



2014 NASI ANNUAL POLICY RESEARCH CONFERENCE: STRENGTHENING THE WEB OF
FINANCIAL AND RETIREMENT SECURITY FOR TODAY'S WORKING AMERICANS

Session V: The Implications of Medicare's Higher Cost for
Current and Future Beneficiaries

Financial Security of Elderly Americans at Risk

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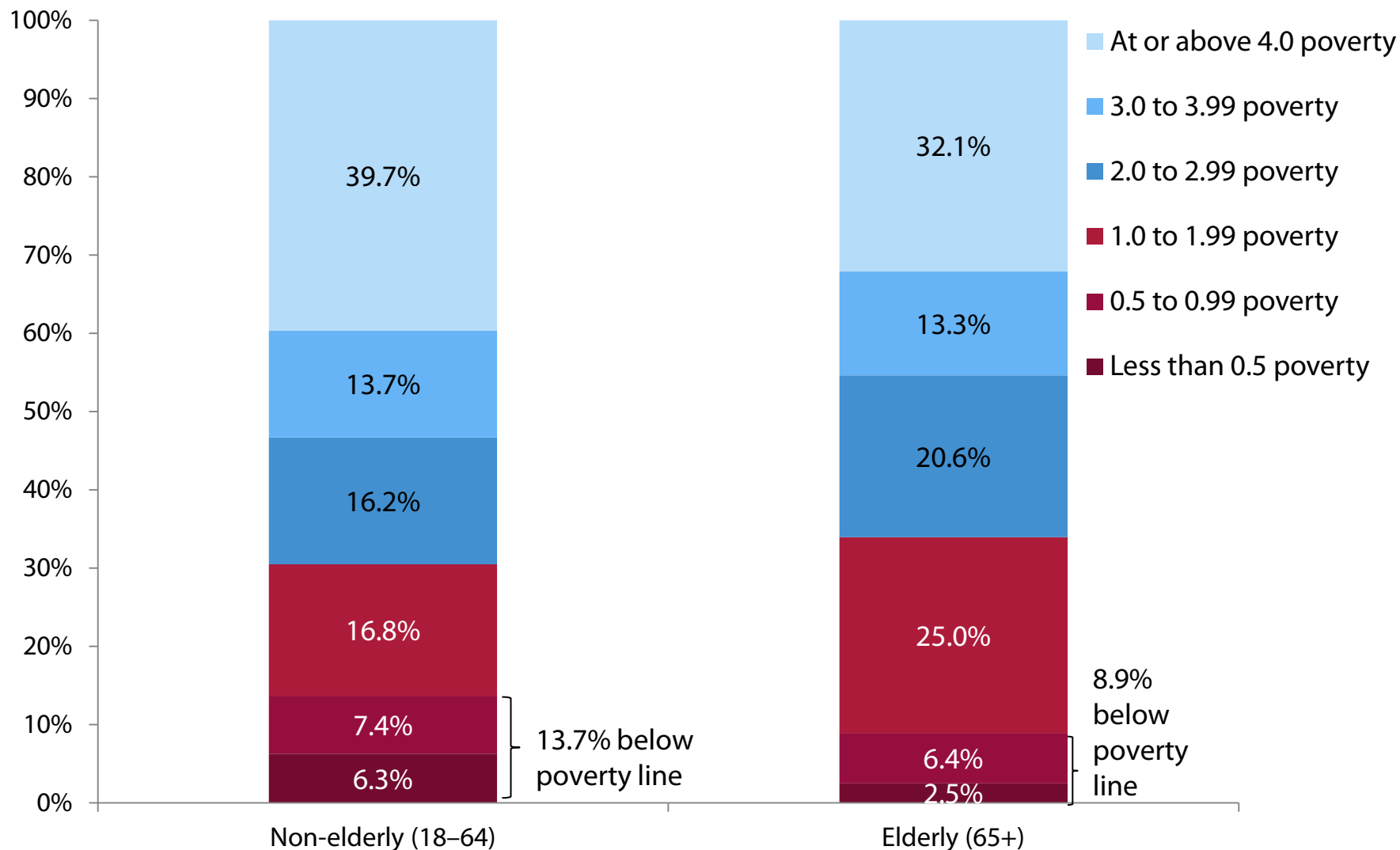
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Figure A. Share of elderly and non-elderly adults at various income-to-poverty-threshold ratios (using official poverty measure), 2010–2012 average



Note: Income is measured using family income for persons in families and individual income otherwise.

Source: Authors' analysis of pooled 2010–2012 Current Population Survey Annual Social and Economic Supplement microdata

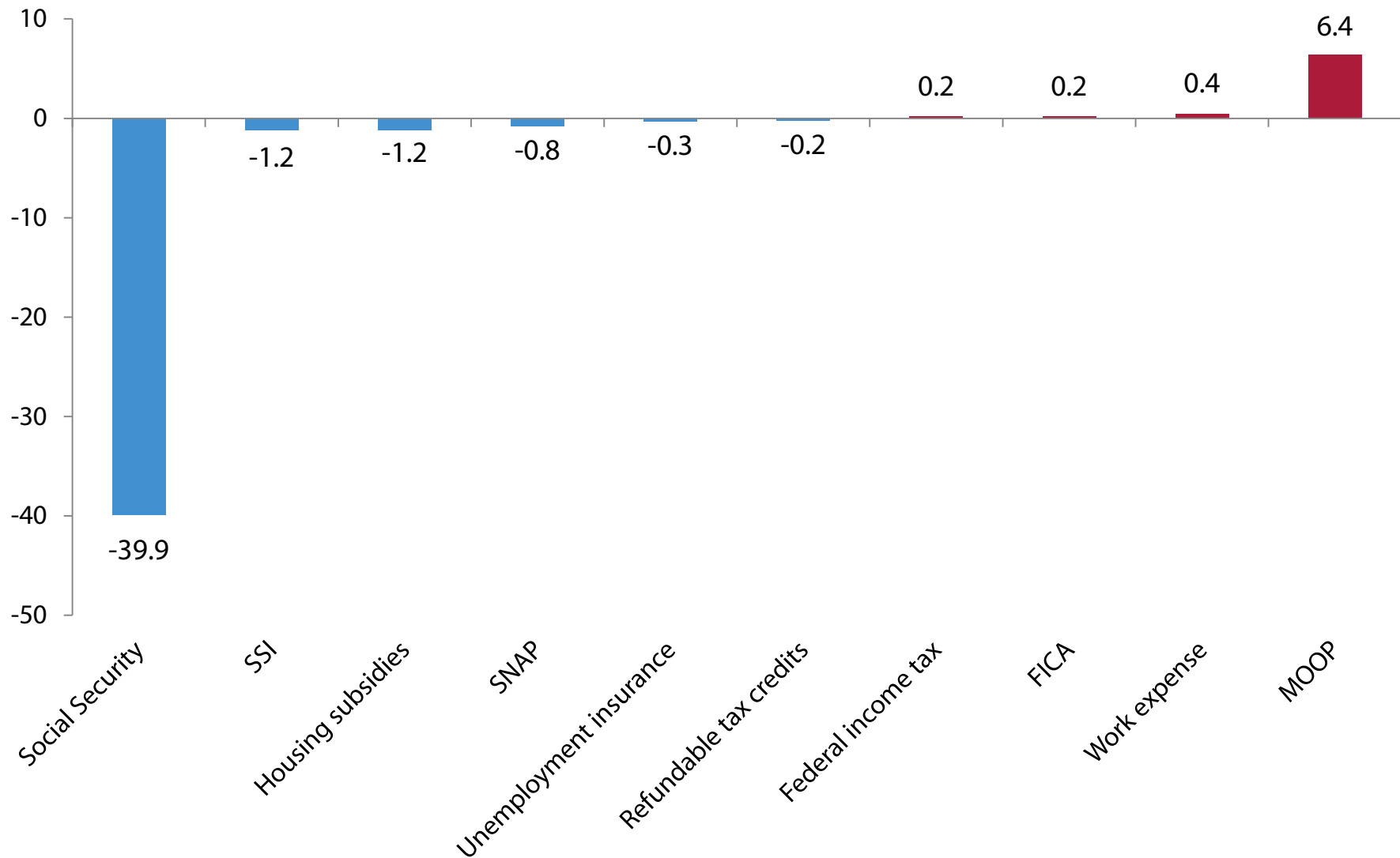


Measuring Poverty

- Official Poverty Measure (OPM)
 - Resources: wage and cash benefits (e.g. Social Security, Unemployment Insurance)
 - Threshold: dollar amount under which someone is poor = 3x the cost of national food budget in 1959
- Supplemental Poverty Measure (SPM)
 - Attempts a more comprehensive and realistic appraisal of both a family's expenses (e.g. child care, out-of-pocket medical expenses, work-related expenses) and their available resources including additional government assistance programs (e.g. EITC, SNAP)
 - Allows a disentangling or decomposition of various expenses and resources of the new standard of poverty



Figure B. Effect of excluding individual elements on SPM rates, 2012

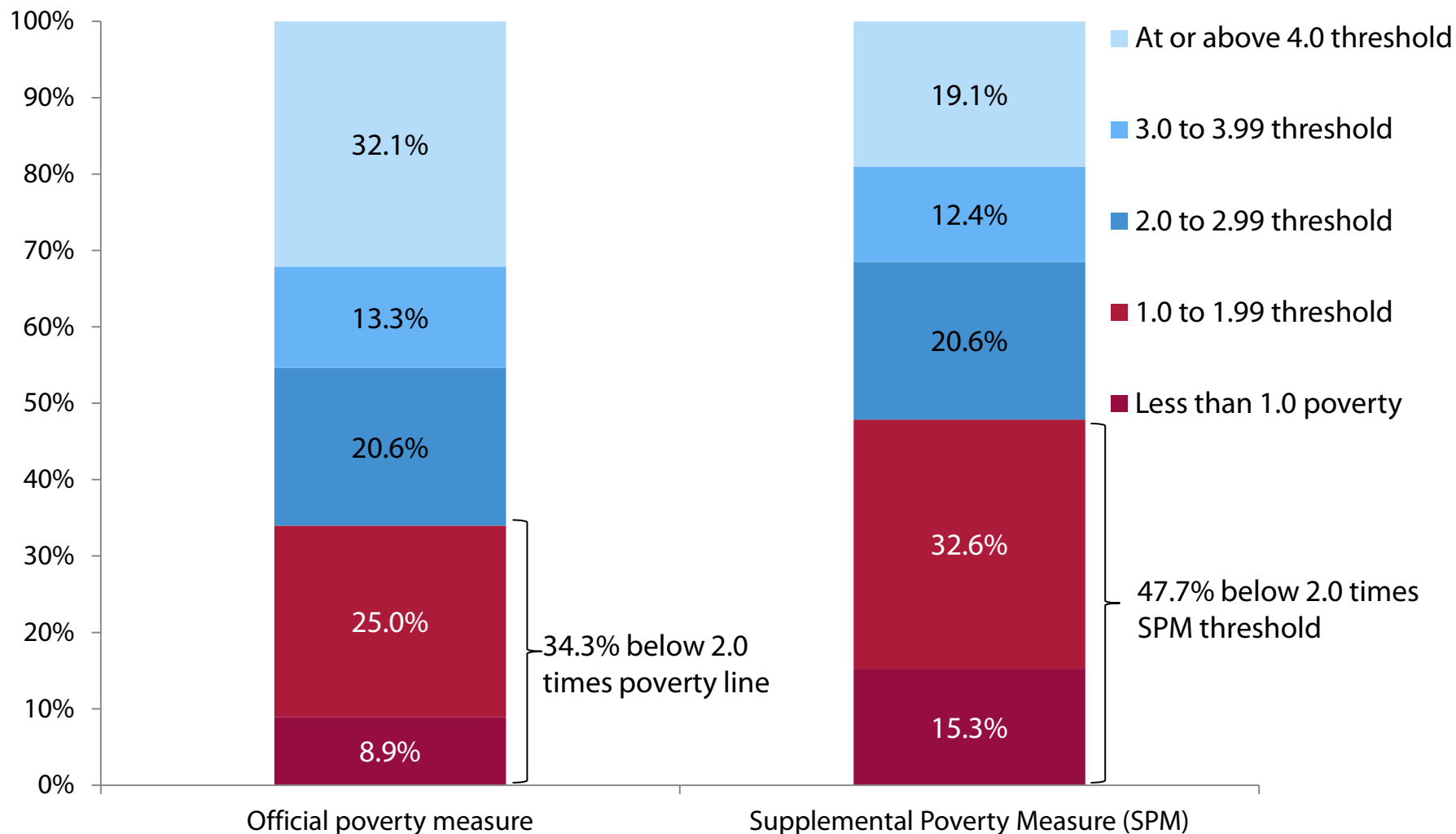


Note: Any elements affecting the SPM by less than 0.2 percentage points were excluded.

Source: Adapted from Kathleen Short, *The Research: Supplemental Poverty Measure: 2012*, U.S. Census Bureau, 2012, Table 5a



Figure C. Share of the elderly at various income-to-poverty-threshold ratios, OPM vs. SPM, 2010–2012 averages



Note: Elderly are age 65 or older. SPM refers to the Supplemental Poverty Measure. Under the official poverty measure, income is measured by family income for person in families and individual incomes otherwise. Under the supplemental poverty measure (SPM), income consists of total SPM resources by "SPM resource unit," a slightly broader category than the family unit. See endnotes for additional information.

Source: Authors' analysis of pooled 2010–2012 Current Population Survey Annual Social and Economic Supplement microdata

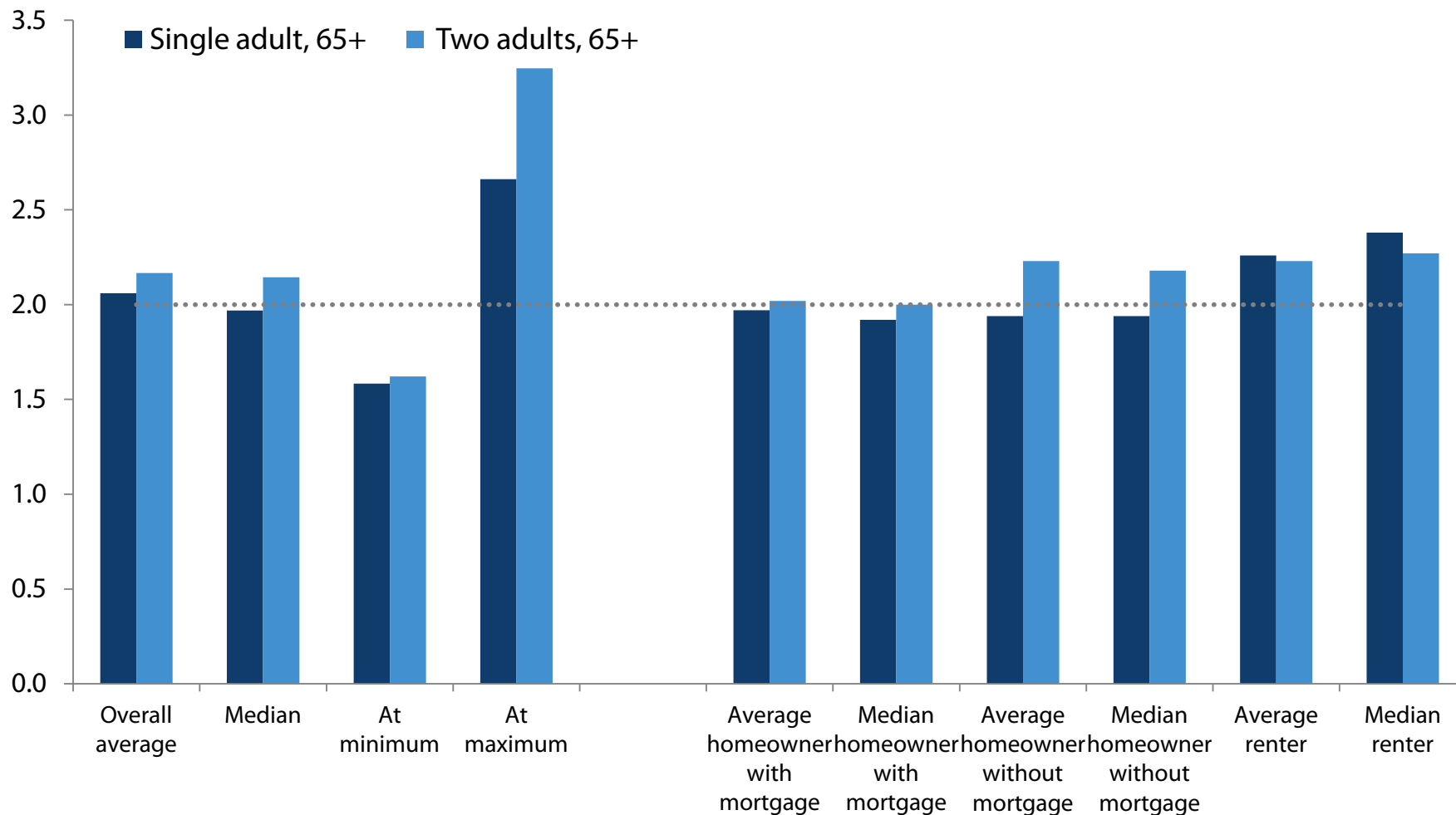


Beyond Poverty: Measuring Economic Vulnerability

- OPM and SPM are measures of outright material deprivation
 - Both poverty researchers and government transfer programs often use 2x OPM as a useful benchmark for assessment or criteria for eligibility because they recognize that many people between 100 and 200% of FPL still struggle to afford basic needs
- Elder Economic Security Standard Index developed by Wider Opportunities for Women estimate how much it costs to live in different communities across the countries
 - The Elder Index closely resembles 2x SPM



Figure D. Comparison of WOW Elder Index thresholds to SPM, all and by housing type, pooled years 2009–2011

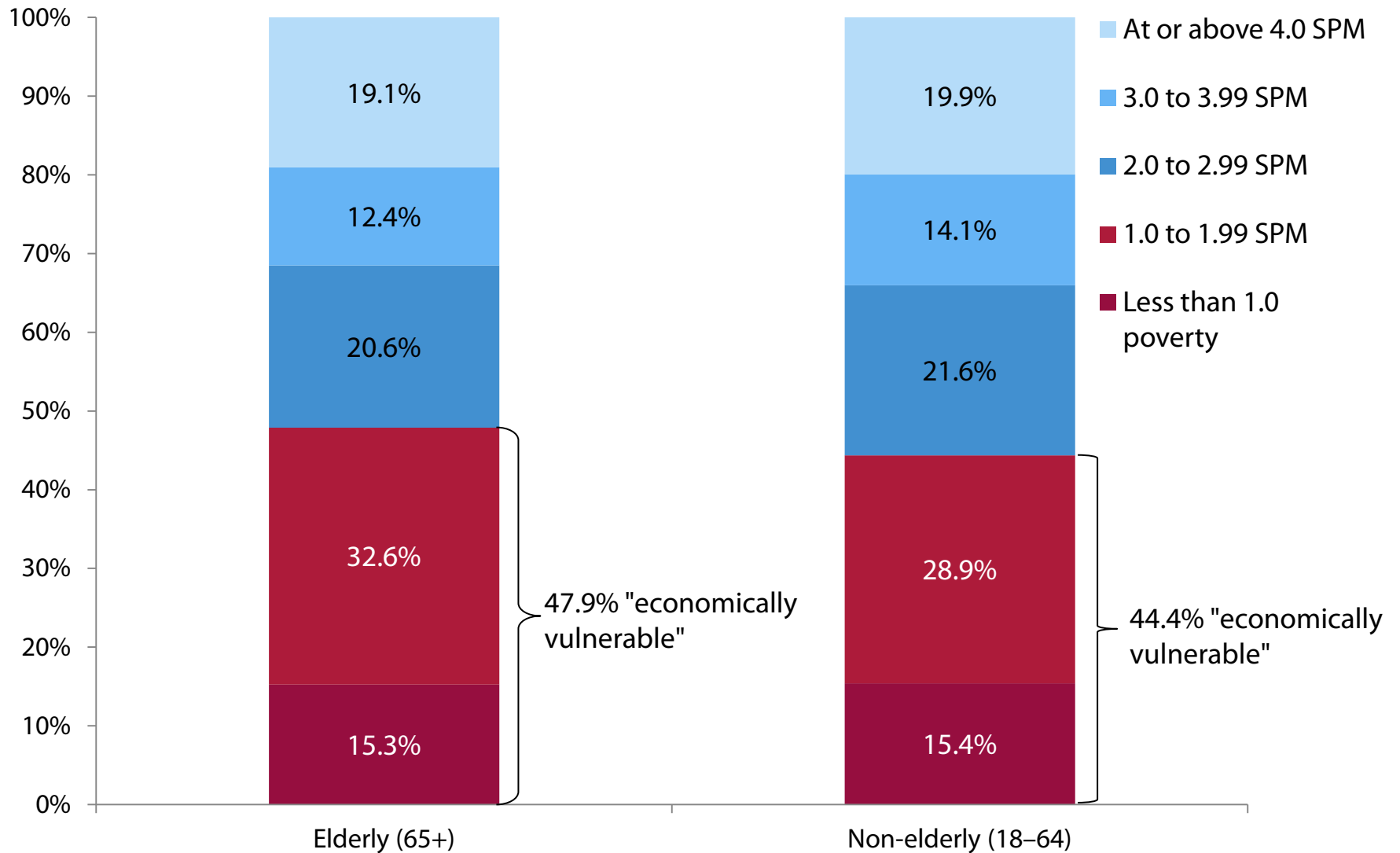


Note: The WOW Elder Index measures the threshold below which the elderly are considered economically insecure. The bars show the ratio of the Elder Index thresholds to the Supplemental poverty measure thresholds across available regions and housing types.

Source: Authors' analysis of pooled 2009–2011 Current Population Survey Annual Social and Economic Supplement microdata and Wider Opportunities for Women (WOW) Elder Index



Figure E. Share of elderly and non-elderly adults at various income-to-SPM ratios, 2010–2012 average

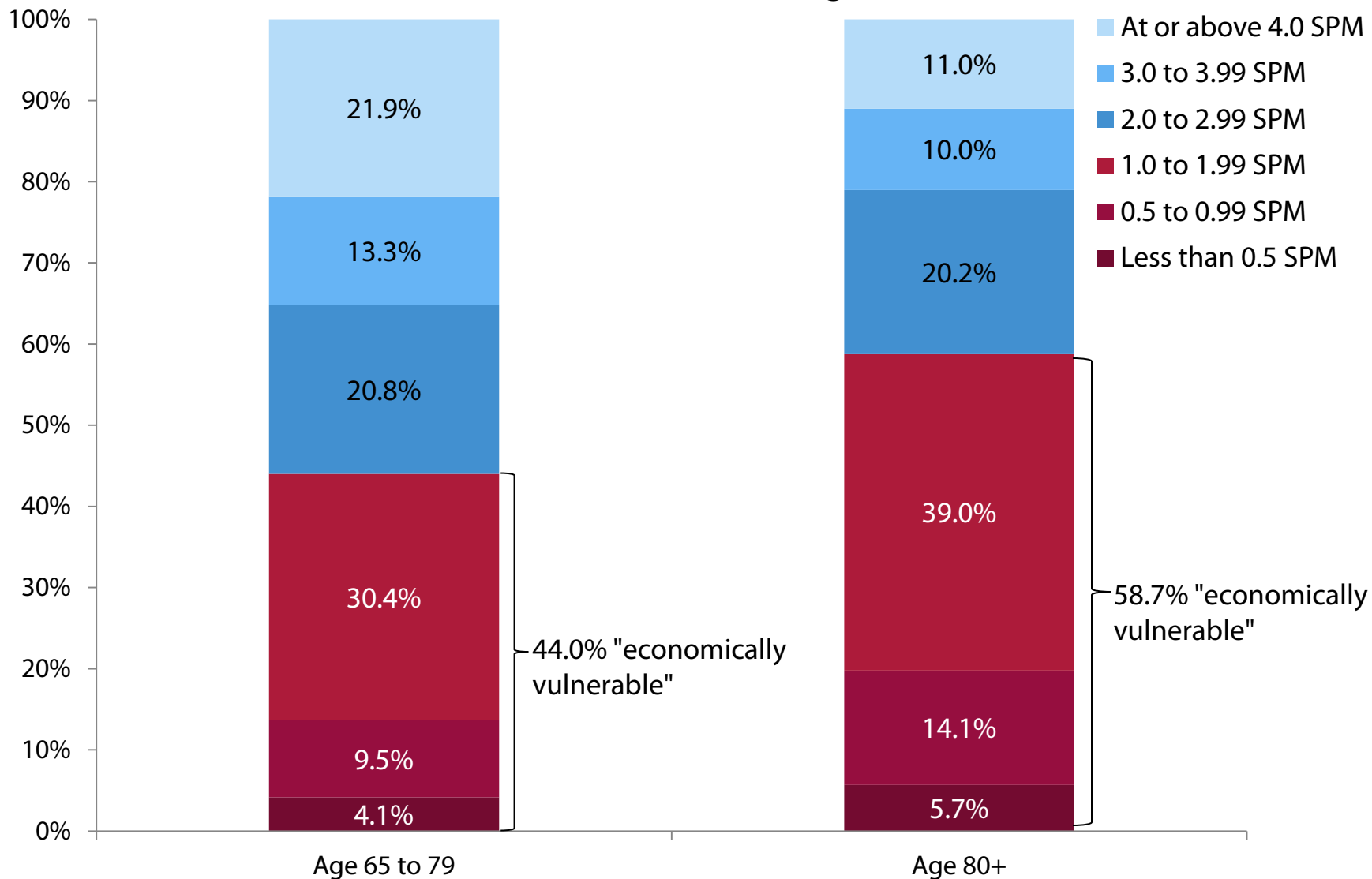


Note: SPM refers to the Supplemental Poverty Measure

Source: Authors' analysis of pooled 2010–2012 Current Population Survey Annual Social and Economic Supplement microdata



Figure F. Share of the elderly at various income-to-SPM ratios, by age group, 2010–2012 average

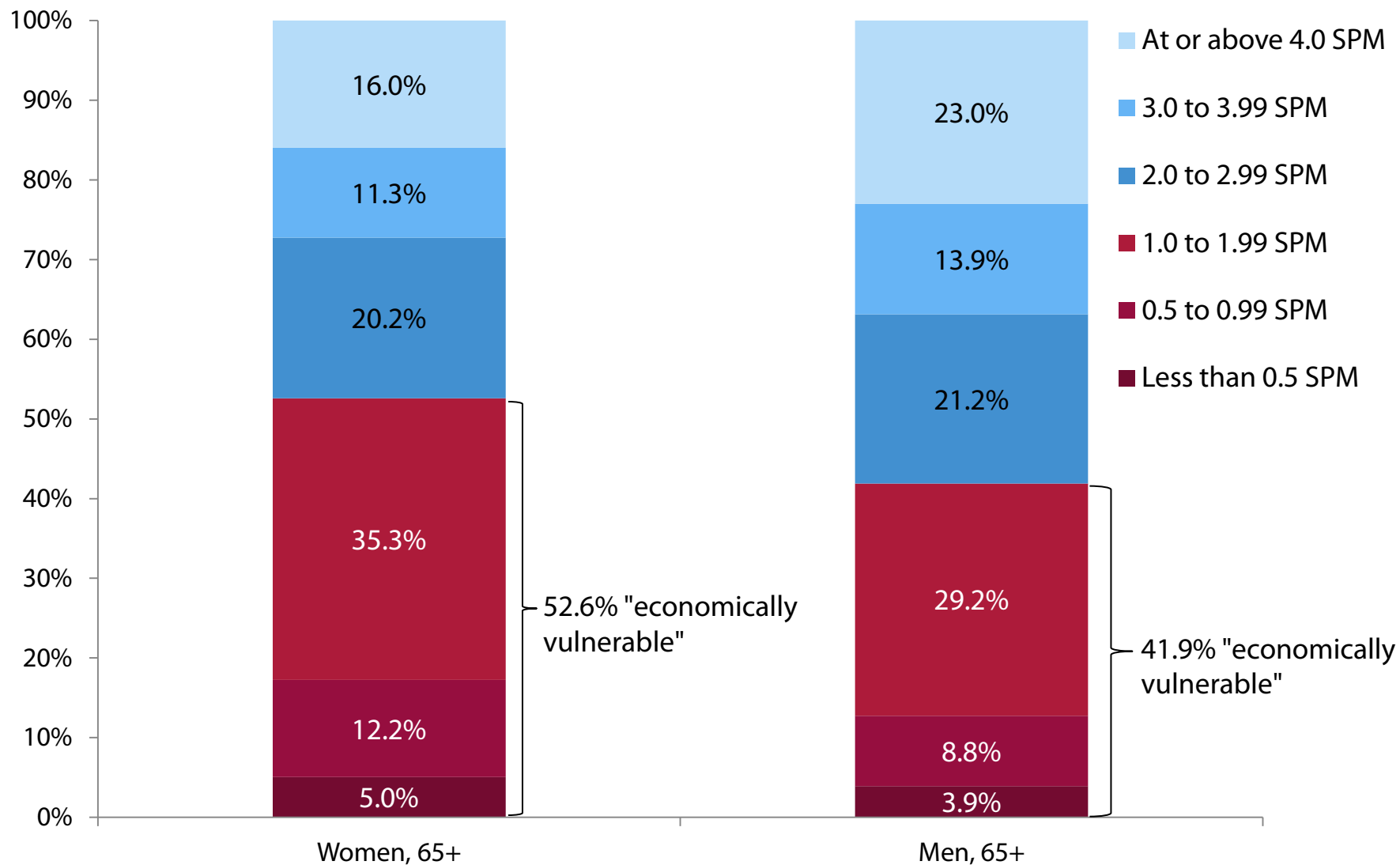


Note: SPM refers to the Supplemental Poverty Measure.

Source: Authors' analysis of pooled 2010–2012 Current Population Survey Annual Social and Economic Supplement microdata



Figure G. Share of the elderly at various income-to-SPM) ratios, by sex, 2010–2012 average

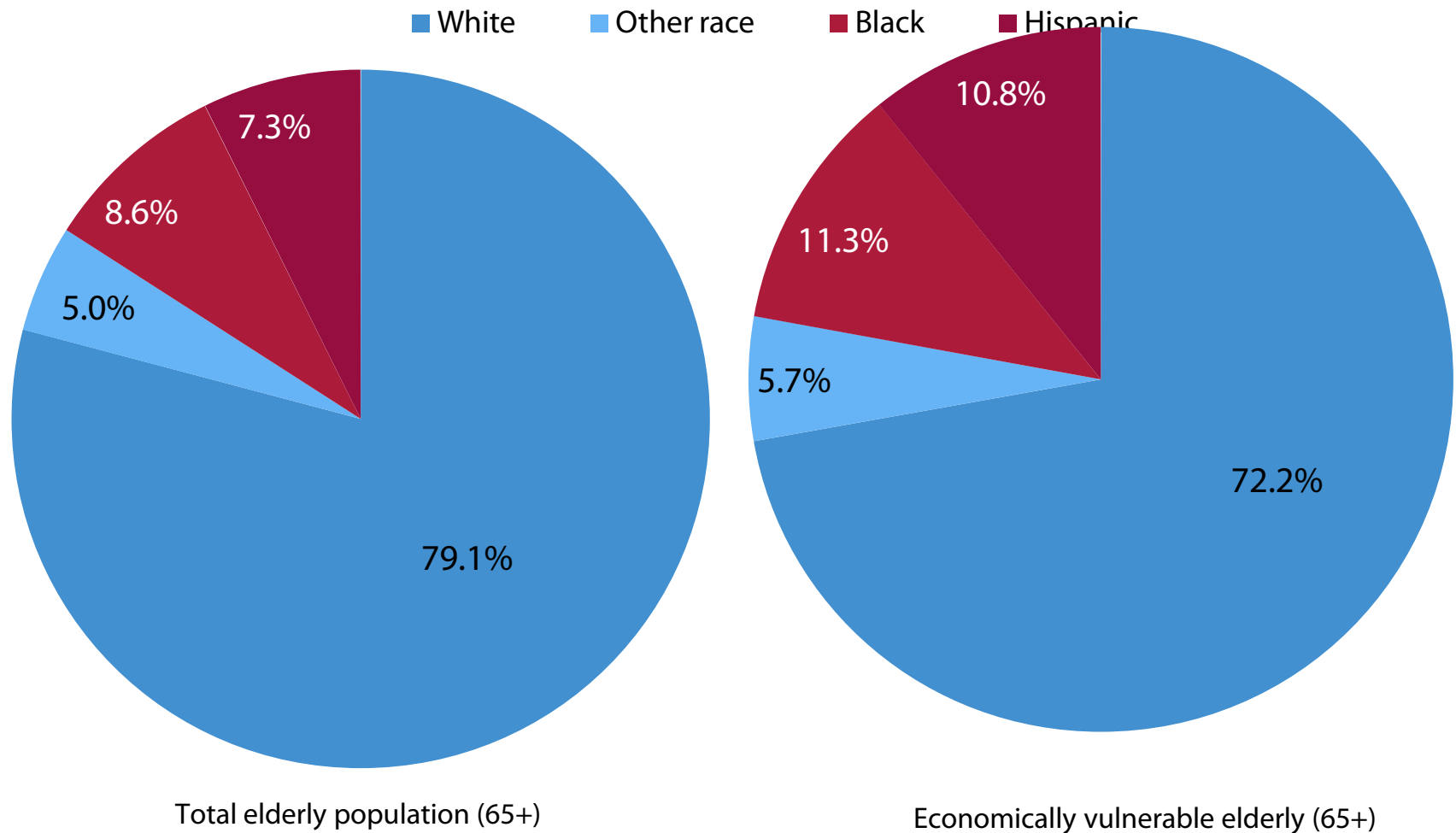


Note: SPM refers to the Supplemental Poverty Measure

Source: Authors' analysis of pooled 2010–2012 Current Population Survey Annual Social and Economic Supplement microdata



Figure H. Share of the elderly population and vulnerable elderly populations, by various racial/ethnic groups, 2010–2012 average

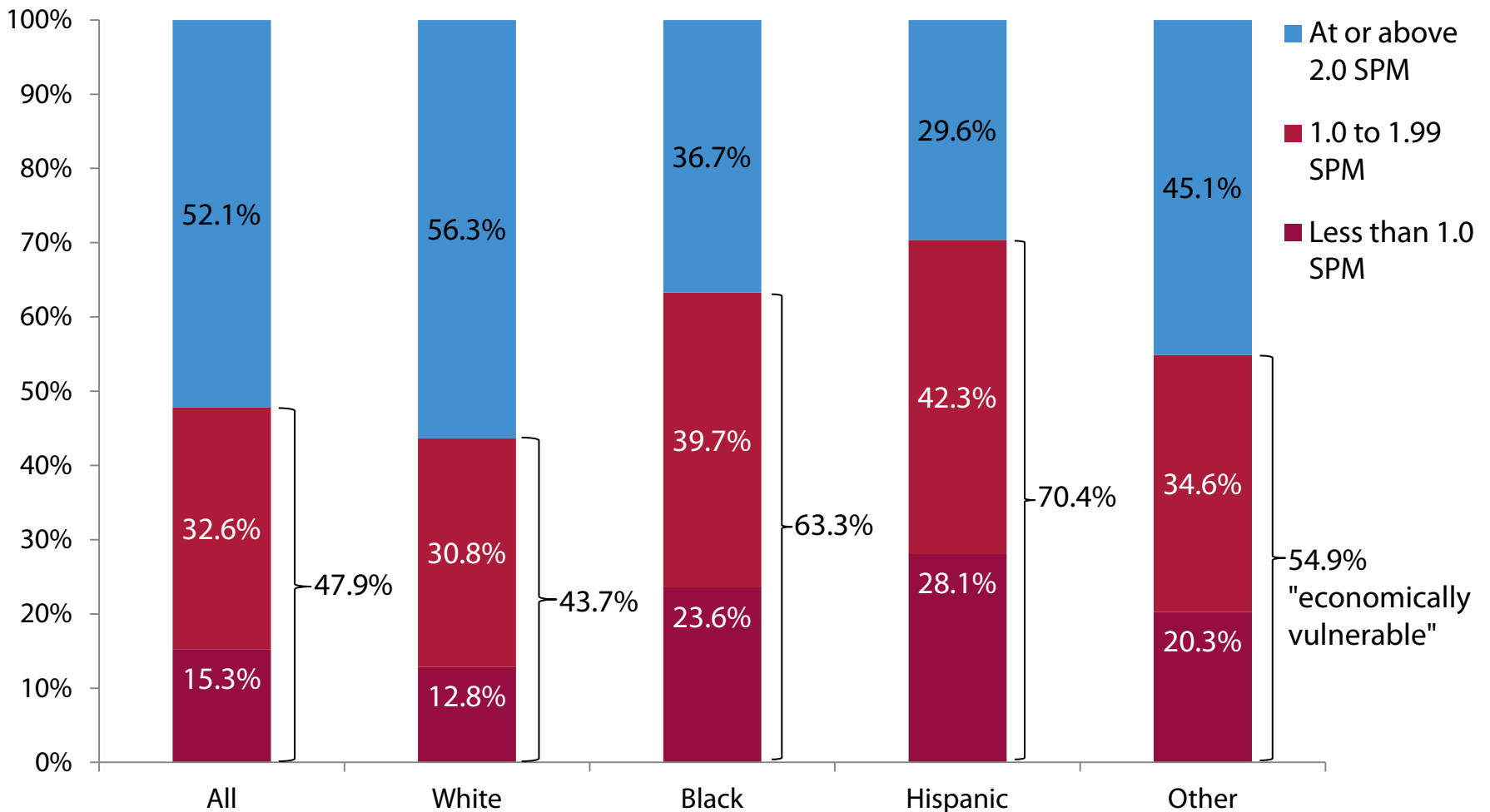


Note: The vulnerable elderly are people age 65 and older with incomes below 2.0 times the Supplemental Poverty Measure. Races and ethnicities are presented in mutually exclusive categories, i.e., white refers to non-Hispanic whites, black refers to non-Hispanic blacks, and Hispanic refers to Hispanics of any race.

Source: Authors' analysis of pooled 2010–2012 Current Population Survey Annual Social and Economic Supplement microdata



Figure I. Share of the elderly at various income-to-SPM ratios, by race/ethnicity, 2010–2012 average



Note: The vulnerable elderly are people age 65 and older with incomes below 2.0 times the Supplemental Poverty Measure. Races and ethnicities are presented in mutually exclusive categories, i.e., white refers to non-Hispanic whites, black refers to non-Hispanic blacks, and Hispanic refers to Hispanics of any race. SPM refers to the Supplemental Poverty Measure.

Source: Authors' analysis of pooled 2010–2012 Current Population Survey Annual Social and Economic Supplement microdata

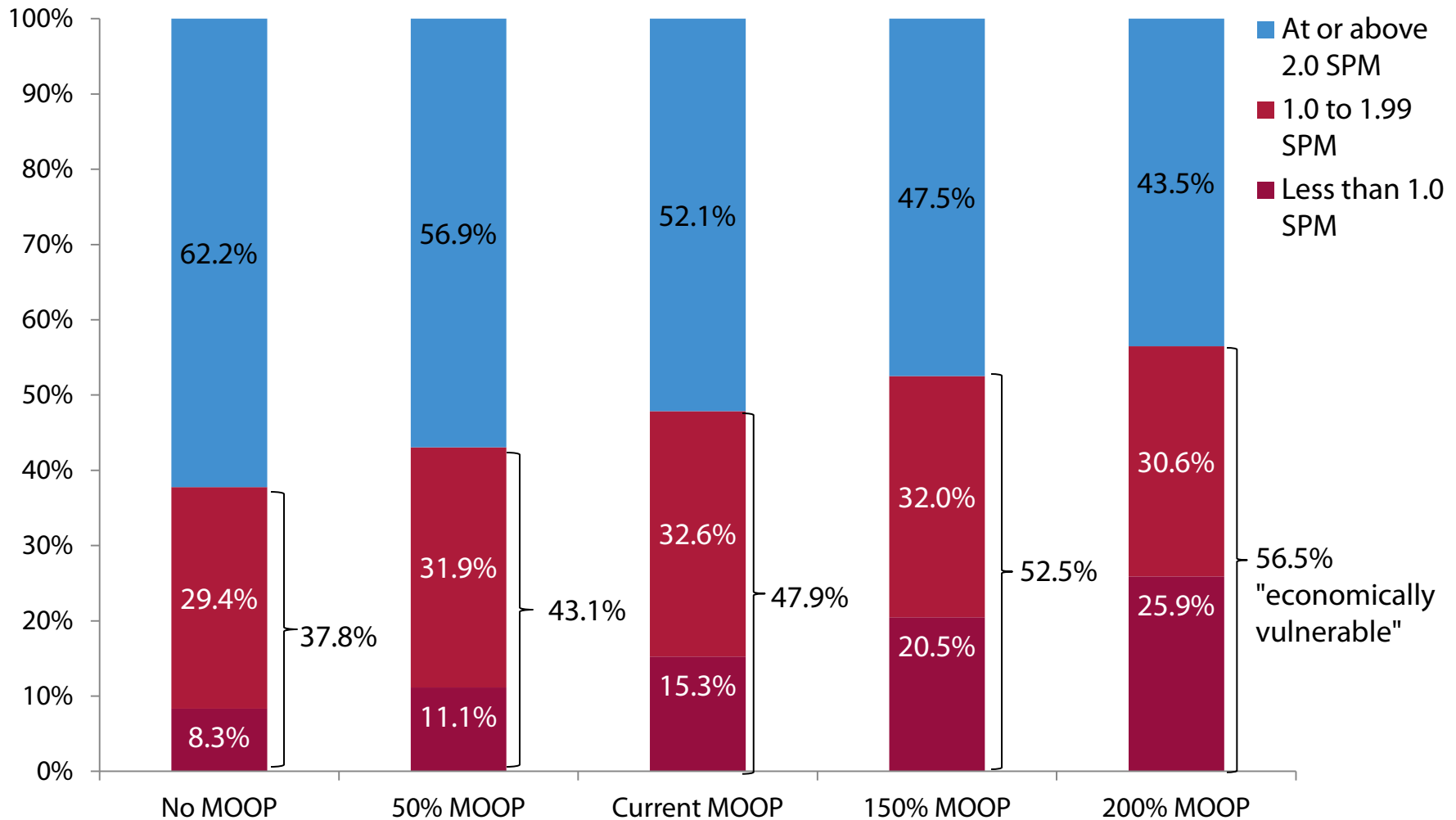


Policy Experiment

- Thinning the social programs relied on by America's seniors would particularly affect economically vulnerable seniors
 - Seniors cannot easily adjust to increases in expenses or reductions in income by seeking work or increasing their level of work
 - For seniors, changes to Medicare that increase their out-of-pocket costs could drive them into poverty
- Paul Ryan's 2014 Budget converts Medicare into a voucher system, which pays a set rate per beneficiary
 - CBO estimates that it would more than double out-of-pocket costs for the average 65-year-old Medicare enrollee



Figure J. Share of the elderly at various income-to-SPM ratios, by health cost scenario, 2010–2012 average

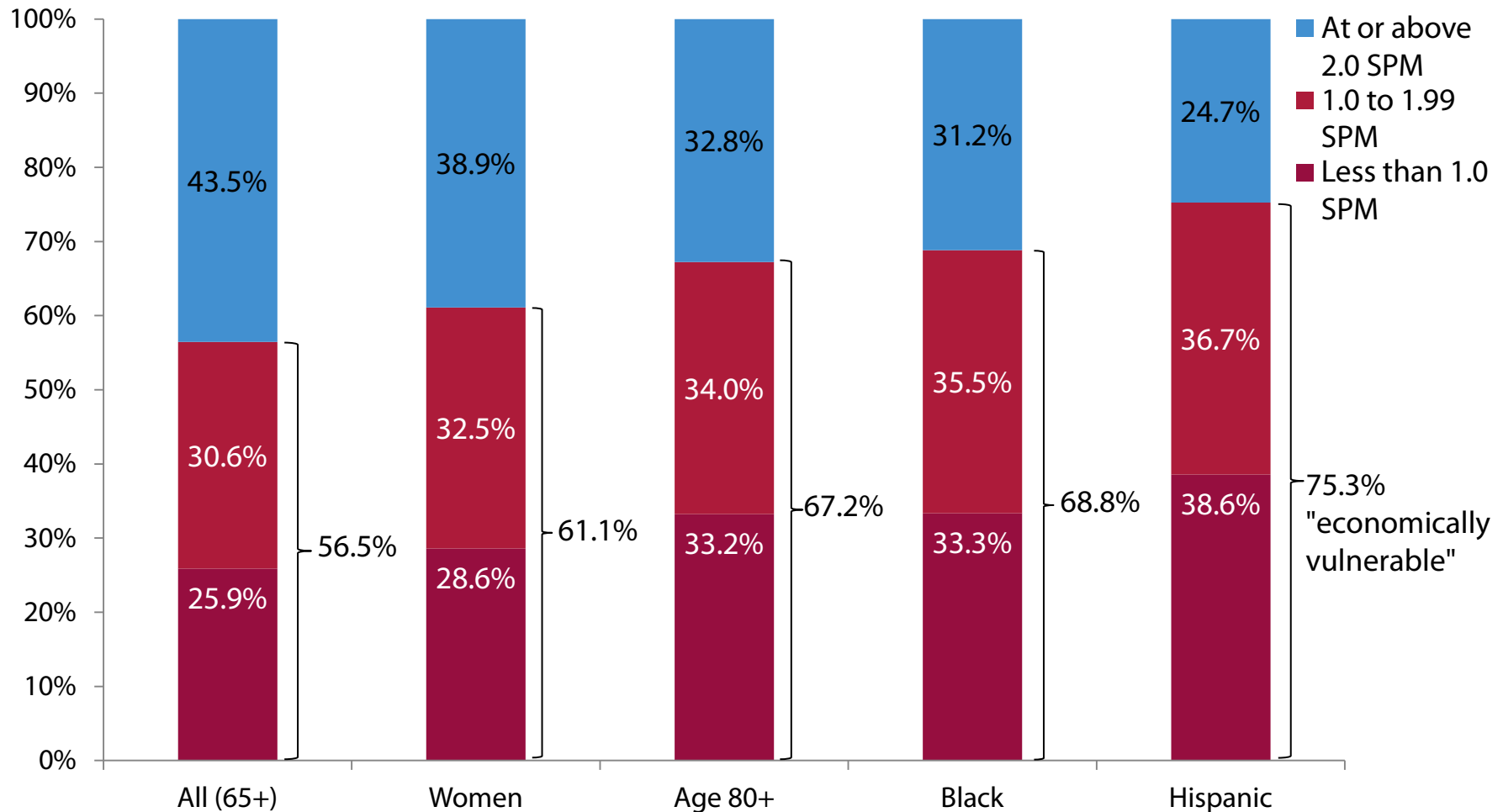


Note: MOOP refers to medical out-of-pocket costs, including Medicare premiums and out-of-pocket purchases of healthcare. SPM refers to the Supplemental Poverty Measure.

Source: Authors' analysis of pooled 2010–2012 Current Population Survey Annual Social and Economic Supplement microdata



Figure K. Share of the elderly at various income-to-SPM ratios under 200% MOOP cost scenario, by population subgroup, 2010–2012 average



Note: Races and ethnicities are presented in mutually exclusive categories, i.e., white refers to non-Hispanic whites, black refers to non-Hispanic blacks, and Hispanic refers to Hispanics of any race. SPM refers to the Supplemental Poverty Measure. MOOP refers to medical out-of-pocket costs, including medicare premiums and out-of-pocket purchases of healthcare. SPM refers to the Supplemental Poverty Measure.

Source: Authors' analysis of pooled 2010–2012 Current Population Survey Annual Social and Economic Supplement microdata



Conclusions

- A focus on the official poverty measure underestimates the extent of elderly vulnerability
 - Nearly half (47.9%) of the elderly are economic vulnerable
 - Disproportionately women, the older elderly, and those who are not white (non-Hispanic)
- Increasing out-of-pocket medical expenses by thinning Medicare could lead to 56.5% economically vulnerable
 - Even larger shares of women, older elderly, non-white