$233	\$233	\$233	\$233	\$233
Total Expenses (/mn)	\$1,496	\$1,496	\$1,431	\$1,140	\$1,104	\$980
Income (/mn)	\$874					
Economic Security	58%	58%	61%	77%	79%	89%

Source: Wider Opportunities for Women calculations. Support values are calculated using 2008 eligibility and benefit amounts.
 *Utility expenses are included within housing expenses.
 **When housing assistance, which includes assistance with utilities, is gained, LIHEAP benefits are lost. Therefore, housing assistance contributes \$160, not \$124.

Case Management Services, Homemaker Services and Adult Day Services. The program allows elders to age in place, rather than move into a nursing home or similar care facility. Once an elder's need has been determined, eligibility is based only on asset levels; the applying elder must maintain no more than \$17,500 in assets to be eligible. There is no income eligibility requirement, but once an elder is deemed eligible, care co-pays are charged based on income and level and type of care required. Comprehensive Care Coordination is not income-based, but the costs of services are.

Supplemental Security Income (SSI)

SSI provides monthly cash payments to people in need. SSI recipients are 65 or older, blind or disabled. To qualify, single elders must have countable income less than \$7,650; a couple must have less than \$11,472. SSI payments fill the gap between recipients' incomes and countable income limits. Illinois does not provide state supplementation to SSI.

Table 4 illustrates the impact of the above supports on the economic security of a single renter in Williamson County. The senior lives alone and has an annual income of \$10,484 (\$874/month), the average Social Security payment for an elder woman in the county.⁵ As is the case for *1 in 5 elders*, Social Security is her only source of income. She has only \$1,500 in liquid assets and therefore does not exceed the \$2,000 asset limit of programs such as SSI and Medical Assistance or the \$3,000 limit of the Food Stamps program.

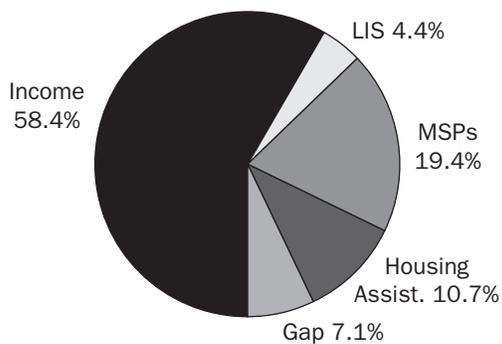
This table demonstrates the inadequacy of the renter's income. In the absence of income supports, her average Social Security payment covers just 58% of what she needs to approach income security. With income supports, the decrease in expenses (in bold) allows her income to go farther—but her needs still exceed her income.

The woman in this scenario is both income and asset eligible for Food Stamps, LIS, IL Cares Rx,

⁵ US Social Security Administration. OASDI Beneficiaries by State and County, 2006: Illinois, http://www.socialsecurity.gov/policy/docs/statcomps/oasdi_sc/2005/. Values inflated to 2007 using the 2007 SSA COLA.

Figure 5: Income and Supports as a Percentage of the Elder Economic Security Standard Index for a Single Renter Living on Average Annual Social Security in Williamson County, IL, 2007

Low Income Elders Are Unlikely to Achieve Economic Security without Medical and Housing Assistance



AABD Medical Assistance (spend-down), the QMB Medical Savings Program (MSP), LIHEAP and housing assistance. These public benefits improve her economic security markedly. She now has 89% of what she needs to be economically secure, rather than 58%. The largest increase comes from housing assistance (\$160) and the QMB MSP (\$291). Though eligible, she receives no assistance from Food Stamps, as her “expected contribution” (30% of income after deductions) to her food expense exceeds the maximum benefit available to a single Food Stamp recipient.

In **Figure 5**, each support’s impact is displayed as a marginal contribution to economic security—the proportion of expenses each support constitutes for the elder recipient.⁶ The supports modeled collectively reduce expenses by nearly 35%. The critical importance of medical assistance

⁶ Figures 5 and 6 illustrate supports’ *marginal* impacts. As a result, the marginal values in these figures may not accord with economic security values in Table 4, which illustrate supports’ *cumulative* impact on economic security. Differences in values are also attributable to the elimination of LIHEAP benefits in a scenario including housing assistance. Table 4’s assumption that Food Stamp benefits are received until housing assistance is received.

is evident in the proportion of economic security contributed by the Medicare Savings Program—nearly 20%. And yet, MSPs are greatly underutilized, with nationwide participation rates of potential QMB eligibles estimated at just 33%.⁷

With medical and housing assistance, elders in low-cost counties who live on modest fixed incomes (such as Social Security) can *approach* economic security.⁸ The remaining gap, however, *commonly 10% to 15% of the local Index*, can prove critical in the lives of elders, sometimes forcing them to make difficult choices among life’s necessities.

These numbers once again testify not only to the importance of housing costs and assistance, but to the importance of geography-based measures of well-being and determinations of need and eligibility made at the local level.

Without Housing Assistance, Low-Income Elders Fall Short of Economic Security

Because public supports decline quickly after incomes exceed the federal poverty level, those living above the 2008 federal poverty level of \$10,400 find themselves nearly as far from economic security as those who live below the federal poverty level. This effect is magnified when low-income elders do not receive housing assistance.

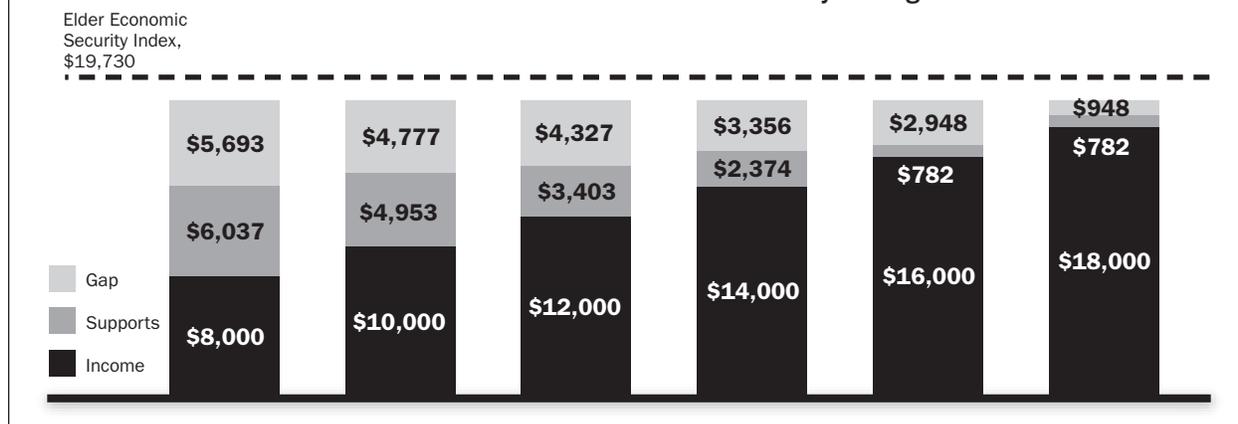
Figure 6 exhibits gaps between income and economic security within Champaign County, Illinois at a range of incomes below the county’s renter Index. At an income of \$8,000, income supports can bring an elder more than \$6,000 (nearly one-third of the Index value) closer to

⁷ Government Accountability Office, *Medicare Savings Programs: Results of Social Security Administration’s 2002 Outreach to Low-Income Beneficiaries* (Washington, D.C., General Accountability Office, 2004).

⁸ However, because housing assistance is based on a tenant’s actual rent expense, housing assistance values are usually larger, and thus more important, in high-cost counties.

Figure 6: Annual Income, Supports (Without Housing Assistance) and Economic Security Gaps for a Single Elder Renter in Champaign County, IL, 2008

More Income Moves an Elder Toward Economic Security, But Gaps Persist Until the Index is Reached Entirely Through Income



economic security. Without housing assistance, however, the senior is still left \$5,700 short of economic security.

Due to benefit cliffs (incomes at which eligibility ends or receipt of one support lowers the benefit value of another), Champaign County elders *suffer substantial gaps between resources and the Index until economic security is achieved entirely through income*. As **Figure 6** demonstrates, supports decline quickly as incomes increase. Such sharp proportional decreases in support leave elders with incomes of \$10,000 and \$12,000 with near-equal economic security gaps. Between incomes of \$12,000 and \$14,000, support declines at a much faster rate, 30%, than the rate at which income increases, 17%. Between incomes of \$14,000 and \$16,000, elders lose 67% of their public support, and elders with \$16,000 in income are left with less than \$800 in support and an economic security gap of nearly \$3,000. Figure 6 illustrates the faulty but commonly held belief that a combination of income and public supports can get an elder to economic security. Rather, Figure 6 demonstrates that even when maximizing public benefits an elder cannot possibly achieve economic security. Economic

security is only achieved when an elder's income exceeds \$19,000—most likely through the addition of earned income.

Need For Long-Term Care Can Damage Economic Security

The need for long-term care dramatically affects elders' chances of living an economically secure old age—no matter what their incomes are. **Table 4** illustrates the impact of worsening health on the economic security of a single renter with an income well above the state median for women and approximating the state median income for men. Like the elder in the previous scenario, the individual lives alone in Williamson County. The individual has an annual unearned income of \$17,947 per year (\$1,496 per month)—an income equal to the Index for the county's renters. The person does not exceed the asset limits for any federal or state support programs available. She is initially in good health, and has enough income to cover the average health care costs for a Williamson County resident in good health.

When health declines, everything changes. If health has declined such that mobility is limited

Table 5: The Impact of Supports on Monthly Costs and Economic Security for a Single Elder Renter in Poor Health with Income Equal to the Elder Economic Security Index for Renters (\$17,947/yr, \$1,496/mn) in Williamson County, IL, 2007

When Long-Term Care is Required, Support Programs Including Long-Term Care Assistance May Not Prevent an Elder from Falling Short of Economic Security						
	Elder Economic Security Standard Index	Index with Poor Health and LTC	Food Stamps + Rx Assist.	Food Stamps + Rx Assist. + Medical Assist.	Food Stamps + Rx Assist. + Medical Assist. + Housing Assist.	Food Stamps + Rx Assist. + Medical Assist. + Housing Assist. + Community Care Program
Housing	\$406	\$406	\$406	\$406	\$281	\$281
Food	\$215	\$215	\$215	\$215	\$215	\$215
Transportation	\$286	\$286	\$286	\$286	\$286	\$286
Health Care	\$356	\$386	\$291	\$291	\$291	\$291
Long-Term Care		\$1,401	\$1,401	\$1,401	\$1,401	\$140
Miscellaneous	\$233	\$233	\$233	\$233	\$233	\$233
Total Expenses (/mn)	\$1,496	\$2,927	\$2,832	\$2,832	\$2,707	\$1,446
Income	\$1,496					
Surplus/Deficit	\$0	-\$1,431		-\$1,336	-\$1,211	\$50
Economic Security	100%	51%	53%	53%	55%	103%

Elder requiring medium level of long-term care—homemaker assistance at 64 hours per month

and the person is no longer able to care for herself, she requires home and community-based long-term care (LTC). A "homemaker"⁹ assists for 16 hours per week, supplying a "medium" level of care.¹⁰ The homemaker assistance allows her to remain at home, to "age in place," and to avoid the great costs, complications, disruptions and emotional impact of moving into a nursing home.

Table 5 demonstrates the inadequacy of the elder's income in the presence of LTC costs, despite the promise of public support programs. With the onset of poor health, health care costs including long-term care increase five-fold. Her level of economic security falls dramatically; her income is now equivalent to just 51% of her new expenses. With an income approaching \$18,000, she is newly eligible for Food Stamps because her large medical expenses are deducted from income when her income is determined—but her income is still

too high to receive actual benefits. She is left with two relevant public supports—housing assistance and IL Cares Rx Plus, which decrease her expense by \$125 and \$95 per month, respectively. Due to the large LTC expense, however, the supports do little to make her economically secure.

However, the state's Community Care Program (CCP), which provides in-home and community-based services as an alternative to the nursing home, holds out hope to the elder. Because the elder's assets do not exceed program guidelines (\$17,500), the program will provide homemaker services. Community Care, which has no income *eligibility* test, will provide the services in return for a sliding scale co-pay if her income is above the federal poverty level. The current co-pay is equal to \$140 per month—just 10% of the \$1,401 private pay rate¹¹ (market rate) she might otherwise pay for her care.

⁹ A homemaker helps an elder clean, prepare meals, do laundry, shop, dress, bathe, etc.
¹⁰ For more information on definitions, levels and costs of care, see *Elder Economic Security Initiative™ Program: The Elder Economic Security Standard™ Index for Illinois*.

¹¹ Homemaker and Home Health Aide private rates from Genworth Financial, 2007 Cost of Care Survey.

The crucial element is *her ability to pay the \$140 co-pay each month*. As a result, as helpful as the Community Care Program benefit may be, in this scenario—and in so many real lives—the program may fail to achieve its promise. LTC costs lead to serious income deficits. While the table gives the impression that the elder can return to economic security with the aid of public supports, in reality she may be unable to pay the program's \$140 monthly co-pay. If she is unable to afford the co-pay, she finds herself unable to afford long-term care, as private market LTC would leave her with a \$1,211 deficit after just one month. She will therefore be unable to participate in the program and will find herself suspended at just 55% economic security, until her income deficit and situation become unsustainable.

Policy Recommendations

As the data reveals, many older people in Illinois, especially women and people of color, are unable to make ends meet. While Illinois has a wide array of public programs to assist low income older people, they cannot respond to the demand for housing assistance nor fully meet LTC needs. Nor do these public programs intervene when older individuals and couples are not eligible for Medicaid but cannot afford Medicare supplemental policies. Even elders who receive available public supports find themselves living below the Index and those who attain the Index live at risk of falling below as their health status changes or other contingencies occur. In the face of today's high and rising living costs, low-income elders must be able to rely upon a continuum of accessible, comprehensible, stable programs that help when their incomes fall short of the basic costs of living in Illinois's communities. To ensure economic security for all elders, we must:

Defend Retirement Income

1. Avoid further erosion of the progress that has been made on behalf of elder economic security by strengthening Social Security's ability to meet the income needs of women, families, people with disabilities, and other low-income individuals. Preserve it as a universal, age-based entitlement.
2. Facilitate the development and protection of retirement options, such as defined benefit plans, that guarantee a fixed income in retirement.
3. Eliminate disincentives to saving for retirement by assuring that such savings are not counted toward assets when determining eligibility for public benefits.
4. Resist attempts to balance budgets on the backs of seniors by freezing the very modest SSI payment's annual cost of living adjustment (COLA).

Support Affordable Housing

1. Advocate for a strengthened commitment to affordable housing, an absolute necessity if older people are to be able to make ends meet.
2. Enhance and protect the Housing Trust Fund from diversion to other uses and give senior equal status in the distribution of funds from the Housing Trust.
3. Secure dedicated allocation of dollars in the Capital Budget Campaign to construct or rehabilitate housing for older people. Currently, the proposed Capital Budget includes \$50 million dollars a year for housing. Full funding is critical.
4. Provide resources for home repair and weatherization programs that permit people to remain in their homes.

Improve Health Care and LTC

1. Subsidize the costs of Medigap policies or mandate lower premium and cost-sharing for lower income seniors to make Medigap policies more affordable for people who need to fill the gaps in medical care but do not qualify for Medicaid.
2. Adjust the Community Care Program's sliding scale co-payment formula to represent a more realistic cost of living by replacing the use of the federal poverty level with the Elder Economic Security Standard Index.
3. Expand the Illinois Cares Rx Program so that all older adults receive the enhanced benefit, Illinois Cares Rx Plus, which covers most of the costs of Medicare Part D.

Broaden Community Supports

1. Remove barriers to qualifying for publicly supported programs. Elders face numerous barriers to successful application and receipt of public supports. Often those very much in need of supports find their Social Security income provides them too little income to be economically secure but too much income to meet various income eligibility guidelines. Elders are often excluded by asset limits that dissuade saving for retirement and prevent all but the very poor from participation. Consider legislation that exempts retirement savings from asset limits.
2. Assist individuals who cannot make ends meet based on the Index but who have income and assets that are too high for them to qualify for Medicaid to cover the

costs of a Medicare Supplement. Consider a state risk pool as a way to implement this assistance.

3. Reduce the confusion around eligibility for the public programs that rely on the FPL. Elders (and many of those who assist them) are confused by the system of far-ranging FPL-based income limits, which range from approximately 70% FPL (SSI) to 250% FPL (housing) and are different for each program.
4. Ease the burdensome application process that is generally required to receive Medicaid and other means-tested public programs. This application process is often complicated by low literacy or cultural and language barriers.
5. Work toward removing stigma from means-tested programs. While age-based, universal programs are always preferable, as long as means-tested programs continue to provide the bulk of support to meet medical (except for the Medicare program which primarily covers acute care) and social supports, active campaigns to remove the stigma should be conducted and supported.
6. Broaden and deepen outreach and public information on low-income supports, including information and support for caregivers.
7. Increase elder transportation and access to transportation.

Develop Realistic Programs And Policy

Promote equitable and rational policy using the Elder Economic Security Standard Index in developing and analyzing policies and in

determining funding formulas for public dollars. The Index is a realistic, geographically-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 Health and Medicine Policy Research Group (<http://www.hmprg.org/index.htm>) and Wider Opportunities for Women (www.wowonline.org) online for more information on all aspects of the Initiative.

Appendix: Major Public Supports Available To Elders In Illinois And Modeled Within The Economic Security Simulator™

Nutrition Assistance—Food Stamps

The US Department of Agriculture (USDA) Food Stamp Program provides low-income households with coupons or electronic benefits which participants can use to purchase food. The USDA administers the program at the federal level through the Food and Nutrition Service, and State agencies administer the program at state and local levels, including determination of eligibility and distribution of benefits. A single elder's (net) monthly income must be no more than 100% FPL (\$10,400) after deductions for earned income, child care, and other basic expenses. Elders must also maintain no more than \$3,000 in assets.

Housing Assistance

Eligible elders can receive direct or indirect housing subsidies from 3 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 housing, 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: \$35,050 for a single person in Champaign County; \$48,250 for a couple in DuPage County; \$33,400 for a couple in Williamson County) are eligible for assistance. However, those with "very low" incomes, below 30% AMI (\$13,150 for a single person in Champaign County), are granted priority, and housing assistance recipients rarely

have incomes above 50% AMI. (The current modeling assumes those with incomes below 80% AMI receive housing assistance unless otherwise noted.)

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 for cooling and heating. Illinois's LIHEAP is funded by the US Department of Health and Human Services and the State, and is administered by the Illinois Department of Healthcare and Family Services and local community action and nonprofit agencies, which make one annual direct payment to a recipient's utility provider on his or her behalf. Assistance is based on county of residence, income, household size, fuel type and the cost of utilities within each county. Federal funding is fixed annually, and distributed on a first-come, first serve basis. For full eligibility, a single elder's gross monthly income must be no more than 150% FPL (\$15,600).

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.

State Prescription Assistance—Illinois (IL Cares Rx)

Like LIS, IL CARES RX helps low-income Illinois elders with prescription drug costs. The program is state-funded and the Illinois Department on Aging administers the program. The state pays subsidies to the participant's private Medicare Part D drug (insurance) plan, helping pay premiums, usually for those with income or assets too high to qualify for the LIS program, although elders can be simultaneously eligible for and benefit from both. The programs are important supplements to Medicare Part D plans and LIS for those who would otherwise have high drug costs even after Part D and LIS assistance.

Unlike LIS, IL Cares Rx doesn't provide help on a sliding scale; once allowed into IL Cares Rx Plus or IL Cares Basic based on income eligibility, participants pay no IL Cares Rx premiums or deductibles, only drug co-payments. To participate in IL Cares Rx Plus, a single elder's gross monthly income must be no more than 223% FPL (\$123,225), and an elder couple's no more than 223% FPL for two-person households (\$31,264). For IL CARES RX Basic, a single elder's gross monthly income must be no more than 239% FPL (\$24,808), and an elder couple's no more than 235% FPL for a two-person household (\$32,916). The programs impose no asset limits.

Medical Assistance—Medicare Savings Programs (QMB, SLMB, QI)

The Qualified Medicare Beneficiary program (QMB), Specified Low-Income Medicare Beneficiary program (SLMB), and Qualified Individual program (QI) 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 Illinois, the programs are administered jointly by the state and the U.S.

Social Security Administration. For full QMB eligibility, a single elder's gross monthly income must be no more than 100% of the federal poverty level or FPL (\$10,400); for SLMB, no more than 120% FPL; for QI, no more than 135% FPL. Single and married elders must also maintain no more than \$2,000 and \$4,000 in assets, respectively, for the QMB and SLMB programs.

Medical Assistance—AABD Medical Assistance

Aid to the Aged, Blind, or Disabled (AABD MANG) Medical Assistance is Illinois's Medicaid program, a public health insurance program serving low-income elders. AABD Medical Assistance pays for nearly all "medically necessary" health care, adult day health services, home health care, some prescription drugs not covered under the Low Income Subsidy of Part D program, essential dental care, prosthetic and orthopedic devices, eyeglasses, hearing aids and medical equipment. AABD Medical Assistance is financed by the state and federal governments and administered by the Department of Healthcare and Family Services.

Those 65 years old or older who receive Supplemental Security Income/State Supplementary Payment (SSI/SSP) are automatically eligible. For full eligibility, a single elder's countable income after a very modest earnings and unearned income allowance (normally less than \$100/month) must be no more than 100% FPL (\$10,400); elders with slightly higher incomes may be eligible to participate in the AABD Spenddown program in which medical costs are covered after medical expenses have effectually reduced an elder's income to the federal poverty level. Single and married elders must also maintain no more than \$2,000 and \$3,000 in assets, respectively, but can become eligible by "spending down" their assets in the approved manner.

Community Care Program

The Community Care Program helps senior citizens who require significant long-term care by providing in-home and community-based services such as Comprehensive Care Coordination, Homemaker Services and Adult Day Services. The program allows elders to age in place, rather than move into a nursing home or similar care facility. The program is administered by the Illinois Department of Aging.

Once an elder's need has been determined, eligibility is based only on asset levels; the applying elder must maintain no more than \$17,500 in assets to be eligible. There is no income requirement, as care copays are charged on a sliding scale based on income and level and type of care required.

Supplemental Security Income (SSI)

SSI provides monthly cash payments to people in need. SSI recipients are 65 or older, blind or disabled. SSI is administered by the Social Security Administration. The state of Illinois supplements the federal payment. To qualify, single elders must have countable income less than \$7,884; a couple must have less than \$11,712. 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.



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