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A person is seen from the side, looking out a large window. The view outside shows a park with trees and a fence. The image is overlaid with a light blue tint.

# On the Edge

## Facing a Challenging and Uncertain Future

The Elder Economic Security Standard for the Boston Area

**Laura Henze Russell, Ellen A. Bruce, and Judith Conahan,  
Gerontology Institute  
John W. McCormack Graduate School of Policy Studies,  
University of Massachusetts Boston**

**The Boston Foundation**

December 2006

## The Boston Foundation

The Boston Foundation, Greater Boston's community foundation, is one of the oldest and largest community foundations in the nation, with an endowment of over \$730 million. In 2005, the Foundation and its donors made more than \$60 million in grants to nonprofit organizations and received gifts of \$73 million. The Foundation is made up of some 850 separate charitable funds established by donors either for the general benefit of the community or for special purposes. The Boston Foundation also serves as a major civic leader, provider of information, convener, and sponsor of special initiatives designed to address the community's and region's most pressing challenges. For more information about the Boston Foundation, visit [www.tbf.org](http://www.tbf.org) or call 617-338-1700.

The Boston Foundation has a deep stake in examining the challenges elders face, and the actions needed to make Greater Boston a region where all people can age with dignity and economic security. The Foundation invites you to enter into a dialogue about the lives of seniors through this report and a forum designed to explore some of the most critical issues confronting Boston area elders.

## The Gerontology Institute

### John W. McCormack Graduate School of Policy Studies, University of Massachusetts Boston

The Gerontology Institute addresses social and economic issues associated with population aging. The Institute conducts applied research, analyzes policy issues, and engages in public education. It also encourages the participation of older people in aging services and policy development. In its work with local, state, national, and international organizations, the Institute has five priorities: 1) productive aging, that is, opportunities for older people to play useful social roles; 2) health care for the elderly; 3) long-term care for the elderly; 4) economic security for older adults; and 5) social and demographic research on aging. The Institute pays particular attention to the special needs of low-income and minority elderly. The Gerontology Institute was created in 1984 by the Massachusetts Legislature. In 2003, the Gerontology Institute became a founding member of the John W. McCormack Graduate School of Policy Studies at the University of Massachusetts Boston. The School brings together two Institutes and several policy-oriented graduate programs to advance their shared educational and public service missions. You can obtain information about recent Institute activities by visiting the Gerontology Institute's web pages: [www.geront.umb.edu](http://www.geront.umb.edu) or email [gerontology@umb.edu](mailto:gerontology@umb.edu).

**UNDERSTANDING BOSTON** is a series of forums, educational events and research sponsored by the Boston Foundation to provide information and insight into issues affecting Boston, its neighborhoods and the region. By working in collaboration with a wide range of partners, the Boston Foundation provides opportunities for people to come together to explore challenges facing our constantly changing community and to develop an informed civic agenda.

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# On the Edge

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The Elder Economic Security Standard for the Boston Area

Laura Henze Russell, Ellen A. Bruce, and Judith Conahan,  
Gerontology Institute,  
John W. McCormack Graduate School of Policy Studies,  
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# Preface

## To Be A City Where Everyone Can Age with Dignity

### An Overview from The Boston Foundation

The Boston Foundation has long championed the strengths, assets, and richness that diversity brings to life in Boston. With this report, we are focusing on the value of generational diversity in the life of the good city.

The picture of elder life in Boston in this document results from pioneering research, conducted by the Gerontology Institute of the University of Massachusetts Boston, which allows us to see the economic challenges for elders in Boston more precisely and clearly than ever before. The report reveals that behind the prosperity of Boston in 2006, many elders among us are struggling to make ends meet.

Our goal in sponsoring this report is to generate public awareness and education, to inform policy, and to help shape a city in which all Bostonians can age with dignity and economic security. “On the Edge” is a significant contribution to our ongoing series, “Understanding Boston,” the Boston Foundation’s sustained commitment to understanding this city and region, and exploring how to make it an even better home.

The research at the Gerontology Institute is leading edge, born of superb science and deep humanity. The Foundation is very pleased to sponsor this publication, and to help its findings and ideas move into the broader world. We believe the Elder Economic Security Standard for Boston has exceptional promise to frame

and catalyze a major local and national conversation about the well being of American elders.

### On the Edge

One of the most prized goals in life is the ability to age with dignity, and one of the indicators of a healthy city is that people of all ages can thrive in it. Many of us may have assumed that Boston was such a place for seniors, and that the needs of most Boston elders were reasonably met by a combination of social programs like Medicare and Social Security. This report debunks that myth, and reveals that Boston elders must have more income or supports to afford the basics of life.

Boston has become an expensive city for people of any age, and for many Boston elders, there is now a formidable gap between their needs and the resources needed to meet those needs. The high cost of housing and health care is especially daunting for many elder citizens. Even many elders who are reasonably well situated now are living “on the edge,” a condition in which one of the many predictable events that attend age—such as the loss of a spouse, an accident, or illness—can lead to economic hardship. Indeed, for a large number of Boston area elders and their families, an illness or disability has catastrophic economic consequences.



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## A Growing Condition

This problem, already significant, is set to increase over the next decade as the largest generation in American history begins to age. As the baby boomers enter their 60s and 70s, the number of elder Bostonians who must struggle to meet the material needs of life will begin to mushroom.

Nor does this situation affect only lower income citizens. Indeed the enormous cost of long-term care, which can melt away life savings, often hits middle-class elders especially hard. The wealthiest elders are able to afford private care, and low-income citizens have recourse to Medicaid-sponsored long term care. But for middle-class elders—ineligible for long-term care through Medicaid precisely because they have some financial resources—there is no social safety net to help offset the staggering cost of long-term care.

The fierce economic pressures that both low- and middle-income elder Bostonians face can also ripple through generations, diminishing circumstances not only for elders, but also for their middle-aged offspring, and their children. In the grounded language of research, this report speaks eloquently and urgently—revealing a serious need, and showing again that we are truly all knit together, that our society’s elder policies affect the well being of every generation.

## A Powerful New Tool is Part of the Solution

Even as this report reveals challenging conditions for elders in Boston, it also reflects a new and powerful tool that the Boston Foundation believes may be part of the solution, a tool that can be used to help improve the lives of many American elders, starting in Boston.

Drawing on the pioneering Family Self-Sufficiency Standard, developed by Wider Opportunities for Women to calculate the real cost of living, working and raising a family, the authors and their colleagues have generated a powerful model that allows researchers to accurately assess the real economic circumstances, needs, and resources of elder populations. Replacing blunter instruments, the Boston Elder Economic Security Standard takes into account variables in life conditions (including health, housing, marital status, etc.) and gauges how such variations affect an elder’s capacity to meet the basic costs of life. With this nuanced report, we can see reality more clearly, and have an accurate framework for understanding what Boston elders need to live in this city with dignity.

## A Boston Pilot with National Potential

Beyond the significance for our own city, the Elder Economic Standard for Boston is a model that promises to have national impact. The research in this report, specific to Boston, is simultaneously a pilot for other, place-specific Elder Standards that can be used across the country, and a model that can provide information for individuals and families, counselors, advocates, program designers, and policy makers.

Because Boston’s population is somewhat older on average than other American cities, our community has an exceptional opportunity to provide national leadership on the issue of aging with dignity. The Boston Foundation has a long tradition of being “there at the beginning”—lending strategic support for initiatives that can set the course for positive change in our community. We see this report as just such a moment. With the publication of the Boston Elder Economic



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Security Standard report, our community has new information and tools to help drive policy on behalf of Boston's current elder population—and anyone who wants to be able to age well in Boston.

## A Third of Our Lives

Reading this report, we are also reminded that the status “elder” does not refer to just a few years toward the end of our lives. In America, our elder years can easily stretch over two or more decades, up to a third of our lives. With good personal decisions and sound social policy, age can be a powerful and creative time. The contributions that elders make to our city are enormous. Seniors contribute a vast amount of volunteer time to community, cultural, and civic organizations. They are taxpayers. They are caregivers, often raising or helping raise grandchildren and foster children. They provide much needed rental housing, often as owners of two and three family homes that they have owned for years. In addition to the sheer weight of economic contributions, elders also contribute depth and meaning to a city, and are an important component of civic memory. Every story and perspective about the earlier incarnations of a city adds a layer of meaning and continuity—the sense of place over time that is one of the defining experiences of a great city.

## Launching the Conversation

One of the Boston Foundation's roles in fostering a deeper understanding of Boston is to help bring the best possible research to the attention of the community. The Foundation is pleased to sponsor a publication that gives a superb framework for discussing the life situations of a large and growing

segment of Boston's population. The questions to explore are large, interesting, and urgent: How do we respond to elder Bostonians who are struggling? How can we create strategic alliances to address the housing, health care and long-term care needs of our older citizens? How do we mingle the American belief in individual responsibility and the American tradition of joining forces to achieve goals beyond the reach of any individual? How do we build on the advances of Social Security and Medicare to continue the decency and practicality that characterize America at its best? Is good elder policy one measure of a culture's strength and humanity?

Our goal in releasing this report is to stimulate an informed, heartfelt, and effective conversation to address these and other questions, to deepen our understanding of the lives of Boston elders and, ultimately, to improve those lives. As our understanding of elder life in Boston grows, along with our knowledge of issues faced by all of Greater Boston's citizens, we will be far better equipped to meet our current and future challenges. We invite you to join this conversation.

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## Executive Summary

# On the Edge: Facing a Challenging and Uncertain Future

### The Elder Economic Security Standard for the Boston Area

Many Boston area elders are on the edge: they face a challenging and uncertain future. Living costs are among the highest in the nation, especially in housing and health care. In the face of rising expenses, many elders' incomes have at best a modest cost of living adjustment; they are spending down retirement savings, and/or face growing debt. Other seniors may be prepared for the present but face a challenging future if their life circumstances change: illness, loss of a spouse, or need for help with daily tasks.

The Elder Economic Security Standard measures the cost of living for older adults in today's economy. What is an adequate income for older adults in the Boston area to "age in place"? How does it vary according to their life circumstances: whether they are living alone or with a spouse, rent or own their home, drive a car or use other transportation? How do living costs change as their health status and life circumstances change? What happens if they need long-term care to keep living at home?

The Elder Economic Security Standard (Elder Standard) addresses these questions through the development of a measure of income adequacy for older adults. The Elder Standard measures costs of aging in place in today's marketplace. Economic security implies that seniors can meet their basic needs without income-eligible public subsidies, such as food stamps, MassHealth (Medicaid), subsidized housing, or property tax help.

This report presents the Elder Standard for the Boston area to benchmark basic costs of living for elder households. It illustrates how expenses vary by the circumstances of elder households: household size, homeowner or renter, mode of transportation, health status, and the impact of need for long-term care. The expenses are for basic needs of elder households; they are based on market costs and do not assume any subsidies.

### Defining the Standard: A Framework for Economic Security for Elders

The Elder Economic Security Standard is developed as a measure of the income required to meet the basic needs of elder households to "age in place" in their homes, and enable elders to continue to live in the community setting of their choice.

By "economic security" we mean a situation in which elders have sufficient income (from Social Security, pension, retirement savings, and other income) to cover their living expenses. The Elder Standard illustrates the basic costs that elders face, and the interplay between living costs and elders' income adequacy. The Elder Standard also illustrates how elders' income needs change when their life circumstances change.

### Highlights of Findings: Elder Economic Security Standard for the Boston Area

- Elders in the Boston area cannot make ends meet at the poverty level or at the average Social Security payment without subsidies for housing and health care.
- Elders living alone in the Boston area need \$14,900 - \$23,600 to cover their basic living costs, depending on their housing and transportation expenses.<sup>1</sup>
- Elder couples in the Boston area need \$21,800 - \$30,600 to cover their basic living costs, depending on their housing and transportation expenses.<sup>2</sup>
- Elder households spend about the same percentage of their budgets on housing and food as all households, and twice the share of all households on health care.
- Some elders who are currently making ends meet face an uncertain future if their life circumstances change, such as losing a spouse or a change in health status.

- The need for long-term care can more than double an elder's expenses, significantly increasing the income needed to meet basic needs.

## Demographic and Income Trends for Boston's Older Adults

To understand the conditions for elders in Boston, it is important to recognize that elders<sup>3</sup> in the Boston area<sup>4</sup> are a very diverse group of people, whose individual circumstances vary widely — from the most fortunate, being healthy and economically secure, to the least fortunate, being poor, ill, and/or disabled. In between, there are many variations in elders' circumstances. There are also wide variations in family support, neighborhood networks, and community and social connections.

Ten percent of Boston residents are 65 years or older, and 9% are between the ages of 55-64, poised to increase elders' numbers as the "baby boomers" age. Household income levels vary over the life span. Typically, median income levels rise with age until mid-life, and then decline with advancing age. In the City of Boston, 2004 median income for householders 65 years and over, at \$16,913, is less than one-third of householders in their "peak earning" years of 45-64 years, at \$55,058.

This report focuses on the challenges of meeting expenses for low- and moderate-income older adults. Census data report that 35% of Boston elder households aged 65-74 had 1999 incomes under \$15,000 and half had incomes under \$25,000; of those 75 years and older, 43% had incomes under \$15,000 and nearly two-thirds had incomes under \$25,000. With inflation, \$15,000 represents \$17,584 in today's dollars, and \$25,000 represents \$29,307 today.

## Overview of Specific Findings for the Boston Area

### 1. Elders in the Boston area cannot make ends meet at the poverty level or at the average Social Security payment in 2006, without subsidies for housing and health care.

- The Elder Standard for Boston area elders living alone is 150-240% of the federal poverty guidelines (\$9,800) in 2006.
- The Elder Standard for Boston area elders living alone is 125-195% of the average Social Security payment (\$12,024) in 2006.
- The Elder Standard for Boston area elder couples is 160-225% of the federal poverty guidelines for two-person households (\$13,200) in 2006.
- The Elder Standard for Boston area elder couples is 110-150% of the average Social Security payment for elder couples (\$19,776) in 2006.

### 2. Elders living alone in the Boston area need \$14,900 - \$23,600 to cover their basic living costs, depending on their housing and transportation expenses.

- Elders living alone in the Boston area who own their home without a mortgage need \$14,900 a year to cover their basic living expenses.
- If they don't own a home free and clear or can't afford to keep it, and are required to rent an apartment in the Boston area, the income needed to cover basic living expenses jumps to \$23,600.
- Elders with lower incomes need rent subsidies and/or elder affordable housing units, and help to cover supplemental health plan costs.

### 3. Elder couples in the Boston area need \$21,800 - \$30,600 to cover their basic living costs, depending on their housing and transportation expenses.

- Elder couples in the Boston area who own their home without a mortgage need \$21,800 a year to cover their basic living expenses.
- If they don't own a home free and clear or can't afford to keep it, and are required to rent an apartment in the Boston area, the income needed to cover basic living expenses jumps to \$30,600.
- Elder couples with lower incomes need rent subsidies and/or affordable housing units, and help to cover supplemental health plan costs.

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**4. Elder households spend about the same percentage of their budgets on housing and food as all households, and twice the percentage of all households on health care.**

- Elders spend 37% of their budgets on housing, vs. 35% for all households, and the same 14% of their budgets on food as all households.
- Elders spend 11% of their budgets on health care, vs. 5% for all households.
- Elders spend 20% of their budgets on other goods and services, vs. 25% for all households. They spend less on transportation and apparel than all households.

**5. Some elders who are currently making ends meet face an uncertain future if their life circumstances change, such as losing a spouse or experiencing a change in health status.**

- A member of an elder couple paying market rate rent in Boston has expenses reduced by only 25% when a spouse dies; \$23,600 per year down from \$30,600.
- Elders in Boston need to spend \$210 each month on Medicare supplemental insurance premiums – about as much as they spend on food – to have protection against high medical and prescription drug costs.
- With full supplemental health and prescription drug coverage, at a premium cost of about \$2,500 per year in the Boston area, elders face additional out-of-pocket health care costs (co-pays, deductibles and uncovered services) ranging from \$700-\$1,200 per year, depending on health status (excellent, good, or poor).

**6. The need for long-term care can more than double an elder's expenses, significantly increasing the income needed to meet basic needs.**

- For each of the four elder households described above, the Elder Standard for those in poor health ranges from \$15,200 to \$31,200 (without long-term care).
- Adding a low level of long-term care for one person adds nearly \$8,000 per year to living costs.

- Requiring a medium level of care for one person adds nearly \$21,000 per year.
- Needing a high level of care for one person adds \$36,000 - \$44,000, depending on whether adult day health care is used.

## Summary

Boston area seniors are not a homogeneous group. Rather, they have a range of incomes, as well as a range of housing situations, life circumstances, health status, and need for long-term care. In addition, many of these characteristics will change over an individual elder's life span.

Boston area elders cannot cover their expenses at the poverty level or even at the average Social Security payment without subsidies for housing, health care, and long-term care. Depending on their housing, health and other circumstances, elder individuals in Boston need between \$14,900 and \$23,600, to cover basic living costs. Elder couples need between \$21,800 and \$30,600.

The Elder Standard, with its respective “tracks” for seniors living in different circumstances, shows how Boston area seniors with low and modest incomes are challenged to cover their living costs today. In addition, the Elder Standard illustrates how seniors with moderate and somewhat higher incomes may be prepared for the present, yet face an uncertain future when living expenses rise markedly as their life circumstances change.

The Elder Economic Security Standard provides a framework to help guide public, private, and elders' decisions that will shape the health and well being of today's elders, and impact the aging boomers and families who care for them, and follow in their footsteps.



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# 1.

## Introduction

What is an adequate income for older adults in the Boston area to age in place? How does it vary according to their life circumstances: whether they are living alone or with a spouse, rent or own their home, drive a car or use other transportation? How do Boston area elders' living costs change as their health status and life circumstances change? What happens if they need long-term care to keep living at home?

This report will address these questions through the development of a measure of income adequacy for older adults, the Elder Economic Security Standard (Elder Standard). The Elder Standard will benchmark basic costs of living for elder households. It will illustrate how costs of living vary geographically and are based on the characteristics of elder households: household size, homeownership or renter, mode of transportation, and health status. The costs are for basic needs of elder households; they are based on market costs and do not assume any subsidies.

The Elder Standard presented in this report will be used to effect public awareness, public policies, and programs to benefit elders through the broader Elder Economic Security Initiative. Specific community uses include:

- Increase public awareness of the basic costs that seniors face, and how their financial security is affected when their life circumstances change;
- Help agencies that serve seniors to set goals, assess needs, design programs, and measure impacts;
- Provide a framework for analyzing the impacts of public policies and policy proposals in such areas as retirement security, health and long-term care, taxes, and housing; and
- Provide information for local community planning for current and future seniors in such areas as transportation, housing, health, long-term care, taxes, etc.

The Elder Standard will also be used as an educational, counseling, and advocacy tool to work with seniors, adult children helping them with planning and care, and aging boomers. Specific individual uses include:

- Educate seniors and aging boomers about actual and future living costs to inform financial planning and life decisions;
- Serve as a counseling tool for those working with elders to assess their current economic status and future economic security, and assist them to make informed financial decisions including work or education past retirement age;
- Provide an educational tool for adult children of elders to determine objectively their parents' costs of living, which will assist them as they help make decisions about accessing benefits and/or making long-term arrangements for care; and
- Provide a tool for seniors to be more effective in their civic engagement activities to improve the lives of elders in their communities.

### Demographics of Boston's Older Adults

According to the US Census Bureau's American Community Survey 2004, 10% of Boston residents were 65 years or older and 9% were between the ages of 55-64, poised to increase elders' numbers as the "baby boomers" age. Across the state, 13% or about one out of eight Massachusetts residents were ages 65 and over, a higher share than 12% of the nation's population. While the increase in the older population slowed over the previous decade in both Massachusetts and the United States as a whole, the "oldest-old" group of elders—those 85 and over—continued a rapid pace of growth, increasing by more than 25% in Massachusetts and the nation over 1990 levels.

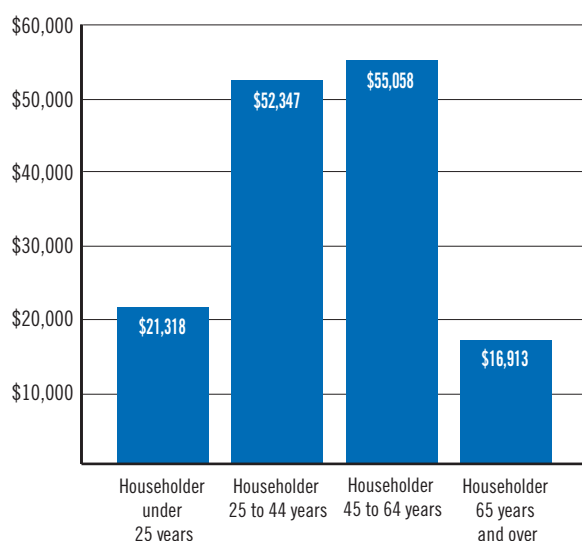
Elders in the Boston area are a diverse group of people. Their individual circumstances vary from the most fortunate being healthy and economically secure to the least fortunate being poor, ill and/or disabled. In between, there are many variations in elders' circum-



stances. There are wide variations in family support, neighborhood networks, and community and social connections. Boston elders also have a range of housing, life circumstances, health status, and need for long-term care. Many of these characteristics change over an elder's life span. The Elder Standard, with its respective "tracks" for seniors living in different circumstances, will show how seniors may be prepared for the present, yet face an uncertain future when living costs rise markedly.

FIGURE 1

### Median Household Income by Age, City of Boston, 2004



Source: U.S. Census Bureau, American Community Survey 2004.

## Income Trends

Household income levels vary over the life span. Typically, median income levels rise with age until mid-life and then decline with advancing age, as indicated in **Figure 1**. In the City of Boston, median income for householders 65 years and over, \$16,913, was less than one-third of the median income of householders in their "peak earning" years of 45-64, \$55,058. With inflation, \$16,913 in 2004 represents \$17,470 today.

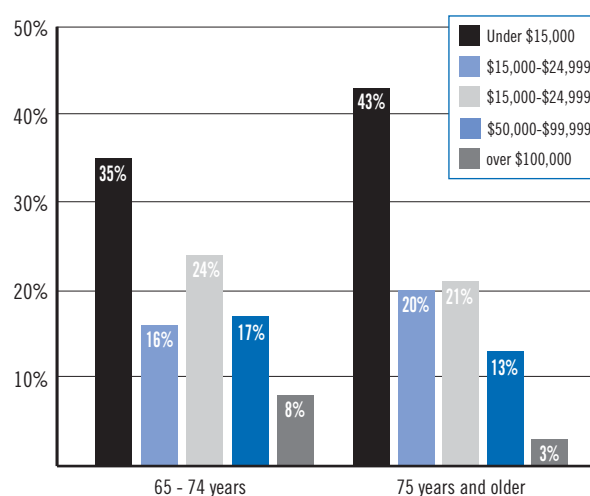
According to the federal poverty threshold and 2004 American Community Survey data, 9% of Massachusetts' elders were poor, and 10% of elders over 75 had incomes below the federal poverty threshold. Elders in the City of Boston experienced double the state poverty rate, at 24%. Older women are at greatest risk, with non-married women accounting for 71% of all senior households in Massachusetts who live in poverty. Reasons include lower wages, lower lifetime earnings, and less time in the workforce. Women also have longer life expectancies and are more often than men to experience loss of income when widowed.

A sizeable number of seniors are just above the poverty level. In Massachusetts, 19% have incomes under 150% of poverty, and 30% under 200% of poverty. Nearly a third of Boston's elders, 32%, have incomes under 150% of the poverty level, and 43% have incomes under 200% of poverty. Elder poverty rates are similar for Suffolk County as a whole, which includes the City of Boston, Chelsea, Revere and Winthrop.

This report focuses on the challenges of meeting expenses for low- and moderate-income older adults. **Figure 2** shows that in 1999 35% of Boston elder households aged 65-74 had incomes under \$15,000; half had incomes under \$25,000. Of those 75 years and older,

FIGURE 2

### City of Boston Elder Household Income Distribution by Age, 1999

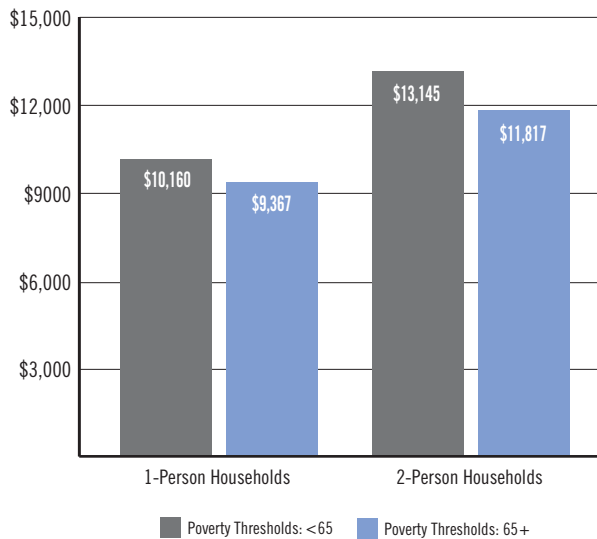


Source: U.S. Census 2000, Summary File 3, Table P55.



FIGURE 3

### Comparison of US Poverty Thresholds by Age, 2005



Sources: U.S. Census Bureau, <http://www.census.gov/hhes/www/poverty/threshld/05prelim.html>.

43% had incomes under \$15,000; nearly two-thirds had incomes under \$25,000. With inflation, \$15,000 in 1999 represents \$17,584 in today's dollars, and \$25,000 in 1999 represents \$29,307 today.

## The Federal Poverty Measure

The poverty thresholds are the original version of the federal poverty measure.<sup>5</sup> The poverty thresholds are used for statistical purposes to prepare estimates of the number of Americans in poverty each year. They were calculated by taking the cost of food needed to meet the minimum nutritional needs of adults of different ages, and multiplying this by three to calculate the total needed to live at a basic level, as U.S. households spent about 1/3 of their incomes on food 40 years ago. Since that time, the thresholds are updated each year by the change in the consumer price index (CPI).

The U.S. Department of Agriculture calculations assume that older adults have lower caloric requirements than younger adults. As a result, the official U.S. poverty thresholds are lower for adults 65 and older than for younger adults. **Figure 3** compares the US poverty thresholds by age for 1- and 2-person households. Elders living alone are not considered officially poor unless they have \$793 per year less than younger adults, and elder couples are not poor unless they have \$1,328 less than younger couples.<sup>6</sup>

There are a number of problems with the federal poverty measure: it is based on outdated spending patterns, assuming households spend a fixed ratio of one-third of their incomes on food. In addition, it does not allow for different rates of inflation for different living expenses; for example, health care and housing costs have risen much more than food costs. Finally, it does not reflect variations in regional living costs.<sup>7</sup>

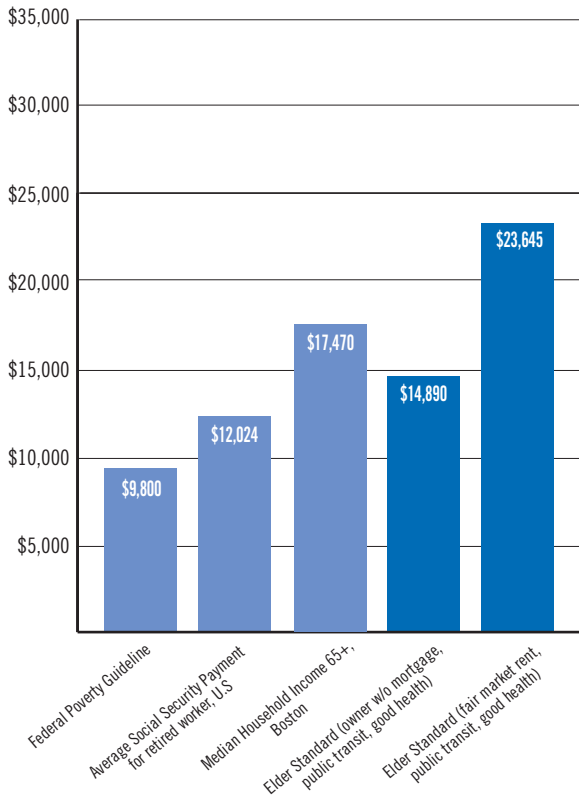
## Defining the Elder Standard: A Framework for Economic Security for Elders

The Elder Economic Security Standard is developed as a measure of the income required to meet the basic needs of elder households to "age in place" in their homes, and enable elders to continue to live in the community setting of their choice.

The Elder Standard draws upon the work of Dr. Diana Pearce and Wider Opportunities for Women, who created the Family Self-Sufficiency Standard in the last decade.<sup>8</sup> The Elder Standard adapts that model for the characteristics and spending patterns of elder households. It is proposed as a more realistic measure of income adequacy than the federal poverty measure. Economic security implies that elders have sufficient income (from Social Security, pension, retirement savings, and other income) to cover living costs. The Elder Economic Security Standard illustrates the basic costs that elders face, and the interplay between living costs and elders' income adequacy.

FIGURE 4

The Elder Standard Compared to Other Benchmarks, 2006  
**Standard for One-Person Elder Households  
 in the Boston Area**

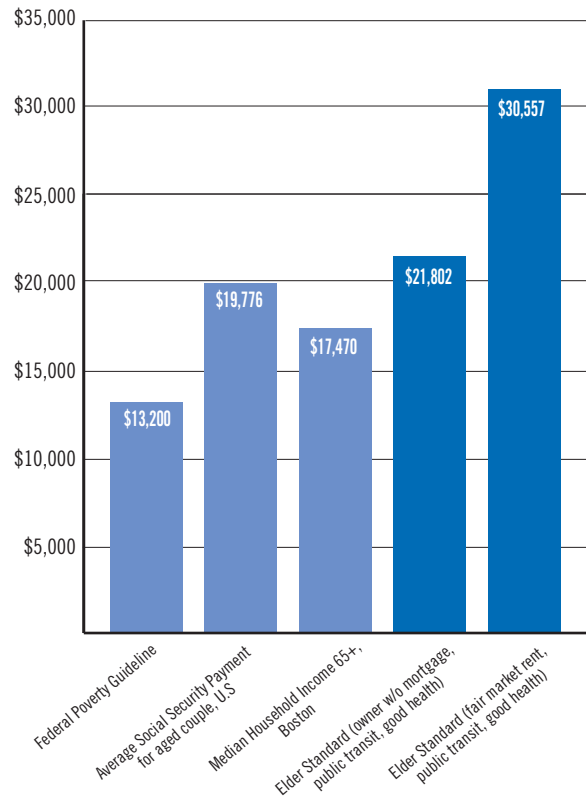


**Figure 4** compares the Elder Economic Security Standard for one-person elder households in the Boston Area to other benchmarks of income adequacy, including the federal poverty guideline, the average Social Security payment for a retired worker, and median household income for senior households in Boston.

**Figure 5** compares the Elder Economic Security Standard for two-person elder households in the Boston Area to other benchmarks of income adequacy, including the federal poverty guideline, the average Social Security payment for a retired couple, and median household income for senior households in Boston.

FIGURE 5

The Elder Standard Compared to Other Benchmarks, 2006  
**Standard for Two-Person Elder Household  
 in the Boston Area**



The figures illustrate that the majority of Boston Area elders are at or near the edge: they are either spending down savings, going into debt, or relying on supports to fill the gap between their incomes and living costs. Some are making ends meet now, but are one life event away from hardship, especially if they face market rate rents. Future sections of the report will illustrate the impact of changing health status, and of need for long-term care to “age in place” in the community.

## 2.

# Cost Components of the Elder Economic Security Standard

The cost components and methodology for the Elder Economic Security Standard have been developed with input and guidance from the Advisory Committee for the Massachusetts Elder Economic Security Standard Project convened by the University of Massachusetts Boston Gerontology Institute, and from the National Advisory Committee for the Elder Economic Security Initiative convened by Wider Opportunities for Women. Criteria to guide the decision-making process in building the cost components of the Elder Economic Security Standard, and in selecting the data sources, include:

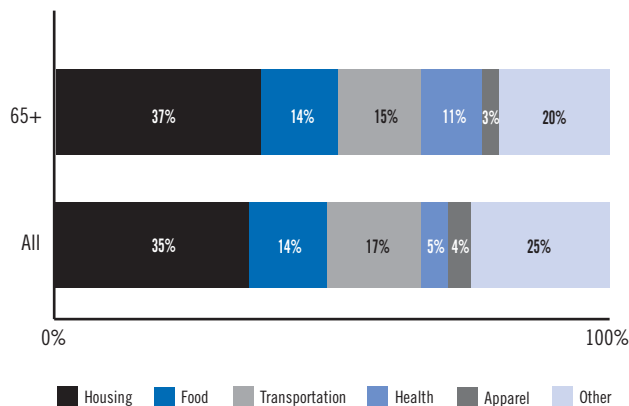
- **Data Access:** The Elder Standard uses cost data from public federal and state sources that are comparable, geographically specific, easily accessible, and widely accepted. In areas where existing public data sources are not currently available, such as long-term care costs, we use a consistent methodology to derive comparable measures for costs.
- **Incidence:** In order to consider setting up a Standard for a distinct category of elders (e.g., elder homeowners vs. renters), a minimum threshold level is proposed at 20% of elder households.
- **Significance:** Where there are issues of policy relevance that impact a smaller number of seniors or that are beyond the scope of the initial report, they will be noted for further exploration.

Some of the assumptions built in the Elder Standard are:

- The Elder Standard measures basic living expenses for seniors in the community (not in institutions, such as skilled nursing facilities or assisted living facilities).
- The Elder Standard measures costs for elder households to live independently (vs. living in intergenerational households).
- The Elder Standard is designed to measure living expenses for elders ages 65 and over. This is the age at which Medicare begins.

FIGURE 6

### Household Spending as a Percentage of Total Budget: Elder vs. All Households, 2003-2004



Source: US Department of Labor, Bureau of Labor Statistics, Consumer Expenditure Survey 2003-2004, Northeast United States, updated using CPI-U Index for the Boston Area for each expenditure category.

- Medicare is included in the Elder Standard because elders qualify for and receive it based on age, not income eligibility, making it nearly a universal program.
- The Elder Standard models costs for retired elders, who no longer face costs of working, such as payroll taxes and commuting to work.

As noted earlier, the Elder Standard measures costs in today's marketplace. Economic security implies that seniors can meet their basic needs without income-eligible public subsidies, such as food stamps, subsidized housing, Medicaid, or property tax help.

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## The Big Picture: Elders' Spending Compared to All Households

Looking at the big picture, elder households spend about the same percentage of their budgets on housing and food as all households, and twice the percentage of all households on health care. Elders spend less on transportation, apparel, and all other goods and services. A comparison of elder households' spending compared to all households from the Consumer Expenditure Survey is illustrated in **Figure 6**. Similar spending patterns are reported in the Health and Retirement Survey (HRS).<sup>9</sup>

## Introduction to Cost Components

The basic cost components developed for the Elder Economic Security Standard are:

**Housing** – includes housing (rent or mortgage payment, if any), and related costs (heat, utilities, insurance, and property taxes) for elder renters and elder owners, based on latest available U.S. Census reported elder owner housing costs, and latest available U.S. Department of Housing and Urban Development (HUD) Fair Market Rents.

**Food** – costs of food prepared at home, based on USDA Low-Cost Food Plan for older adults.

**Health Care** – premiums for Medicare Parts B, C (Medicare Advantage Plan), and D (Medicare Prescription Drug Plan), from the US Center for Medicare and Medicaid Services (CMS) Medicare Personal Plan Finder (MPPF); and latest out-of-pocket costs (including co-pays, deductibles and fees for uncovered expenses), based on latest available out-of-pocket cost data from the Medical Expenditure Panel Survey (MEPS).

**Transportation** – cost of Massachusetts Bay Transit Authority (MBTA) senior monthly pass for public transit; automobile owner and operating costs from Internal Revenue Service (IRS) mileage reimbursement rates, elder auto usage patterns from most recent National Household Travel Survey (NHTS).

**Miscellaneous** – all other goods, such as clothing, personal and household needs, and any other expenses not captured elsewhere. Based on the elder spending patterns from consumer spending data, we use 20% of all other costs (excluding long-term care) to estimate miscellaneous expenses.

The Boston Elder Economic Security Standard is presented in Section III. Elders' living costs in each of the above areas are added to determine household budgets for each of the respective "tracks" of elder households. This gives a measure of the Elder Economic Security Standard, the after-tax income required to cover elders' living expenses based on where they live and the characteristics of their household.

## The Impact of Long-Term Care

Costs of home- and community-based long-term care services, for those who require them to remain living in the home, are presented for three services packages along the continuum of care in Section IV. Long-term care is not a need experienced by all elders therefore, it is provided as an add-on component to the basic Elder Standard.

## A Note on Taxes

Local property taxes are included in the housing cost component for homeowners, and Massachusetts sales tax (5%) is covered by the miscellaneous category. Food, clothing under \$175, and prescription drugs and services are exempt from the state sales tax.

The most important income tax help for elders is that a significant portion of Social Security income is exempt from the federal income tax when elders' combined incomes are under certain limits.

Income tax treatment and rates vary by source of income; elders typically rely on a combination of Social Security, pension, and savings. Because most of the Elder Standard household basic budgets are below the no-tax limits, and because tax rates vary by income source, we do not include income taxes in the basic model.

## A. Housing Costs

Housing costs for elders are determined by a number of factors: whether they rent or own; location as costs vary widely across communities; housing unit size; length of residence; and related costs such as heat and utilities (which may or may not be included in rent), as well as property taxes, insurance, maintenance and repairs for homeowners.

The Elder Standard seeks to measure housing costs in the community, not in institutions such as skilled nursing facilities. The Elder Standard is focused on costs of aging in place. Because assisted living “bundles” housing with food and supportive services, we do not include it in the basic model.

### Housing Cost Component of the Elder Standard

**Table 1** shows the housing cost component for the Elder Economic Security Standard:

TABLE 1

**Housing Component of the Elder Economic Security Standard, 2006**  
**Boston Area**

	Fair Market Rent	Owner without Mortgage	Owner with Mortgage
Per Month	\$1,128	\$520	\$1,678
Per Year	\$13,536	\$6,240	\$20,136

Sources: U.S. Department of Housing and Urban Development, Fair Market Rents for Boston-Cambridge-Quincy MA-NH HUD Metro Fair Market Area (HMFA) in FY2006, 40th percentile rent for 1-bedroom units on the market. U.S. Census 2000 for City of Boston, Super Public Use Microdata Area Boston (PUMS). Median Selected monthly owner costs for homeowners 65 years and older. Updated using CPI-U for Housing for the region.

### Rationale for Selection of Elder Housing Cost Measures

Elders have higher rates of homeownership than younger adults; cities have higher shares of renters than homeowners; and there are sizeable numbers of both homeowners and renters among elders in Boston and Massachusetts. In the City of Boston, a majority of elders (55%) are renters, and 45% own their homes, compared to 68% renters and 32% owners for all residents of Boston. See **Table 2**.

TABLE 2

**Housing Tenure in City of Boston and Massachusetts**

	Elder Households 65+		All Households	
	Renters	Homeowners	Renters	Homeowners
City of Boston	55%	45%	68%	32%
Massachusetts	31%	69%	38%	62%

Source: 2000 U.S. Census

As expected, the pattern is reversed statewide in Massachusetts. Across the state, 69% of seniors own their homes and 31% of seniors are renters, compared to 62% homeowners and 38% renters for all households in Massachusetts.

There is a good deal of diversity among older renters and older homeowners in terms of what they pay for housing. In light of the substantial proportion of both elder owner and renter households, the Elder Standard will include “tracks” for both renters and homeowners.

### Rental Costs

Because the Elder Standard seeks to benchmark costs of living for elders in today’s market, we use the Fair Market Rent for 1-bedroom units in the geographic area from the U.S. Department of Housing and Urban Development for 2006. The fair market rent is the 40th percentile rent for units currently on the market; it includes utilities but not telephone. Fair market rents are higher than Census data on median rents reported by those 65 and older, because Census rents include both private and subsidized rents. The large gap in monthly rental costs indicates the importance of subsidized units to low- and moderate-income elders.

The strong regional housing market in the early part of the decade has pushed market rate rents to \$1,128 for a one-bedroom apartment and \$1,324 for a two-bedroom apartment in the Boston area in 2006.<sup>10</sup> See **Table 3**. Elder renters typically have longer tenure than other households and, on average, pay somewhat lower rents. U.S. Census data find that nearly half, 46%, of elder renters in Massachusetts moved into their residence more than 10 years ago. When elders are displaced or need to move, and do not qualify for or cannot find affordable units, they face market rate rents.

TABLE 3

### Housing Costs for Elder Renters in the City of Boston, 2006

	Fair Market Rent 1 Bedroom Unit
Per Month	\$1,128
Per Year	\$13,536

Source: HUD Fair Market Rents for Boston-Cambridge-Quincy MA-NH HUD Metro Fair Market Area (HMFA) in FY2006, the 40th percentile rent for 1-bedroom units on the market.

## Homeowner Costs

For elder homeowners, one key to aging in place is the cost to retain their current housing. Because of this focus, we use actual elder owner housing cost data from the U.S. Census, instead of costs of housing for sale currently on the market. Lengthy tenure is noted among Massachusetts' elder owners. The Census reports that 72% of elder homeowners in the state paid off their mortgages, and 56% have lived in their current residence for at least 30 years. In Boston, 63% of elder homeowners paid off their mortgages. The Census reports Selected Monthly Owner Costs (SMOC) as the sum of payment for mortgages, real estate taxes, insurance, utilities, fuel, and condominium fees. Homeowner costs are presented separately for owners with and without mortgages.

Many low- and moderate-income elder homeowners bought their homes many years ago, when housing prices were much lower, and paid off their mortgages. However, refinancing to tap home equity has become increasingly common when needed to pay off debts or generate cash needed for other expenses. In addition, some elders choose to downsize, move closer to family, or move to a warmer climate, which may lead to a mortgage. Therefore, we include tracks for both sets of owners. See **Table 4**.

TABLE 4

### Housing Costs for Elder Owners in the City of Boston, 2006

	Median Elder Owner Costs without Mortgage	Median Elder Owner Costs with Mortgage
Per Month	\$520	\$1,678
Per Year	\$6,240	\$20,136

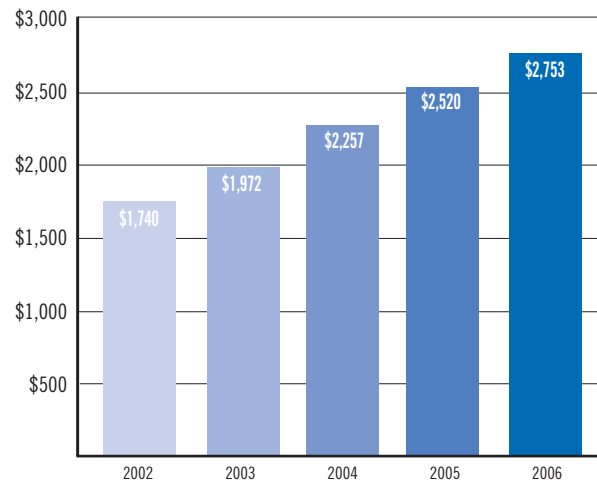
Note: Average homeowner costs are reported separately for owners with, and without mortgages.  
Source: U.S. Census 2000 for City of Boston, Super Public Use Microdata Area Boston (PUMS).  
Updated using CPI-U for Housing in the Boston Metro Area.

## A Note on Elder Owner Housing Costs: Property Taxes

In Boston, and in other cities and towns across Massachusetts, homeowners' property taxes are increasing far more rapidly than the consumer price index for housing. To illustrate, the consumer price index for housing in the Boston Metro Area increased 24% between 2000 and 2005. However, average residential homeowner property taxes in the City of Boston increased more than twice that amount: 58% from \$1,740 in FY2002 to \$2,753 in FY2006. See **Figure 7**.

FIGURE 7

### City of Boston Average Owner-Occupied Residential Property Tax, FY 2002-2006



\*Single-family homes; includes residential exemption.  
Source: City of Boston Assessing Department.

The City of Boston has lower property taxes than many communities in Massachusetts for two reasons. First, it has a large commercial tax base, which it taxes at a higher rate than residential property. Second, it adopts the state's local option for a residential exemption for owners who live in their homes at the maximum amount, 30% of the value of the average residential property assessment in the City.<sup>11</sup>

Without the residential exemption, Boston's average residential property tax bill would be \$4,098, and without the higher commercial tax rate, it would be even greater.<sup>12</sup>



## Additional Impacts on Elder Housing Costs: Heat, Utilities, Insurance, Repairs

For additional context on housing costs, the Consumer Expenditure Survey reported that elder homeowners in New England spent \$2,777 per year on fuel and utilities in 2003-2004. Heat and utility costs have gone up markedly during the past year with the run up in oil, gas, electricity, and energy costs. The Alliance to Save Energy reported in early 2006 that the average Massachusetts household spent \$2,984 for heat and electricity: \$2,016 for space heating and hot water, and \$968 for air conditioning, refrigeration, and other appliances and lighting.<sup>13</sup> Elders typically use less electricity than younger households, but often keep the thermostat higher.

According to the Consumer Expenditure Survey, elder homeowners in New England spent \$1,286 per year on maintenance, repairs, and insurance in 2003-2004. Home insurance costs have risen in response to market adjustments from weather storm damage and other factors. Home insurance premiums for \$175,000 in replacement coverage in Boston among 10 private insurers average \$1,233. The Massachusetts Fair Plan, which insures homeowners facing difficulty getting or affording insurance in the private market, had premiums averaging \$942 for this coverage for areas in Boston.<sup>14</sup>

Like any homeowner, elder homeowners also face maintenance and repair costs. Using Consumer Expenditure Survey data, we estimate about \$500 per year for elder homeowners in maintenance and repair costs. When money is tight, maintenance and repair are typically deferred until there is a crisis, such as the need to replace a heating system, water heater, or major appliance goes out. In addition, elders who face mobility challenges may require home modifications to continue to live at home. These can range from simple grab bars to wheelchair-accessible entry ramps and interior adaptations.<sup>15</sup>

Water and sewer fees are also a significant homeowner expense in Boston. The average family pays using 180 gallons per day of water pays \$638 per year for water and sewer. An elder household using half the family average would pay \$319 per year.

Examining these different components confirms that the Census homeowner cost data for elder owners in the Boston area without mortgages are reasonable. As energy costs, home insurance rates, maintenance and repair costs, and Boston property taxes continue to rise, elder homeowners will continue to face growing pressures on their budgets for housing.

## B. Food Costs

The Consumer Expenditure Survey reports that elders spend a similar percentage of their budget on food (14%), as all households. In contrast to the federal poverty measure that assumes elders require less to eat than younger adults, per person, seniors spend almost the same amount on food as all households: a bit more on food at home and less on food away from home.

### Food Cost Component of the Elder Standard

The Elder Standard uses the U.S. Department of Agriculture (USDA) Low-Cost Food Plan as its measure of basic food costs for elders.<sup>16</sup> See **Table 5**.

TABLE 5  
**Food Costs for the Elder Economic Security Standard, 2006**

	Individual Elder	Elder Couple*
Per Month	\$ 206	\$ 378
Per Year	\$ 2,328	\$ 4,536

\*Food costs for a couple are less than the sum of two individuals' food costs because the USDA food plans build in economies of scale for purchase of food as household size increases.  
Source: <http://www.usda.gov/cnpp/FoodPlans/Updates/foodjan06.pdf>

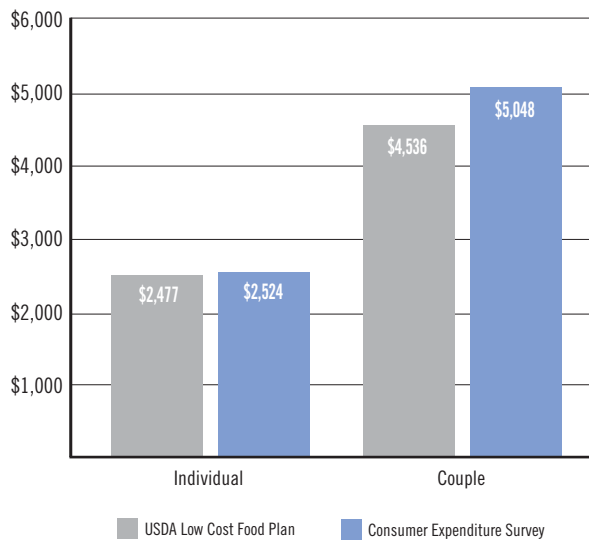
### Rationale for Selection of Elder Food Cost Measure

The U.S. Department of Agriculture (USDA) develops official USDA Food Plans to measure the cost of a minimally adequate diet that meets nutritional standards for different age groups and genders, reflecting different caloric requirements needed to meet minimum nutritional standards. There are four plans: Thrifty, Low-Cost, Moderate-Cost, and Liberal, measuring the cost of meals and snacks that are purchased at stores and prepared at home.



FIGURE 8

### Elder Spending on Food: USDA Low-Cost Food Plan January 2006 vs. Consumer Expenditure Survey



Sources: USDA, Official USDA Food Plans: Cost of Food at Home at Four Levels, U.S. Average, January 2006. <http://www.usda.gov/cnpp/FoodPlans/Updates/foodjan06.pdf>. U.S. Bureau of Labor Statistics, Consumer Expenditure Survey, 2003-2004, Table 3850. Consumer units with reference person age 65 and over by region of residence: Average annual expenditures and characteristics. Adjusted to the present using CPI-U for Food and Beverages. <http://www.bls.gov/cex/2004/CrossTabs/AGEbyREG/r65orup.pdf>

The official Food Plan budgets are scaled to family size, to reflect economies of scale for purchasing in larger quantity. The Thrifty Food Plan is quite austere, allowing under \$5 per day for all three meals. It is used as the basis for Food Stamp allotments. Its predecessor, the Economy Food Plan, was used to calculate federal poverty thresholds for U.S. households.<sup>17</sup> The USDA Low-Cost Food Budget for older adults is \$206 per month, about \$7 per day; we average the food plan budgets for men and women. This plan is more realistic than the Thrifty Food Plan about food preparation times, such as allowing purchase of canned beans vs. dry beans.

Elder food spending patterns reported in the Consumer Expenditure Survey are quite similar to the USDA Low-Cost Food Plan for individual older adults, as illustrated in **Figure 8**. Annual food costs for elder couples given by the Low-Cost Food Plan and the Consumer Expenditure Survey diverge a bit more, reflecting that the Low-Cost Food Plan builds in economies of scale.

Although the Consumer Expenditure Survey reports somewhat higher food expenses than the USDA Low-Cost Food Plan, we have used the USDA Low-Cost Food Plan to calculate the Elder Standard because it is a standardized and credible data source. In addition, it is based on realistic assumptions about food preparation time and consumption patterns. Even so, it is a conservative estimate of the level of food expenditures required to meet minimal nutritional standards.

The U.S. Department of Agriculture Food Plan budgets do not take into account special dietary needs. Elders are more likely to have special dietary needs, based on medical conditions such as diabetes or hypertension. Managing a special diet raises the cost of buying and preparing food. Research by the Brigham and Women's Hospital's Center for Cardiovascular Disease in Women found that the cost of a culturally appropriate, heart healthy diet for a senior in Boston was \$64 per month higher than the USDA low-cost food budget, and \$103 higher than the food stamp benefit.<sup>18</sup>

## C. Health Care Costs

Elders' total health care costs include premiums, deductibles, co-pays, and expenses for non-covered services. Elders' health care costs are determined by a number of factors such as whether they have supplemental health plan coverage to augment the basic Part A & B Medicare program; their health status and how it changes over time; and how many prescription medications they use.

### Health Care Cost Component of the Elder Standard

To get total health care costs for elder households, we calculate the out-of-pocket costs and total premium costs for Medicare and supplemental health and prescription drug plans for each household member. For two-person households we add them together. Data from the Medical Expenditure Panel Survey (MEPS) was used to calculate various aspects of the Elder Standard. MEPS data are deemed the industry gold standard for calculating out-of-pocket costs by health status. Table 6 provides the health care component of the Elder Standard in the Boston area.

TABLE 6

**Health Care Costs for the Elder Economic  
Security Standard, 2006**  
**Premiums plus Median Out of Pocket Costs  
Per Household Member**

**Boston Area**

<b>Health Status:</b>	<b>Excellent</b>	<b>Good</b>	<b>Poor</b>
Per Month	\$269	\$292	\$313
Per Year	\$3,227	\$3,503	\$3,760

Source: Author's calculations based on average premiums in the Boston area from the Medicare Personal Plan Finder and the Medicare Prescription Drug Plan Finder query tools, [www.medicare.gov/MPPF](http://www.medicare.gov/MPPF) and [www.medicare.gov/MPDPE](http://www.medicare.gov/MPDPE), and Median out-of-pocket costs from the Medical Expenditure Panel Survey (MEPS), Household Component, generated from MEPSnet/HC using 2003 MEPS Household Component public use files. <http://www.meps.ahrq.gov/MEPSnet/HC/MEPSnetHC.asp> Updated by Medical CPI for area. Adds premium costs for area from CMS and the Medical Personal Plan Finder and Prescription Drug Plan Finder tools.

## Rationale for Selection of Health Care Cost Measures

The vast majority of people over the age of 65 are covered by Medicare. Yet, even with Medicare, elders face higher health care expenditures than younger adults. For economic security as well as to meet future health needs, elders need to purchase supplemental coverage in addition to basic Medicare coverage. The Elder Standard includes supplemental insurance for elders.

According to the Consumer Expenditure Survey, elders spend more in absolute dollars than people under 65 on health care. Bernard and Banthin, using MEPS data, found that nearly 30% of elders spent over \$5,000 per year in out-of-pocket health costs and health plan premiums in 2003, and 7.3% of elders spent over \$10,000.<sup>19</sup> See **Figure 9**.

## Overview of the Medicare Program

Medicare is a federal insurance program for disabled and elderly individuals. Launched with passage of the Social Security Amendments of 1965, it is financed through a payroll tax for (Part A) hospitalization coverage and through general revenue plus a monthly premium for supplementary coverage (Part B), which covers doctors' visits, diagnostic and lab work, physical and occupational therapy, and limited home care services.

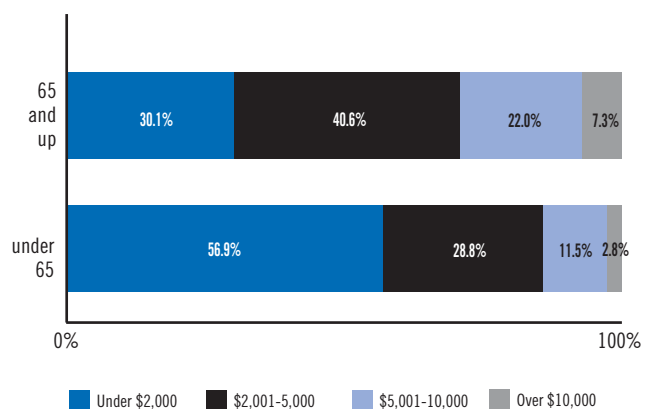
Gaps in Medicare coverage are partially addressed by private insurers offering "Medigap" plans. These plans are regulated by the state and federal governments. The Balanced Budget Act of 1997 created Part C, "Medicare Advantage," which offers a range of supplemental plan options for seniors, including health maintenance organization (HMO) and preferred provider organization (PPO) plans. The Medicare Modernization Act of 2003 added a prescription drug benefit effective in 2006 (Part D), offered through private insurance companies. The landscape of coverage, costs, and impact of rising health costs is complex and in flux.

## Premium Costs of Medicare: Parts A, B, C, and D

For most people there is no premium charge for Part A. The Part B premium is \$88.50 per month or \$1,062 per year in 2006 for an individual. Monthly premiums for Part C, supplemental Medicare Advantage Plans,<sup>20</sup> vary by insurer, geographic area, and plans offered.<sup>21</sup> Monthly premiums for stand-alone Medicare Prescription Drug plans (Part D) also vary by insurer, geographic area, and plans offered.

FIGURE 9

### Distribution of Out-of-Pocket Health Care Expenses, Elderly vs. Non-Elderly in Households, 2003



Sources: Bernard, D. and Banthin, J. Out-of-Pocket Expenditures on Health Care and Insurance Premiums among the Elderly Population, 2003. Statistical Brief #122. March 2006. Agency for Healthcare Research and Quality, Rockville, MD. <http://www.meps.ahrq.gov/papers/st122/stat122.pdf> and Bernard, D. and Banthin, J. Out-of-Pocket Expenditures on Health Care and Insurance Premiums among the Nonelderly Population, 2003. Statistical Brief #121. March 2006. Agency for Healthcare Research and Quality, Rockville, MD. <http://www.meps.ahrq.gov/papers/st121/stat121.pdf>.

The combined premium costs for Medicare and full supplemental health care coverage are summarized in **Table 7**.<sup>22</sup> The Elder Standard for the Boston area is calculated using a Medicare Advantage Plan instead of a Medigap Supplemental plan because they are less expensive.

It is important to remember that the premium costs apply to each member of an elder household. For example, an elder couple in the Boston area will pay \$5,052 per year in health care premiums for a Medicare Advantage Plan with Prescription Drug coverage.

## Additional Out-of-Pocket Health Care Costs

In addition to the premiums elders pay for Parts B, C, and Part D, they experience substantial out-of-pocket costs because of the gaps in Medicare coverage and the copays and deductibles under Medicare Advantage and prescription drug plans.

### Medicare Prescription Drug Plan Costs- Part D

Elders with a Medicare Part D Prescription Drug Plan can still have sizeable out-of-pocket costs. These costs include deductibles and co-pays built into the national plan as shown in **Table 8** below. Elders with a Part D plan will also incur out-of-pocket costs for drugs not in the plan's formulary (list of approved drugs).

TABLE 7

#### Medicare Premium Costs: Medicare Advantage Plan and Prescription Drug Plan Boston Area, 2006

	Part A	Part B	Part C*	Part D	Total
	Hospitalization	Out-Patient Doctor & Therapy Visits	Medicare Advantage Plan* (Medicare HMO)	Prescription Drug Plan (MA Benchmark \$)	
Per Month	(none/payroll tax)	\$88.50	\$92	\$30	\$210.50
Per Year	(none/payroll tax)	\$1,062	\$1,104	\$360	\$2,526

\*Average Cost for Part C plans in the Boston Area (Medicare Advantage Plan) when Part D is purchased separately; if the Prescription Drug Plan is included in Medicare Advantage, the average monthly plan cost is \$124.  
Note: Medigap Supplement 1 Plan premiums in the Boston Area range from \$141-\$161 per month.

TABLE 8

#### The National Medicare Part D Prescription Drug Plan Cost Sharing Formula

Prescription Costs/Year	Range (\$)	Medicare Part D Pays %	Elder Co-Pays %	Cumulative Cost to Part D Plan	Cumulative Cost to Elder
\$250	up to \$250	0%	100%		\$250.00
\$1,250	\$250-\$2,250	75%	25%	\$750.00	\$500.00
\$2,250				\$1,500.00	\$750.00
\$3,250	\$2,250-\$5,100	0%	Elder pays 100%	\$1,500.00	\$1,750.00
\$4,250			of costs in	\$1,500.00	\$2,750.00
\$5,100			the "donut hole"	\$1,500.00	\$3,600.00
\$5,250	over \$5,100	95%	5%	\$1,642.50	\$3,607.50
\$10,250				\$6,392.50	\$3,857.50

Source: U.S. Center for Medicare and Medicaid Services.

TABLE 9

### How Prescription Advantage and Medicare Part D Help Massachusetts Elders

Income*	Monthly Premium	Deductible	Annual Cap	CoPays
Under 130% FPL	No Pt D premium	No deductible	N/A	\$1-5 per drug
130-188% FPL	PA pays Pt D premium	No deductible	\$1,440 cap**	\$7-18 per drug
188-225% FPL	Elder pays \$20/mo	No deductible	\$1,800 cap	\$12-30 per drug
225-300% FPL	Elder pays full Pt D	No deductible	\$2,150 cap	\$12-30 per drug
300-500% FPL	Pt D + \$200/yr for PA		\$2,870 cap	\$10-60 per drug

\*Income as a percentage of Federal Poverty Level (FPL).

\*\*If elder qualifies for partial extra help from Medicare Part D, cap in this income level is \$1,300.

Source: [http://www.mass.gov/Elders/docs/prescription\\_advantage\\_medicare\\_wrap\\_factsheet.pdf](http://www.mass.gov/Elders/docs/prescription_advantage_medicare_wrap_factsheet.pdf)  
Additional information is available at <http://www.massresources.org/pages.cfm?dynamicID=689&SecondLeveldynamicID=794&subpages=yes&contentID=49&pageID=13>

Elders with prescription drug costs between \$2,250 and \$5,100 (\$187.50-\$425 per month) have to pay the full burden of their prescription drug costs in that range. Only when their costs exceed \$3,600 per year or \$300 per month do they receive additional help with paying for their medications.

#### Massachusetts Prescription Advantage (PA)

Massachusetts elders are fortunate to have Prescription Advantage, the state - subsidized prescription drug program that provides additional secondary or wrap-around coverage to the Medicare Plan D Prescription Drug Plan. Prescription Advantage lowers the deductible and caps that elders pay compared to Medicare Part D, and there is no additional premium until incomes exceed 300% of the Federal Poverty Guidelines. **Table 9** illustrates the combined impact of Medicare Part D and Prescription Advantage (PA) for Massachusetts elders. Massachusetts requires Prescription Advantage members to enroll in Part D for primary coverage and becomes the secondary payer of additional help.

#### Co-Pays, Deductibles, and Other Medical Charges: Medical Expenditure Panel Survey

The Medical Expenditure Panel Survey (MEPS), conducted by the US Department of Health and Human Services' Agency for Healthcare Research and Quality, tracks health status, health insurance coverage, health care use and expenditures, and sources of payment for health services by members of the civilian non-institutionalized population through its household

component. It is the most frequently used database on household medical costs for the nation.

MEPS data illustrate how out-of-pocket medical costs vary by age, sex, health status, and other factors. Generally, out-of-pocket medical costs for elders vary as expected. Costs increase with declining health status. Costs for women are typically higher than for men. There is also variation among costs by age, but those patterns are not consistent. The greatest and most consistent variation is by health status. Therefore, to estimate health care costs, we use three "tracks" of out-of-pocket health costs by health status: excellent, good, and poor.

To project total health care costs for elders to be economically secure, we add premium costs for Parts B, C, and D (there is no Part A premium cost) to the out-of-pocket costs for health services. **Table 10** presents the costs for Boston area elders.

TABLE 10

#### Median Annual Out-of-Pocket Medical Costs Of Elders by Health Status, 2006 Boston Area

Health Status	Excellent	Good	Poor
Out of Pocket Costs (MEPS):	\$701	\$977	\$1,234
+ Premium Costs (Parts B, C, D):	\$2,526	\$2,526	\$2,526
= Total Health Care Costs:	\$3,227	\$3,503	\$3,760

Sources: Out-of-pocket costs generated from MEPSnet/HC using 2003 MEPS Household Component public use files. <http://www.meps.ahrq.gov/MEPSnet/HC/MEPSnetHC.asp>  
Updated by Medical CPI for area. Adds premium costs for area from CMS and the Medical Personal Plan Finder and Prescription Drug Plan Finder tools.

The goals of the Medicare Prescription Drug Plan (Part D) and Prescription Advantage are to reduce out-of-pocket costs for elders compared to prior years. If this occurs, these savings should be reflected in future MEPS data as the Elder Economic Security Standard is updated.

# When Elders Are at Risk

When older adults do not have supplemental health coverage to Medicare, either through retiree health insurance or through purchase of supplemental health plan and prescription drug coverage, they face the health risk of doing without needed medications, operations, checkups and monitoring, medical equipment, etc. As a result, their condition may worsen and pave the way for escalating health problems. They also face the economic risk of getting care but not being able to pay for it, see **Table 11**. Health care costs are a significant and growing cause of debt.

TABLE 11

**Risks of High Hospitalization Costs without Supplemental Coverage**

# Days Per Benefit Period	Daily Co-Pay Per Period	Total Co-Pays (thru last day)	Cumulative Total Co-Pays
1-60		\$952	\$952
61-90	\$238	+ \$7,140	\$8,092
91-150	\$476	+ \$28,560	\$36,652
Over 150	Full rate	Full rate x days	+ Full daily rate x # days

# The Need for Supplemental Health Insurance Coverage

In 2006, the Medicare Part A deductible is \$952 per hospital stay. Part B, which covers outpatient doctor visit costs, has a \$124 annual deductible, and there is a 20% co-pay for doctor visits, outpatient therapy, preventive services and durable medical equipment. After the Part A deductible of \$952, the elder pays \$238 per day for days 61-90, \$476 per day for days 91-150, and all costs per day for days over 150 per benefit period. In addition, the elder pays for medically necessary skilled nursing facility care (following a related 3-day hospital stay) at \$119 per day for days 21-100 of a

skilled nursing facility stay per benefit period, and all costs for skilled nursing facility care over 100 days per benefit period. For a new benefit period to start, the elder must be discharged from the hospital or nursing facility and remain out of it for at least 60 days.

Medicare coverage of long-term care is limited to medically necessary care following a 3-day hospitalization. It is important to note that Medicare does not cover routine, ongoing long-term care required for assistance with activities of daily living, such as bathing, dressing, feeding, or toileting at home. Those costs are fully borne by elders, unless they are eligible for Medicaid (MassHealth) or they purchased long-term care insurance. In addition, Medicare does not cover dental, hearing, podiatry, and vision services that are frequently needed by elders and can be significant in cost.

# Additional Coverage from Medicare Advantage and Medigap Plans

Medicare Advantage Plans in Massachusetts limit hospitalization co-pays to \$500-\$600 per year, as long as care is provided in a network hospital. In addition, they limit skilled nursing facility co-pays to \$10 per day for up to 100 days per year, and there is no co-pay for medically necessary home care. Doctor visits typically have a \$10-\$15 co-pay and \$20-\$30 for specialists, depending upon the plan. There is often some coverage for dental, hearing, and vision services, and an annual physical (Medicare only covers a one-time welcome to Medicare physical at entry). Comprehensive Medigap plans have no co-pays or deductibles for Medicare-covered services.

Purchasing supplemental insurance to Medicare is needed to protect elders from the “catastrophic costs” of serious, lengthy, and/or debilitating illness. The Medicare Current Beneficiary Survey reported 36% of Medicare beneficiaries had individual supplemental coverage (Medigap at 21% + Medicare HMO at 15%), 35% had employer-sponsored coverage, and 17% were on Medicaid. Only 12% had no supplemental coverage.<sup>24</sup>

Seniors with retiree health plan coverage are fortunate in that their premium costs are covered in part by their former employer; the type of plan coverage will deter-



mine their schedule of co-pays and deductibles. Retiree health coverage represents an important component of economic security for seniors who worked in jobs with such benefits. The share of large employers offering retiree health plans fell from 66% to 36% between 1988 and 2004.<sup>25</sup>

## D. Transportation Costs

Transportation costs for older adults are influenced by a number of factors: how many trips they take, the distance traveled, and the mode of transportation, for example, automobile, public transit, or specialized transportation due to mobility and medical needs.

### Transportation Cost Component of the Elder Standard

To construct the transportation component of the Elder Standard, we include tracks for public transit and private automobile costs.<sup>26</sup>

TABLE 12

#### Transportation Costs for the Elder Economic Security Standard, 2006 Boston Area

	Public Transit		Private Automobile	
	Individual	Couple	Individual	Couple
Per Month	\$16	\$32	\$156	\$358
Per Year	\$192	\$384	\$1,875	\$4,300

Sources: Metropolitan Boston Transit Authority (MBTA) Senior Monthly T Pass. U.S. Department of Transportation, National Household Travel Survey, <https://nhts.ornl.gov/2001>. Internal Revenue Service, per mile costs, "Revenue Procedure 2005-78," Dec. 2, 2005.

### Rationale for Selection of Elder Transportation Cost Measures

#### Public Transit Costs

For Boston's older adults with the mobility to use conventional public transit, the MBTA serves Boston's neighborhoods and surrounding communities through its network of subway and bus lines. The cost of the Senior/Transportation Access Program (TAP) Pass is \$16 per month or \$192 per year, plus a one-time fee of \$3 for a new ID. A fee increase is proposed for 2007, along with an increase in other MBTA rates.<sup>27</sup>

#### Private Transportation Costs

Seniors who own and drive their own cars face substantially higher transportation costs. There are several different data sources to draw on. The U.S. Department of Transportation conducts a National Household Travel Survey (NHTS) periodically. The most recent survey data available is 2001. While recognizing the data reported are likely to have changed in the past five years, we can learn from the basic trends they indicate. Retired adults drive less than younger households and make a greater proportion of trips for shopping, social and recreational activities, and personal and family needs. In Massachusetts, retired adults living alone report 4,213 vehicle miles per year, an average of 12 miles/day. Retired couples report 9,663 vehicle miles per year, or 26 miles/day. The average age of cars owned by retired adults in New England range from 6 to 9 years old in metropolitan areas and from 9 to 11 years old in rural areas.

According to Dr. Sandra Rosenbloom of the University of Arizona, younger adults with the greatest mobility are most likely to use conventional public transit, while elders "may be unable to board or ride public transit, or walk to a bus stop or train station." With advancing age, older adults are more likely to drive, ride as passengers in cars, and use special transit services when they are available.<sup>28</sup>

We use the annual mileage travel information reported by the National Household Travel Survey for older adults and apply the per-mile travel costs calculated by the Internal Revenue Service (IRS). Each year, the IRS calculates a standard mileage rate based on the annual variable and fixed costs of operating an automobile. For 2006, the mileage rate allowed for travel for charitable deduction purposes is 14 cents per mile (operating costs only), while the mileage rate for business deduction purposes and reimbursement (operating plus ownership costs) is 44.5 cents per mile.<sup>29</sup>

Elders in cities likely drive fewer miles than those in the state as a whole; this is offset in part by higher auto insurance rates. Applying \$0.445 to the mileage figures from NHTS gives \$1,875 for a single elder and \$4,300 for an elder couple. See **Table 13**.

TABLE 13

### Estimated Cost of Private Automobile Ownership and Use for Boston Elders, Based on Massachusetts Elder Driving Patterns, 2006

	1 Adult 65+	2 Adults 65+
Annual Mileage in Massachusetts	4,213	9,663
Operating + Ownership Costs per mile	\$.445	\$.445
Operating + Ownership Costs @ \$.445/mi.	\$1,875	\$4,300

Sources: U.S. Department of Transportation, National Household Travel Survey, <https://nhts.ornl.gov/2001>. Internal Revenue Service, per mile costs, "Revenue Procedure 2005-78," Dec. 2, 2005

The Consumer Expenditure Survey 2003-2004 reports that elder households in the Northeast spent, on average, adjusting for inflation, \$1,959 on vehicle purchase costs, \$1,498 on insurance, maintenance and repair, and \$796 on gas and oil per year, for a total of \$4,253, excluding public transit. See **Table 14**.

TABLE 14

### Elder Household Spending on Transportation, Northeast US, 2005

	Average Spending, Households 65 and over
Vehicle Purchase	\$1,959
Gas & Oil	\$796
Insurance, Maintenance & Repair	\$1,498
Subtotal Auto	\$4,253
Public Transit	\$382
Total Transport	\$4,634

Source: U.S. Department of Labor, Bureau of Labor Statistics, Consumer Expenditure Survey 2003-2004, Northeast US, updated using CPI-U for Transportation.

seniors can purchase taxi coupons worth \$10 at a cost of \$5; all Boston licensed taxi drivers accept the coupons. Kit Clark Senior Services provides handi-capped-accessible vans to transport elders to program sites for adult day health, congregate meals, and recreation programs, and to medical appointments and health-related programs.

THE RIDE is the MBTA's Paratransit program, which provides door-to-door transportation to eligible people who cannot use general public transportation (subways, buses, and trains), all or some of the time, because of a physical, cognitive, or mental disability. THE RIDE is operated in compliance with the federal Americans with Disabilities Act (ADA) and is a shared-ride service, which means user travels with other people.

Lift-equipped vans are used to serve persons with disabilities, including those who use wheelchairs and scooters. THE RIDE operates 365 days a year in 62 Eastern Massachusetts cities and towns. The local one-way fare for each registered passenger is \$1.50 or \$3.00, while longer trips may cost \$4.50. For those traveling with a Personal Care Assistant (PCA), the PCA is not charged a fee.

## Special Transit Services

There are also paratransit and special transportation services available to elders who have limited mobility or do not have cars. These range from wheelchair-accessible van services to taxi discount programs. The City of Boston operates a wheelchair-accessible Senior Shuttle service that provides free transportation to non-emergency medical appointments, food shopping groups, and social and recreational events. It runs a Taxi Discount Coupon Program in which Boston



### 3.

## The Elder Economic Security Standard for the Boston Area

The four components; housing, food, healthcare, and transportation, plus 20% for miscellaneous expenses are added together to calculate the Elder Standard for the Boston area. These costs vary according to household size (2 options), housing tenure (3 options), health status (3 options), and public or private transportation (2 options). There are 54 elder household combinations in total for which the Elder Standards are presented in Appendix B.

Table 15 on the following page presents the Elder Standard for four selected elder household types in the Boston Area.

### Elder Economic Security Standard Findings for the Boston Area

#### 1. Elders in Boston cannot make ends meet at the poverty level or at the average Social Security Payment in 2006, without subsidies for housing and health care.

- The Elder Standard for Boston area elders living alone is 150-240% of the federal poverty guidelines in 2006.
- The Elder Standard for Boston area elders living alone is 120-195% of the average Social Security Payment in 2006.
- The Elder Standard for Boston area elder couples is 160-225% of the federal poverty guidelines for two-person households in 2006.
- The Elder Standard for Boston area elder couples is 110-150% of the average Social Security Payment for elder couples in 2006.

#### 2. Elders living alone in the Boston area need \$14,900 - \$23,600 to cover their basic living costs, depending on their housing and transportation expenses.

- Elders living alone in the Boston area who own their home without a mortgage need \$14,900 a year to cover their basic living expenses.

- If they don't own a home free and clear or can't afford to keep it, and are required to rent an apartment in the Boston area, the income needed to cover basic living expenses jumps to \$23,600.
- Elders with lower incomes need rent subsidies and/or elder affordable housing units, and help to cover supplemental health plan costs.

#### 3. Elder couples in the Boston area need \$21,800 - \$30,600 to cover their basic living costs, depending on their housing and transportation expenses.

- Elder couples in the Boston area who own their home without a mortgage need \$21,800 a year to cover their basic living expenses.
- If they don't own a home free and clear or can't afford to keep it, and are required to rent an apartment in the Boston area, the income needed to cover basic living expenses jumps to \$30,600.
- Elder couples with lower incomes need rent subsidies and/or affordable housing units, and help to cover supplemental health plan costs.

#### 4. Some elders who are currently making ends meet face an uncertain future if their life circumstances change, such as losing a spouse or experiencing a change in health status.

- A member of an elder couple paying market rate rent in Boston has expenses reduced by only 25% when a spouse dies; \$23,600 per year down from \$30,600.
- Elders in Boston need to spend \$210 each month on Medicare supplemental insurance premiums – about as much as they spend on food – to have protection against high medical and prescription drug costs.
- With full supplemental health and prescription drug coverage, at a premium cost of about \$2,500 per year in the Boston area, elders face additional out-of-pocket health care costs (co-pays, deductibles and uncovered services) ranging from \$700-\$1,200 per year, depending on health status (excellent, good, or poor).

TABLE 15

### The Elder Economic Security Standard for Boston Area, 2006

#### Monthly Expenses for Selected Household Types

Monthly Expenses/Monthly and Yearly Totals	Elder Person		Elder Couple	
	Owner w/o Mortgage	Fair Market Rent 1BR	Owner w/o Mortgage	Fair Market Rent 1BR
	Public Transit		Public Transit	
Housing	\$520	\$1,128	\$520	\$1,128
Food	\$206	\$206	\$378	\$378
Transportation	\$16	\$16	\$32	\$32
Health Care = Good	\$292	\$292	\$584	\$584
Miscellaneous @ 20%	\$207	\$328	\$303	\$424
Elder Standard Per Month	\$1,241	\$1,970	\$1,817	\$2,546
Elder Standard Per Year	\$14,890	\$23,645	\$21,802	\$30,557
<b>Impact of Changes in Health Status</b>				
Health Care = Excellent	\$269	\$269	\$538	\$538
Miscellaneous @ 20%	\$202	\$324	\$294	\$415
Elder Standard Per Month	\$1,213	\$1,943	\$1,762	\$2,491
Elder Standard Per Year	\$14,558	\$23,314	\$21,139	\$29,894
Health Care = Poor	\$313	\$313	\$626	\$626
Miscellaneous @ 20%	\$211	\$333	\$311	\$433
Elder Standard Per Month	\$1,266	\$1,996	\$1,867	\$2,597
Elder Standard Per Year	\$15,192	\$23,947	\$22,406	\$31,162
<b>Comparative Income Benchmarks</b>				
	Elder Person		Elder Couple	
Federal Poverty Guidelines, 2006	\$9,800	\$9,800	\$13,200	\$13,200
Average Social Security Payment, 2006	\$12,024	\$12,024	\$19,776	\$19,776
Elder Standard as % Federal Poverty Guidelines	149%	238%	160%	226%
Elder Standard as % Average Social Security Pmt.	121%	194%	107%	151%

Elders in the Boston area cannot live at the poverty level, or even at the average Social Security payment in 2006, without subsidies for housing and health care.

Source: Gerontology Institute, University of Massachusetts Boston.

## Summary of Elder Standards for the Boston Area

We summarize the findings for the Elder Standard for the 54 elder household types in the Boston Area by presenting the ranges of total costs for elders as they vary by changes in health status within each of the household types in **Table 16**.

TABLE 16

### Summary of Annual Elder Standard Ranges for Boston Area Elders

	Public Transit	Private Auto
<b>Individuals:</b>		
Homeowner w/o Mortgage	\$14,600-\$15,200	\$16,600-\$17,200
Fair Market Rent	\$23,300-\$23,900	\$25,300-\$26,000
Homeowner with Mortgage	\$31,200-\$31,900	\$33,300-\$33,900
<b>Couples:</b>		
Homeowner w/o Mortgage	\$21,100-\$22,400	\$25,800-\$27,100
Fair Market Rent	\$29,900-\$31,100	\$34,600-\$35,900
Homeowner with Mortgage	\$37,800-\$39,100	\$42,500-\$43,800

Note: Lower end of each range is for elders in excellent health, upper end of each range is for elders in poor health.

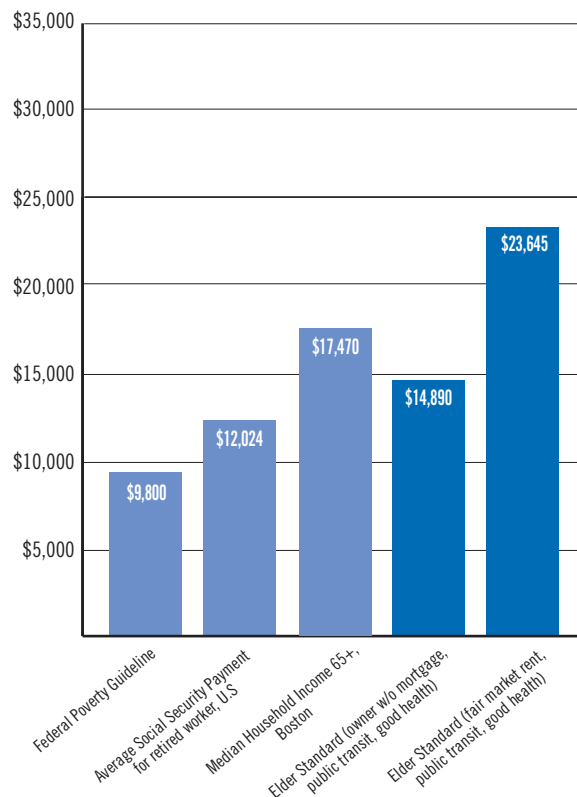
## Comparison to Other Benchmarks of Income

To put the Elder Standard for the Boston Area in context, Figures 10 and 11 compare the Elder Standard to other measures of income adequacy and of representative incomes for Boston Area elders: the federal poverty guideline, average Social Security payments, and median incomes for Boston elders 65 years and older.

**Figure 10** presents comparisons for single elder households, and **Figure 11** presents comparisons for elder couple households.

FIGURE 10

### The Elder Standard Compared to Other Benchmarks, 2006 Standard for One-Person Elder Households in the Boston Area



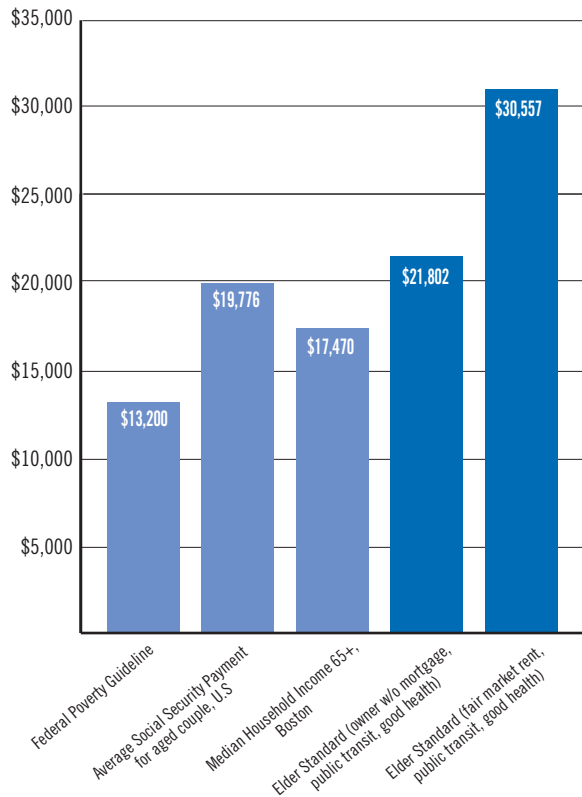
**Federal Poverty Guidelines:** In the two examples presented in Figure 10, the after-tax income required by an elder living alone in Boston is 1.5 to 2.4 times the official poverty guidelines. In 2006, under the federal poverty guidelines a single adult household is poor if it has a monthly income of \$817 (\$9,800 per year).

**Average Social Security Payment:** The average U.S. Social Security payment in 2006, at \$1,002 per month (\$12,024 per year), is higher than the poverty guidelines, but below the Elder Standard for owners without a mortgage, and substantially below the Elder Standard for elders paying market rate rents.

**Median Household Income:** The median household income for Boston area elders ages 65 and older is higher than the Elder Standard for elder homeowners without a mortgage, but less than the Elder Standard for elders paying market rate rents.

FIGURE 11

The Elder Standard Compared to Other Benchmarks, 2006  
**Standard for Two-Person Elder Household  
 in the Boston Area**



In summary, even with these modest assumptions for expenses, elders in Boston cannot live at the poverty level or at the level of the average Social Security payment, without subsidies for housing and health care. In addition, some elders who are currently making ends meet face an uncertain future if their life circumstances change, such as losing a spouse or experiencing a change in health status.

**Federal Poverty Guidelines:** In the two examples presented in Figure 11, the after-tax income required by an elder couple in Boston is 1.7 to 2.3 times the official poverty guidelines. In 2006, under the federal poverty guidelines, a two-adult household is poor if it has a monthly income of \$1,100 (\$13,200 per year).

**Average Social Security Payment:** The average Social Security payment for an elder couple in 2006, at \$1,648 per month (\$19,776 per year), is somewhat below the Elder Standard for homeowner couples without a mortgage, and substantially below the Elder Standard for elder couples renting at market rates in Boston.

**Median Household Income:** The median household income for Boston area elders ages 65 and older, at \$17,470, is less than the Elder Standard for all elder couple households in Boston.

## 4.

# Benchmarking the Cost of Home and Community Long-Term Care Services

Long-term care is a continuum that can start at a couple of hours of care per week and can increase to round the clock, year-round care.<sup>30</sup> Using national long-term care utilization data, we constructed three packages of home- and community-based long-term care services: low, medium, and high. The cost of these services, specific to the Boston area, is inserted to determine the total cost of providing the chosen level of care. The high package has two variations, one with Adult Day Health (ADH) care and one without ADH care. ADH is not universally available or appropriate, but where it is available, it can be a cost-effective way to provide care and therefore is included. The high level of care represents someone who is nursing-home eligible.

**Table 17** illustrates the impact of home and community based long-term care on the incomes required for elders in the Boston area.

TABLE 17

### Home and Community Based Long-Term Private Care Costs for the Elder Economic Security Standard, 2006, Boston Area

Level of Need for Long-Term Care:	Low	Medium	High with Adult Day Health*	High without Adult Day Health
Hours Per Week	6 hours	16 hours	36 hours	36 hours
Cost Per Month	\$663	\$1,729	\$3,028	\$3,680
Cost Per Year	\$7,955	\$20,753	\$36,331	\$44,161

\* 3 days at 6 hours/day = 18 hours/week in Adult Day Health Program (= 1/2 total hours)  
Source: Authors' calculations, based on data, surveys, and interviews with Elder Affairs and other state and federal agencies, trade associations, and numerous agencies, providers, and stakeholders.

## Rationale for Selection of Home and Community Long-Term Care Measures

Not all elders will need long-term care; therefore, it is provided as an add-on component to the basic Elder Economic Security Standard. Research has found that two-thirds of seniors will need long-term care at some point in their later years; half will have out-of-pocket expenses for care, and 5% will spend as much as \$100,000.<sup>31</sup>

The three packages we have selected are only representative of the continuum. The packages assume that the care is formal, paid care, as the Elder Standard measures the costs of goods and services needed by elders in the marketplace. Much of the long-term care provided in the United States is informal care provided by family members, which, if available would reduce the cost of care or increase the hours of care without increasing the cost.<sup>32</sup>

The U.S. Department of Health and Human Services projects that by 2020 at least 12 million Americans 65+ will need either institutional or community long-term care. At present about 70% of older adults requiring community long-term care receive it from family or friends. The rest receive paid care, either subsidized or out-of-pocket, or defer getting help as long as possible.<sup>33</sup>

## Functional Limitations and Aging

Eligibility for home and community long-term care programs is typically measured by ability to perform Activities of Daily Living (ADLs) and Instrumental Activities of Daily Living (IADLs).

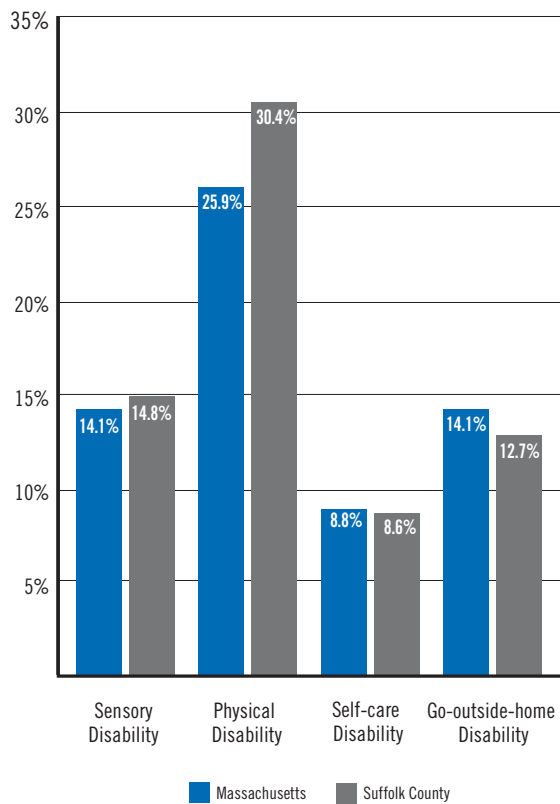
- ADLs are activities related to personal care such as bathing, dressing, eating, getting in and out of bed or a chair, and toileting.

- IADLs are tasks related to daily living such as preparing meals, using the telephone, shopping for groceries and necessities, performing light and heavy household chores, and managing money.

Among elders 65 and older in the United States who live in the community, 37% experience some type of physical limitation, 19% report one to two ADL limitations, and 9% report three to six ADL limitations.<sup>34</sup> In Massachusetts, one quarter of older adults report physical limitations, and in Suffolk County, just under 30%.<sup>35</sup> See **Figure 12**.

FIGURE 12

### Disability Among Elders 65+ in Massachusetts and Suffolk County, 2004



Source: U.S. Census, American Community Survey

## The Big Picture: Likelihood of Need and Patterns of Long-Term Care Usage

A recent study of the need for long-term care found that elders 65 years old today will need on average three years of long-term care (nursing facility, home care, or informal care). Women will need an average of 3.7 years and men, 2.2 years.<sup>36</sup> These averages reflect considerable variability among older adults, as noted above. Generally, among those receiving paid personal or homemaker care, the higher the number of ADL limitations, the greater the number of paid hours of care. However, the amount of limitation in the ability to perform an ADL may influence hours of paid care. Impairment may vary from minimally to maximally limiting. The elder may need cueing, supervision, or physical assistance with that activity. Also, the type of ADL may influence hours of paid care. Assistance with mobility and bathing in particular has been associated with high number of paid hours of care.<sup>37</sup>

A recent Urban Institute study of frail elders found that among elders receiving paid help, the least functionally limited, with one ADL or IADL, on average, received 20 hours of paid assistance (median 10 hours) per week and those with the highest functional limitations, with more than three ADLs, received on average, 36 hours of paid assistance (median 14 hours).<sup>38</sup> A recent AARP Public Policy Institute study found that elders with one ADL limitation (many cognitively impaired) received on average 21 hours of paid help, those with two to three ADLs received an average of 32 hours, and those with four ADLs received an average of 46 hours of paid help.<sup>39</sup>

In **Figure 13** summarizing these data, the two clusters to the right represent average weekly paid hours of care, and median weekly paid hours of care, respectively. Average weekly paid hours of care range from 20 to 36 hours, depending on number of ADLs, median weekly paid hours of care range from 10 to 14 hours.<sup>40</sup> The difference between average weekly paid hours and median weekly paid hours shows the wide range of utilization of paid care among those with similar ADLs.

## Types of Home and Community Long-Term Care Services

**Personal Care Services** – The provision of help (hands-on or standby with cueing) with activities such as bathing, dressing, eating, toileting, walking, and getting in and out of bed. These services are provided by Personal Care Aides or Home Health Aides.

**Home Health Aide Services** – The same kinds of services included in personal care, but provided by Home Health Aides, who are certified in many states, are considered more skilled than Personal Care Aides, and are supervised by RNs or therapists (speech, PT, OT).

**Homemaking Services** – The provision of assistance with tasks (IADLs) such as shopping, menu planning, meal preparation, laundry, and light housekeeping.

**Chore Services** – The provision of help with heavy household work such as washing floors, changing storm windows, yard work, shoveling snow, cleaning oven, defrosting refrigerator, etc.

**Home Accessibility Modifications Services** – Adaptations and/or renovations that make the home safer and easier to navigate, such as, installation of grab bars, tub transfer benches, handrails, or lighting; replacing handles on doors with levers and light switches with paddles; and widening doorways or minimizing thresholds.

**Case Management, Geriatric Care Management** – The case manager assesses the elder for service needs, obtains services, monitors elder's progress, coordinates service providers, and communicates regularly with professionals working with elder, the elder client, family, and informal supports.

**Skilled Nursing and Therapy Services** – Specialized service provided by a Registered Nurse, Licensed Practical Nurse or Licensed Vocational Nurse. Nursing services include assessment of support needs, development of care plans, monitoring health status, and performing specialized procedures and treatments. Physical, occupational, and speech therapists or certified therapy assistants provide evaluation and treatment as needed.

**Personal Emergency Response System** – A wearable signaling device that sends a digital message over phone lines to a central monitoring station for help in case of an emergency. An enhanced service includes a telephone with enlarged numbers and reminder features, for example, signaling to take medication.

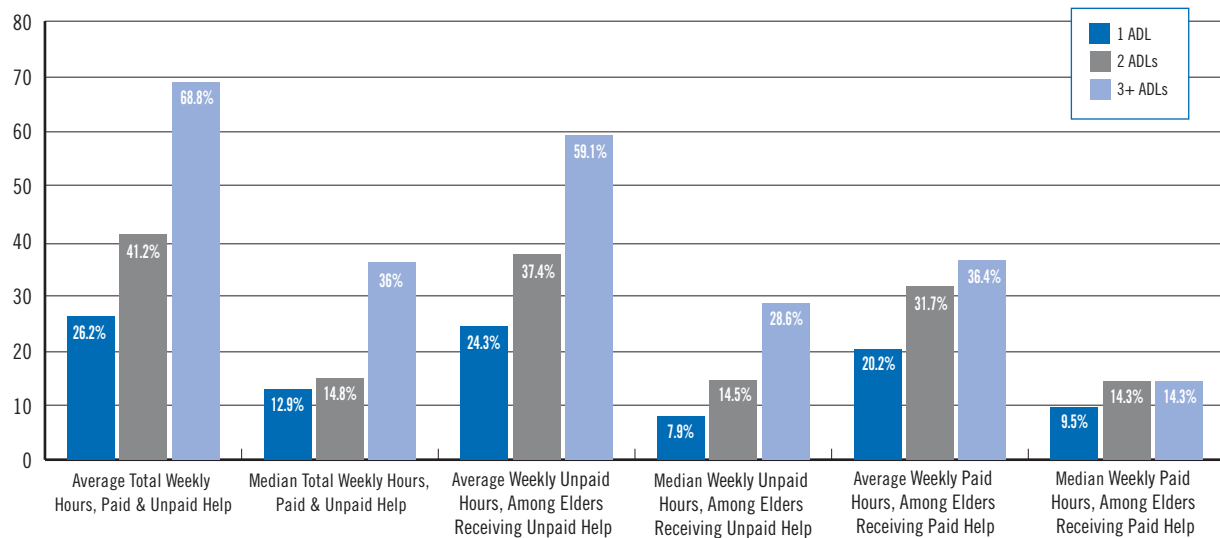
**Adult Day Care Services** – The provision of nursing services, health oversight, assistance with ADLs, therapeutic recreation, meals, family support, case management, and rehabilitative and preventative care in a structured group setting for adults with functional or cognitive impairments. This includes adult day health care, social day care, and special and separate care programs for elders with dementia.

**Assistive Devices and Supplies** – These may include one time purchases such as a bath chair, raised toilet seat, or hand-held shower, as well as monthly expenses for incontinence pads, disposable gloves, or skin-care ointments and dressings.



FIGURE 13

### Weekly Hours of Help Received by Non-Institutionalized Frail Older Adults 65+ by ADL Level, 2002



Source: Adapted by author from: Johnson, R. & Wiener, J. (2006). A profile of frail older Americans and their caregivers. Urban Institute. Occasional Paper Number 8. The Retirement Project.

## Constructing a Model of Long-Term Care Costs

We selected the following components of a home and community long-term care services package to construct the monthly cost estimates:

- personal assistance with care of the body and every-day tasks, these are provided primarily by personal care aides and home health aides
- help by a homemaker with regular household tasks, most importantly laundry, food shopping, meal preparation, and housekeeping
- a case manager to assess, coordinate, and monitor the need for assistance by providing supports or augmenting help of informal caregivers in the home
- personal emergency response system
- disposable supplies (such as wound care or incontinence products)

- adult day health care, for urban areas where this service exists, provides meals, social recreation, medical oversight and informal caregiver respite.

There are a number of valuable services that may be needed but are not included in the basic package because their utilization was low or the service overlapped with other elements of the Elder Standard.<sup>41</sup>

**Table 18** presents the costs of a long-term care package for the Boston area at three service levels chosen along the continuum of care needs, using public reimbursement and private pay rates.

### Low Service Package

The monthly cost for the low package of services of six hours per week of help using the Boston area's private pay rates is \$663/month. For simplicity and because the rates are very similar, personal care and homemakers are combined. We present both the public and private rates for comparison because public rates are relevant to public policy, and private rates to individuals' and family members' planning. A personal emer-

## Sources of Payment for Home and Community Long-Term Care Services

**Medicare** – Medicare does not generally pay for long-term care. Home health services are only available to those who require skilled nursing or therapists and aides/homemakers in a post-acute situation and part-time or intermittently. Since Medicare is included in the health care costs component of the standard, skilled care is not included in the long-term care costs.

**MassHealth (Medicaid)** – MassHealth (Medicaid) is a federal and state government-funded program of health care for low-income Americans. Medicaid provides a full range of health care benefits, including nursing facility care and home- and community-based services. MassHealth also funds home and community based long-term care programs under waivers from Medicaid, at various levels of support, including Enhanced Community Options (ECOP) and Community Choices.

**Older Americans Act** - The Administration on Aging (AoA) and state Area Agencies on Aging, fund services such as home-delivered and congregate meals, food shopping assistance, and family caregiver services.

**State Revenues, Massachusetts Home Care Program** – Anyone 60+ may access an Aging Services Access Point (ASAP), the single point of entry to the Massachusetts Home Care Program. There are 27 ASAPs in communities across the state, three of which serve Boston. ASAPs manage the state home care program by providing information and referral as well as case management. ASAPs contract with a variety of agencies for direct services. Clinical, functional, and financial eligibility criteria must be met to receive services. ASAPs also perform nursing home screenings for people in nursing homes who are “converting” to MassHealth, to determine if they could be cared for in a less restrictive setting.

**Long-Term Care Insurance** – Today two-thirds of long-term care insurance policies cover home and community care, as well as nursing home care. Nationally, approximately 2% of nursing home costs and 8% of home health costs are covered by private long-term care insurance. Approximately 9% of adults 55+ and 7% of those 55-64 had LTC insurance policies in 2002. Because utilization of long-term care insurance is relatively low, we do not include it in the Elder Standard. It is, however, a potential source of financial protection for elders who are able to afford the premium costs, and who meet underwriting criteria for coverage by it.

**Donated or Unpaid Care** – Recent Congressional Budget Office (CBO) testimony (2005), focusing on the cost and financing of home and community long-term care, revealed that if the value of donated or unpaid care was included, substituting the cost of formal care for donated care, over two-thirds of home-based long-term care expenditures for elders would be for informal caregivers. The economic value of donated care was estimated to be \$50 billion to \$103 billion in 2004 dollars.<sup>42</sup>

**Self Pay** – Savings, other retirement income sources, and home equity are potential sources to offset the cost of home and community long-term care.

gency response system is included for the safety of an individual living alone. Case management is included to oversee services and manage needs of the disabled elder; costs of this service are included at negotiated public reimbursement rates, and at hourly private pay rates, respectively.

### Medium Service Package

The monthly cost for the medium package of services of 16 hours per week of help is \$1,729 at private pay rates, based on average rates in the Boston area. The medium package adds supplies to reflect the need for disposable items such as incontinence supplies, etc., often needed as one becomes more disabled.

### High Service Package

The high level package provides for 36 hours of care/week. At this level, two options are introduced, one with a mix of in-home care provided by a combination of a personal care/homemaker and additional care provided by a more skilled home health aide. The second option substitutes three days per week of basic Adult Day Health (ADH) care for some of the personal care/homemaker hours and some of the skilled home health aide hours, at six hours per ADH day plus transportation costs. The cost of the in-home plus Adult Day Health care package at Boston area private rates is \$3,028 month, 18% less than the \$3,680/month package without ADH care. An elder receiving the high services package is likely nursing-home eligible.

## The Impact of Long-Term Care Costs on the Elder Economic Security Standard

Long-term care costs can nearly equal or more than double the costs of all other items in the Elder Standard, leading to a severe financial impact on elders' budgets. It is a cost that can vary considerably over time, and it is not universally incurred. We therefore include the impact of long-term care as a separate, potentially catastrophic cost for elders.

The need for long-term care markedly raises costs, multiplying the Elder Standard. The low long-term care services package adds nearly \$8,000 per year to living expenses. The medium long-term care services

package adds nearly \$21,000 per year to living expenses. The high long-term care services package with adult day health adds \$36,000 per year to living expenses. The high long-term care services package with all in-home care adds \$44,000 per year to living expenses.

**Table 19** illustrates the impact of long-term care costs on elders' living expenses for four selected elder household types in the Boston area. The impact of long-term care costs on all of the elder household combinations for which the Elder Standards are calculated is included in **Appendix C**.

## Overview of Impact of Long-Term Care Findings for the Boston Area

The need for long-term care can more than double an elder's expenses, significantly increasing the income needed to meet basic needs:

- For each of the four elder households described earlier in this report, the Elder Standard for those in poor health ranges from \$15,200 to \$31,200 (without long-term care).
- Adding a low level of long-term care for one person adds nearly \$8,000 per year to living costs.
- Requiring a medium level of care for one person adds nearly \$21,000 per year.
- Needing a high level of care for one person adds \$36,000 - \$44,000 depending on whether adult day health care is used.

To put this in context, compare long-term care costs to other basic needs:

- Paying for even a low level of long-term care (6 hours per week) can cost as much or more as maintaining a home when the mortgage is paid off.
- Paying for a medium level of care (16 hours per week) can cost about 1 1/2 times the fair market rent on an apartment in the Boston area.
- Paying for a high level of care (36 hours per week) costs as much or more as all other living expenses combined.

TABLE 18

### Long-Term Care Services Package Costs at Public Reimbursement Rates Boston Area: Cost of Care at 6, 16, and 36 Hours/Week

		Low (6 hrs/wk)		Medium (16 hrs/wk)		High w/Adult Day Health* (36 hrs/wk, 1/2=ADH)		High w/o Adult Day Care (36 hrs/wk)	
	Public Rate	Hours	Cost	Hours	Cost	Hours	Cost	Hours	Cost
Personal Care/Homemaker	\$18.34	25.8	\$473	68.8	\$1,262	51.6	\$946	103.2	\$1,893
Home Health Aide	\$23.48		–		–	25.8	\$606	51.6	\$1,212
Adult Day Health (6hrs/day)*	\$7.83		–		–	77.4	\$606		–
ADH Transport (# days)**	\$25.00					3	\$75		
Case Management***	\$107-\$275		\$107		\$138		\$275		\$275
Supplies	\$80		–		\$80		\$80		\$80
PERS****	\$30		\$30		\$30		\$30		\$30
Subtotal Hours/Month		25.8		68.8		154.8		154.8	
Total Cost/Month			\$610		\$1,510		\$2,618		\$3,489
Total Cost/Year			\$7,322	–	\$18,118	–	\$31,421	–	\$41,871

### Long-Term Care Services Package Costs at Private Pay Rates Boston Area: Cost of Care at 6, 16, and 36 Hours/Week

		Low (6 hrs/wk)		Medium (16 hrs/wk)		High w/Adult Day Health* (36 hrs/wk, 1/2=ADH)		High w/o Adult Day Care (36 hrs/wk)	
	Public Rate	Hours	Cost	Hours	Cost	Hours	Cost	Hours	Cost
Personal Care/Homemaker	\$20.50	25.8	\$529	68.8	\$1,410	51.6	\$1,058	103.2	\$2,116
Home Health Aide	\$22.20		–		–	25.8	\$573	51.6	\$1,146
Adult Day Health (6hrs/day)*	\$11.67		–		–	77.4	\$903		–
ADH Transport (# days)**	\$25.00					3	\$75		
Case Management***	\$100-\$300		\$100		\$200		\$300		\$300
Supplies	\$85		–		\$85		\$85		\$85
PERS****	\$34		\$34		\$34		\$34		\$34
Subtotal Hours/Month		25.8		68.8		154.8		154.8	
Total Cost/Month			\$663		\$1,729		\$3,028		\$3,680
Total Cost/Year			\$7,955	–	\$20,753	–	\$36,331	–	\$44,161

\*Adult Day Health is included as an option in the High package, at 3 days/week; each day is 6 hours of care. As of May 1, 2006, Public Daily Rate of \$47 or \$7.83/hour. Private Daily Rate of \$70 or \$11.67/hour. Note that the Public Daily Rate for Complex Adult Day Care is higher, at \$59.

\*\*Adult Day Health Transport public and private rates range from \$10-\$15 one way, depending on geographic area, distance traveled, type of van (regular or chair), etc.

\*\*\* Case management based on negotiated rates for public reimbursement rates, and on private hourly rates for private pay rates.

\*\*\*\* PER5 is personal emergency response system.

Source: Authors' calculations based on data, surveys and interviews with MA Elder Affairs, Mass Home Care, trade associations, and numerous agencies, providers, and stakeholders.

TABLE 19

**The Impact of Home and Community Based Long-Term Care Costs on the  
Elder Economic Security Standard for Boston Area, 2006  
Addition of Long Term Care Costs**

Monthly Expenses/Monthly and Yearly Totals	Elder Person		Elder Couple	
	Owner w/o Mortgage	Fair Market Rent 1BR	Owner w/o Mortgage	Fair Market Rent 1BR
	Public Transit		Public Transit	
No Long-Term Care*				
Elder Standard Per Month	\$1,266	\$1,996	\$1,867	\$2,597
Elder Standard Per Year	\$15,192	\$23,947	\$22,406	\$31,162
<b>Add Impact of Changes in Long Term Care Status</b>				
<b>Low Long-Term Care: 6 hrs/wk = \$663/month</b>				
Cost Per Year	\$7,956	\$7,956	\$7,956	\$7,956
Elder Standard Per Year	\$23,148	\$31,903	\$30,362	\$39,118
<b>Medium Long-Term Care: 16 hrs/wk = \$1,729/month</b>				
Cost Per Year	\$20,748	\$20,748	\$20,748	\$20,748
Elder Standard Per Year	\$35,940	\$44,695	\$43,154	\$51,910
<b>High Long-Term Care with Adult Day Health: 36 hrs/wk = \$3,028/month**</b>				
Cost Per Year	\$36,336	\$36,336	\$36,336	\$36,336
Elder Standard Per Year	\$51,528	\$60,283	\$58,742	\$67,498
<b>High Long-Term Care without Adult Day Health: 36 hrs/wk = \$3,680/month</b>				
Cost Per Year	\$44,160	\$44,160	\$44,160	\$44,160
Elder Standard Per Year	\$59,352	\$68,107	\$66,566	\$75,322

Need for long-term care markedly raises costs, increasing the Elder Standard.

The low long-term care package adds nearly \$8,000 per year to living costs.

The medium long-term care package adds nearly \$21,000 per year to living costs.

The high long-term care package with adult day health adds \$36,000.

The high long-term care package with without Adult Day Health care adds \$44,000.

\* Elder Standard for persons in poor health used in example. LTC hours are total purchased per household.

\*\* Adult Day Health in this package is 3 days/week for 6 hrs/day = 18 hrs, half of total.  
The Table illustrates points along the continuum of need and services, priced at area market rates.

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## 5. Summary

The Elder Standard provides a tool for determining the expenses individual elders or older couples will experience in providing for their basic needs. This tool may be adapted for individual planning purposes as well as a targeted tool for state and local policy makers, community agencies, and advocates.

Boston area seniors are not a homogeneous group. They have a range of incomes. They also have a range of housing, life circumstances, health status, and need for long-term care. Many of these characteristics change over an elder's life span.

- Elders in Boston cannot live at the poverty level or even at the average Social Security Payment in 2006, without subsidies for housing and health care.
- The Elder Economic Security Standard demonstrates that elders living alone in the Boston area need \$14,900 - \$23,600 just to cover their basic living costs.
- The Elder Economic Security Standard demonstrates that elder couples in the Boston area need \$21,800 - \$30,600 to cover their basic living costs.
- Elder households spend about the same percentage of their budgets on housing and food as all households, and twice the share of all households on health care.
- Some elders who are currently making ends meet face an uncertain future if their life circumstances change, such as losing a spouse or a change in health status.
- The need for long-term care can more than double an elder's expenses, significantly increasing the income needed to meet basic needs.

The Elder Standard, with its respective "tracks" for

seniors living in different circumstances, shows how Boston area seniors with low and modest incomes are challenged to cover their living costs today, as costs for basic needs are rising much faster than their incomes. In addition, the Standard illustrates how seniors with moderate and somewhat higher incomes may be prepared for the present, yet face an uncertain future when living expenses rise markedly as their life circumstances change.

In Boston, as elsewhere in Massachusetts, significant numbers of elders are facing rising costs of living. Many aging boomers are grappling with care, living options, and economic realities for their aging parent(s). The Elder Economic Security Standard provides a framework to help guide public, private, and elders' decisions that will shape the health and well being of today's elders, and impact the aging boomers and families who care for them and follow in their footsteps.



## Appendix A

# Data Sources

Data Type	Source	Assumptions
<b>Housing</b>	<p><b>Rent:</b> US Department of Housing and Urban Development. Fair Market Rents - Fiscal Year 2006. Adjusted for more specific geographic areas using ratios based on median gross rents by town from the 2000 census. Retrieved from <a href="http://www.huduser.org">http://www.huduser.org</a></p> <p><b>Owner Costs:</b> US Census: American Community Survey 2004 and 2000 Census, Public Use Microdata Areas (PUMS data). Median Selected monthly owner costs (SMOC) for each geographic area reported separately for owners 65+ with, and without a mortgage. Adjusted by CPI-U for housing in the region. <a href="http://www.census.gov/Press-Release/www/2003/PUMS5.html">http://www.census.gov/Press-Release/www/2003/PUMS5.html</a></p>	<p>Fair Market Rents (FMRs) for 1-bedroom units by HUD statistical area (region or county).</p> <p>Median Selected monthly owner costs (SMOC) for owners 65+ with, and without a mortgage.</p> <p>SMOC includes property taxes, insurance, heat &amp; utilities, condo fees, &amp; mortgage payment (if any)</p>
<b>Food</b>	<p><b>U.S. Department of Agriculture, Low-Cost Food Plan:</b> <a href="http://www.usda.gov/cnpp/FoodPlans/Updates/foodjan06.pdf">http://www.usda.gov/cnpp/FoodPlans/Updates/foodjan06.pdf</a></p>	<p>Food budget costs for older men and women are averaged to determine food costs for elders.</p>
<b>Total Health Care Costs (premium and out of pocket cost)</b>	<p><b>Medicare Part B Premiums:</b> CMS, Medicare &amp; You. <a href="http://www.cms.hhs.gov/default.asp?">http://www.cms.hhs.gov/default.asp?</a></p> <p><b>Premiums:</b> US Center for Medicare and Medicaid Services, Medicare Personal Plan Finder and Prescription Drug Plan Finder; <a href="http://www.medicare.gov/MPPF">www.medicare.gov/MPPF</a> and <a href="http://www.medicare.gov/MPDPF">www.medicare.gov/MPDPF</a></p> <p><b>Out-of-Pocket Costs:</b> Agency for Healthcare Research and Quality, Medical Expenditure Panel Survey. Household Component Analytical Tool (MEPSnet/HC). August 2003. Rockville, MD. Retrieved from: <a href="http://www.meps.ahrq.gov/mepsnet/HC/MEPSnetHC.asp">http://www.meps.ahrq.gov/mepsnet/HC/MEPSnetHC.asp</a></p> <p><b>Inflation Factor:</b> <a href="http://data.bls.gov/cgi-bin/surveymost?cu">http://data.bls.gov/cgi-bin/surveymost?cu</a></p>	<p>Premium costs are Part B 2006, &amp; 2006 premiums for Part C Medicare Advantage, and Part D Prescription Drug Plans, by Local HMOs.</p> <p>Out-of-pocket costs calculated for elders 65+ by health status, data is updated with the Medical CPI-U.</p>
<b>Transportation</b>	<p><b>Private Automobile Cost:</b> National Household Travel Survey (NHTS) <a href="http://www.bts.gov/programs/national_household_travel_survey/">http://www.bts.gov/programs/national_household_travel_survey/</a></p> <p><b>Per Mile Cost:</b> US Internal Revenue Service <a href="http://www.irs.gov/pub/irs-drop/rp-05-78.pdf">http://www.irs.gov/pub/irs-drop/rp-05-78.pdf</a></p> <p><b>Public Transportation Cost:</b> Metropolitan Boston Transit Authority <a href="http://www.mbta.com/traveling_t/passes_special.asp#seniorpass">http://www.mbta.com/traveling_t/passes_special.asp#seniorpass</a></p>	<p>Annual mileage driven by retired adults x IRS reimbursement rate for operating and owner costs</p> <p>Cost of MBTA Monthly Pass for Senior Citizens</p>
<b>Miscellaneous</b>	<p>Miscellaneous expenses are estimated at 20% of costs of other basic expenditure categories: housing, food, health care, and transportation.</p>	<p>Includes all other essentials: clothing, shoes, paper products, nonprescription medicines, cleaning products, household items, personal hygiene items, and telephone.</p>
<b>Long-Term Care</b>	<p>Data, surveys, and interviews with state and federal agencies, trade associations, and numerous agencies, providers, and stakeholders.</p>	<p>Authors' calculations using area costs for three prototypical levels of long-term care services packages.</p>

## Appendix B

TABLE B-1

### Elder Economic Security Standard for Boston Area, 2006 One-Person Elder Households by Health Status

	One Person Elder Household			One Person Elder Household		
	Fair Market Rent 1BR	Owner w/o Mortgage	Owner w/ Mortgage	Fair Market Rent 1BR	Owner w/o Mortgage	Owner w/ Mortgage
	Public Transportation			Private Transportation		
Housing	\$1,128	\$520	\$1,678	\$1,128	\$520	\$1,678
Food	\$206	\$206	\$206	\$206	\$206	\$206
Transportation	\$16	\$16	\$16	\$156	\$156	\$156
Health Care: Excellent	\$269	\$269	\$269	\$269	\$269	\$269
Miscellaneous @ 20%	\$324	\$202	\$434	\$352	\$230	\$462
<b>Elder Standard Per Month</b>	<b>\$1,943</b>	<b>\$1,213</b>	<b>\$2,603</b>	<b>\$2,111</b>	<b>\$1,381</b>	<b>\$2,771</b>
<b>Elder Standard Per Year</b>	<b>\$23,314</b>	<b>\$14,558</b>	<b>\$31,234</b>	<b>\$25,330</b>	<b>\$16,574</b>	<b>\$33,250</b>
<b>Impact of Changes in Health Status</b>						
Health Care: Good	\$292	\$292	\$292	\$292	\$292	\$292
Miscellaneous @ 20%	\$328	\$207	\$438	\$356	\$235	\$466
<b>Elder Standard Per Month</b>	<b>\$1,970</b>	<b>\$1,241</b>	<b>\$2,630</b>	<b>\$2,138</b>	<b>\$1,409</b>	<b>\$2,798</b>
<b>Elder Standard Per Year</b>	<b>\$23,645</b>	<b>\$14,890</b>	<b>\$31,565</b>	<b>\$25,661</b>	<b>\$16,906</b>	<b>\$33,581</b>
Health Care: Poor	\$313	\$313	\$313	\$313	\$313	\$313
Miscellaneous @ 20%	\$333	\$211	\$443	\$361	\$239	\$471
<b>Elder Standard Per Month</b>	<b>\$1,996</b>	<b>\$1,266</b>	<b>\$2,656</b>	<b>\$2,164</b>	<b>\$1,434</b>	<b>\$2,824</b>
<b>Elder Standard Per Year</b>	<b>\$23,947</b>	<b>\$15,192</b>	<b>\$31,867</b>	<b>\$25,963</b>	<b>\$17,208</b>	<b>\$33,883</b>

## Appendix B

TABLE B-2

### Elder Economic Security Standard for Boston Area, 2006 Two-Person Elder Households by Health Status

	Two Person Elder Household			Two Person Elder Household		
	Fair Market Rent 1BR	Owner w/o Mortgage	Owner w/ Mortgage	Fair Market Rent 1BR	Owner w/o Mortgage	Owner w/ Mortgage
	Public Transportation			Private Transportation		
Housing	\$1,128	\$520	\$1,678	\$1,128	\$520	\$1,678
Food	\$378	\$378	\$378	\$378	\$378	\$378
Transportation	\$32	\$32	\$32	\$358	\$358	\$358
Health Care: Excellent	\$269	\$269	\$269	\$269	\$269	\$269
Health Care: Excellent	\$269	\$269	\$269	\$269	\$269	\$269
Miscellaneous @ 20%	\$415	\$294	\$525	\$480	\$359	\$590
<b>Elder Standard Per Month</b>	<b>\$2,491</b>	<b>\$1,762</b>	<b>\$3,151</b>	<b>\$2,882</b>	<b>\$2,153</b>	<b>\$3,542</b>
<b>Elder Standard Per Year</b>	<b>\$29,894</b>	<b>\$21,139</b>	<b>\$37,814</b>	<b>\$34,589</b>	<b>\$25,834</b>	<b>\$42,509</b>
<b>Impact of Changes in Health Status</b>						
Health Care: Excellent	\$269	\$269	\$269	\$269	\$269	\$269
Health Care: Good	\$292	\$292	\$292	\$292	\$292	\$292
Miscellaneous @ 20%	\$420	\$298	\$530	\$485	\$363	\$595
<b>Elder Standard Per Month</b>	<b>\$2,519</b>	<b>\$1,789</b>	<b>\$3,179</b>	<b>\$2,910</b>	<b>\$2,180</b>	<b>\$3,570</b>
<b>Elder Standard Per Year</b>	<b>\$30,226</b>	<b>\$21,470</b>	<b>\$38,146</b>	<b>\$34,920</b>	<b>\$26,165</b>	<b>\$42,840</b>
Health Care: Excellent	\$269	\$269	\$269	\$269	\$269	\$269
Health Care: Poor	\$313	\$313	\$313	\$313	\$313	\$313
Miscellaneous @ 20%	\$424	\$302	\$534	\$489	\$368	\$599
<b>Elder Standard Per Month</b>	<b>\$2,544</b>	<b>\$1,814</b>	<b>\$3,204</b>	<b>\$2,935</b>	<b>\$2,206</b>	<b>\$3,595</b>
<b>Elder Standard Per Year</b>	<b>\$30,528</b>	<b>\$21,773</b>	<b>\$38,448</b>	<b>\$35,222</b>	<b>\$26,467</b>	<b>\$43,142</b>

## Appendix B

TABLE B-2 (CONTINUED)

### Elder Economic Security Standard for Boston Area, 2006 Two-Person Elder Households by Health Status

	Two Person Elder Household			Two Person Elder Household		
	Fair Market Rent 1BR	Owner w/o Mortgage	Owner w/ Mortgage	Fair Market Rent 1BR	Owner w/o Mortgage	Owner w/ Mortgage
	Public Transportation			Private Transportation		
Housing	\$1,128	\$520	\$1,678	\$1,128	\$520	\$1,678
Food	\$378	\$378	\$378	\$378	\$378	\$378
Transportation	\$32	\$32	\$32	\$358	\$358	\$358
Health Care: Good	\$292	\$292	\$292	\$292	\$292	\$292
Health Care: Good	\$292	\$292	\$292	\$292	\$292	\$292
Miscellaneous @ 20%	\$424	\$303	\$534	\$490	\$368	\$600
<b>Elder Standard Per Month</b>	<b>\$2,546</b>	<b>\$1,817</b>	<b>\$3,206</b>	<b>\$2,938</b>	<b>\$2,208</b>	<b>\$3,598</b>
<b>Elder Standard Per Year</b>	<b>\$30,557</b>	<b>\$21,802</b>	<b>\$38,477</b>	<b>\$35,251</b>	<b>\$26,496</b>	<b>\$43,171</b>
<b>Impact of Changes in Health Status</b>						
Health Care: Good	\$292	\$292	\$292	\$292	\$292	\$292
Health Care: Poor	\$313	\$313	\$313	\$313	\$313	\$313
Miscellaneous @ 20%	\$429	\$307	\$539	\$494	\$372	\$604
<b>Elder Standard Per Month</b>	<b>\$2,572</b>	<b>\$1,842</b>	<b>\$3,232</b>	<b>\$2,963</b>	<b>\$2,233</b>	<b>\$3,623</b>
<b>Elder Standard Per Year</b>	<b>\$30,859</b>	<b>\$22,104</b>	<b>\$38,779</b>	<b>\$35,554</b>	<b>\$26,798</b>	<b>\$43,474</b>
Health Care: Poor	\$313	\$313	\$313	\$313	\$313	\$313
Health Care: Poor	\$313	\$313	\$313	\$313	\$313	\$313
Miscellaneous @ 20%	\$433	\$311	\$543	\$498	\$376	\$608
<b>Elder Standard Per Month</b>	<b>\$2,597</b>	<b>\$1,867</b>	<b>\$3,257</b>	<b>\$2,988</b>	<b>\$2,258</b>	<b>\$3,648</b>
<b>Elder Standard Per Year</b>	<b>\$31,162</b>	<b>\$22,406</b>	<b>\$39,082</b>	<b>\$35,856</b>	<b>\$27,101</b>	<b>\$43,776</b>

## Appendix C

TABLE C

### Home and Community Based Long-Term Care Costs with Elder Economic Security Standards for Boston Area, 2006

#### One-Person Households

Need for Long-Term Care	Person 1: Long-Term Care Cost Per Year	One Person Elder Household			One Person Elder Household		
		Fair Market Rent 1BR	Owner w/o Mortgage	Owner w/ Mortgage	Fair Market Rent 1BR	Owner w/o Mortgage	Owner w/ Mortgage
		Public Transportation			Private Transportation		
<b>Health #1: Poor</b>	<b>Health #1: Poor</b>						
None	\$ –	\$23,947	\$15,192	\$31,867	\$25,963	\$17,208	\$33,883
Low	\$7,955	\$31,902	\$23,147	\$39,822	\$33,918	\$25,163	\$41,838
Medium	\$20,753	\$44,700	\$35,945	\$52,620	\$46,716	\$37,961	\$54,636
High w/ADH	\$36,331	\$60,278	\$51,523	\$68,198	\$62,294	\$53,539	\$70,214
High w/o ADH	\$44,161	\$68,108	\$59,353	\$76,028	\$70,124	\$61,369	\$78,044

#### Two-Person Households

Need for Long-Term Care (Person #2)	Person 2: Long-Term Care Cost Per Year	Two Person Elder Household			Two Person Elder Household		
		Fair Market Rent 1BR	Owner w/o Mortgage	Owner w/ Mortgage	Fair Market Rent 1BR	Owner w/o Mortgage	Owner w/ Mortgage
		Public Transportation			Private Transportation		
<b>Health #1: Excellent</b>	<b>Health #2: Poor</b>						
None	\$ –	\$30,528	\$21,773	\$38,448	\$35,222	\$26,467	\$43,142
Low	\$7,955	\$38,483	\$29,728	\$46,403	\$43,177	\$34,422	\$51,097
Medium	\$20,753	\$51,281	\$42,526	\$59,201	\$55,975	\$47,220	\$63,895
High w/ADH	\$36,331	\$66,859	\$58,104	\$74,779	\$71,553	\$62,798	\$79,473
High w/o ADH	\$44,161	\$74,689	\$65,934	\$82,609	\$79,383	\$70,628	\$87,303

#### Change in Health Status (Person 1) and Long-Term Care Need (Person 2)

Health #1: Good	Health #2: Poor	Two Person Elder Household			Two Person Elder Household		
		Fair Market Rent 1BR	Owner w/o Mortgage	Owner w/ Mortgage	Fair Market Rent 1BR	Owner w/o Mortgage	Owner w/ Mortgage
None	\$ –	\$30,859	\$22,104	\$38,779	\$35,554	\$26,798	\$43,474
Low	\$7,955	\$38,814	\$30,059	\$46,734	\$43,509	\$34,753	\$51,429
Medium	\$20,753	\$51,612	\$42,857	\$59,532	\$56,307	\$47,551	\$64,227
High w/ADH	\$36,331	\$67,190	\$58,435	\$75,110	\$71,885	\$63,129	\$79,805
High w/o ADH	\$44,161	\$75,020	\$66,265	\$82,940	\$79,715	\$70,959	\$87,635
<b>Health #1: Poor</b>	<b>Health #2: Poor</b>						
None	\$ –	\$31,162	\$22,406	\$39,082	\$35,856	\$27,101	\$43,776
Low	\$7,955	\$39,117	\$30,361	\$47,037	\$43,811	\$35,056	\$51,731
Medium	\$20,753	\$51,915	\$43,159	\$59,835	\$56,609	\$47,854	\$64,529
High w/ADH	\$36,331	\$67,493	\$58,737	\$75,413	\$72,187	\$63,432	\$80,107
High w/o ADH	\$44,161	\$75,323	\$66,567	\$83,243	\$80,017	\$71,262	\$87,937

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## Acknowledgments

### The Elder Economic Security Standard Project for Massachusetts and the Elder Economic Security Initiative

The Elder Economic Security Standard Project was developed by the Gerontology Institute at the University of Massachusetts Boston with generous support from the Boston Foundation. We are grateful for the advice and contributions of Mary Jo Meisner, David Trueblood, Barbara Hindley, Emily Hiestand, Kate Canfield, and other staff of the Boston Foundation, and extend a special thanks to Cindy Rizzo for her belief in this project before it was a reality. The authors also thank the Charles H. Farnsworth Trust, which provided a Farnsworth Trust Aging Policy Research Fellowship to Judith Conahan to research community long-term care costs, and develop the long-term care cost section of this report. Additionally, we thank the University of Massachusetts Boston for a Public Service Program Grant to help support dissemination of the findings and training in how to use the Elder Standard in the community.

The Gerontology Institute deeply thanks the members of the Advisory Committee for the Elder Standard Project, who provided invaluable guidance and assistance to this effort. The members of the Massachusetts Advisory Committee for the Elder Standard Project are listed on the following page. In addition, we thank the many individuals, organizations and agencies, including Elder Affairs, who provided interviews and extensive data to the Project.

The Elder Economic Security Standard developed in this report underpins the work of the Elder Economic Security Initiative (EESI) at Wider Opportunities for Women. The EESI is an initiative to enable policy makers, aging advocates and others to develop policies and programs to help seniors age with dignity while promoting their economic security. With the support of the Retirement Research Foundation, Wider Opportunities for Women launched the Elder Economic Security Initiative, a new national effort that seeks to build economic security for elders through a multi-pronged approach that includes organizing, advocacy and research. The Gerontology Institute at the University of Massachusetts is EESI's national research partner

to develop and field test the Elder Economic Security Standard.

The authors thank the members of the National Advisory Board of the Elder Economic Security Initiative (EESI), for their review and guidance on the Elder Standard prototype contained in this report. The Elder Standard is being piloted first in the Boston Area, next statewide in Massachusetts, and it will then be field tested in a handful of states that have been selected to participate in the first phase of EESI, to pave the way for broad dissemination and use. Through EESI, the Elder Economic Security Initiative will be in place in a critical mass of states, and the Standard will be calculated for each state and the District of Columbia. Our objective is that it becomes a powerful, versatile tool for calibrating and portraying the costs of living for elders in communities across the U.S. Our hope is that this new tool will be used to help create conditions that allow seniors to age in America with economic security and dignity.

Finally, we would like to thank Ngai Kwan and Archana Prakash for research assistance, Robert Geary for respectful editing, and Rachel Puopolo for tireless administrative support. The authors, of course, are responsible for the contents of this report, and accept responsibility for any errors or omissions.



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## Endnotes

- <sup>1</sup> The 2006 federal poverty guideline for one-person households is \$9,800, and the average Social Security payment for single retirees is \$12,024 in 2006.
- <sup>2</sup> The 2006 federal poverty guideline for two-person households is \$13,200, and the average Social Security payment for retired couples is \$19,776 in 2006.
- <sup>3</sup> We use “elders,” “seniors,” and “older adults” for those ages 65 and over for variation and to improve readability.
- <sup>4</sup> The Boston area is defined by the cost data used in calculating the Elder Standard in this report. Cost data come from several data sources, some of which correspond to different geographic areas: the City of Boston, Suffolk County, the Boston-Cambridge-Quincy MA-NH MSA, Boston Public Use Microdata Area (PUMA), MBTA region, etc. Because of this, we refer to Boston and the Boston area to apply to the City of Boston, Suffolk County, or Boston and nearby communities in this report to reflect the variation in data sources and to improve readability. See footnotes and references for more information on data sources and the geographic areas that they cover. A forthcoming report for the Commonwealth of Massachusetts will include findings for communities across the state.
- <sup>5</sup> The federal poverty thresholds were developed by Mollie Orshansky of the Social Security Administration in 1963-64 and are updated each year by the U.S. Census Bureau. For more information on the federal poverty measures, see <http://aspe.hhs.gov/poverty/06poverty.shtml>.
- <sup>6</sup> The poverty guidelines are a second version of the federal poverty measure. Issued each year in the Federal Register by the Department of Health and Human Services, they are a simplification of the poverty thresholds for administrative uses, such as determining eligibility for certain federal programs. The federal poverty guidelines for 2006 are \$9,800 for one-person households and \$13,200 for two-person households. They are the same in 48 states and adjusted for living costs only in Alaska and Hawaii.
- <sup>7</sup> For an analysis of problems with the federal poverty measures and information on a proposed alternative measure, see Constance F. Citro and Robert T. Michael, *Measuring Poverty: A New Approach* (Washington, DC: National Academy of Sciences, 1995). Their proposed measure is based on household spending patterns from the Consumer Expenditure Survey, and adjusts household incomes for transfer payments (subsidies) as well as taxes. The Census Bureau from time to time calculates the number of households that would be in poverty under the alternative poverty measure, but the recommendation to substitute the new measure has not been adopted.
- <sup>8</sup> Diana Pearce with Jennifer Brooks, *The Self-Sufficiency Standard for Massachusetts* (Washington, DC: Wider Opportunities for Women, 2003). Dr. Pearce has conducted the Standard for 35 states, and more are underway. An updated report on *The Self-Sufficiency Standard for Massachusetts* will be released in late 2006.
- <sup>9</sup> Barbara Butrica et al. *Understanding Expenditure Patterns in Retirement* (Washington, DC: Urban Institute, 2005).
- <sup>10</sup> HUD Fair Market Rents for Boston-Cambridge-Quincy MA-NH HUD Metro Fair Market Area (HMFA) in FY2006, the 40th percentile rent for units on the market.
- <sup>11</sup> In FY2006, the residential exemption amount in Boston was \$120,926, for a tax savings of \$1,345.
- <sup>12</sup> Information on City of Boston senior property tax exemption (41c) and deferral programs (41A) is at <http://www.cityof-boston.gov/trac/clauses.asp> and <http://www.cityofboston.gov/trac/taxdef.asp>. Massachusetts has a refundable income tax credit for seniors paying high property taxes or rents in relation to their incomes, see [http://www.dor.state.ma.us/help/guides/abate\\_amend/personal/issues/realestate.htm](http://www.dor.state.ma.us/help/guides/abate_amend/personal/issues/realestate.htm)
- <sup>13</sup> Alliance to Save Energy, “Energy and Money Saving Tips for Consumers in Massachusetts,” Washington, DC: 2006, <http://www.ase.org/content/article/detail/2799>.
- <sup>14</sup> Information on the Massachusetts Property Insurance Underwriting Association (MPIUA), also known as the Massachusetts FAIR Plan (Fair Access to Insurance Requirements), is at [www.mpiua.com](http://www.mpiua.com) and [www.mass.gov/doi](http://www.mass.gov/doi).
- <sup>15</sup> No interest loans are available to Boston homeowners age 62 or older through the Senior Rehab program for basic home

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improvements, see [http://www.cityofboston.gov/dnd/hbs/C\\_Boston\\_Home\\_Center\\_Intro.asp](http://www.cityofboston.gov/dnd/hbs/C_Boston_Home_Center_Intro.asp)

<sup>16</sup> When desired, food costs can be adjusted for regional price variations, using the ratio of increase of CPI-U Index for Food in the area to the national average, or ACCRA's comparative cost of living for groceries for 297 cities.

<sup>17</sup> Because elders' nutritional needs are lower according to the USDA, the poverty thresholds are lower for older adults than for younger adults.

<sup>18</sup> Rachael S. Fulp, Katherine D. McManus, and Paula A. Johnson, Brigham and Women's Hospital, Center for Cardiovascular Disease in Women, The Healthy Heart Initiative: Barriers to Eating a Heart Healthy Diet In a Low Income African American Community. <http://www.brighamandwomens.org/cardiovascularisease/Images/Healthy%20Heart%20Policy%20Brief.pdf>

<sup>19</sup> Adjusted for inflation to mid-2006, these amounts would be \$5,648 and \$11,296.

<sup>20</sup> Medicare Advantage Plans (Part C) are HMO-type plans that use a network of physicians, and have premiums that vary based on their schedule of co-pays and deductibles. Medicare Advantage Plans reduce but do not eliminate co-pays and deductibles under Parts A and B; they typically require treatment by network physicians and hospitals. There is often some coverage for dental, hearing, and vision services, and an annual physical (Traditional Medicare only covers a one-time Medicare physical at entry). They can also include a Part D prescription drug plan.

<sup>21</sup> Medigap supplemental plan premiums also vary; we use Medicare Advantage premiums because they are lower. Medigap Supplement Plan 1 policies are available for seniors who chose not to participate in a Medicare Advantage Plan but instead remain in traditional, fee-for-service Medicare. Comprehensive Medigap plans cover co-pays and deductibles for Medicare-covered services and cover some of the gaps in services. Medigap Supplement Plan 2 policies with prescription drug coverage are no longer open to new members. Seniors purchasing a Medigap Supplement Plan 1 also need to purchase a Part D Prescription Drug Coverage Plan to have adequate coverage.

<sup>22</sup> Data on Medicare plan premium costs include the Medicare Personal Plan Finder and Medicare Prescription Drug Plan Finder at the Medicare.gov website, [www.medicare.gov/MPPF](http://www.medicare.gov/MPPF) and [www.medicare.gov/MPDPF](http://www.medicare.gov/MPDPF). Plan premium and a wealth of other data are also summarized in the Kaiser Family Foundation's Medicare Health and Prescription Drug Plan Tracker, <http://www.kff.org/medicare/healthplantracker>. Medicare plan premium and cost estimates are also available from Health-Metrix' Cost Share Reports, [www.medicarenewswatch.com](http://www.medicarenewswatch.com).

<sup>23</sup> For MA elders with incomes between 300% and 500% of the Federal Poverty Guidelines, Prescription Advantage costs an additional \$200/year.

<sup>24</sup> Kaiser Family Foundation, Medicare Chart Book, 3rd edition, summer 2005, Juliette Cubanski et al., p. 22.

<sup>25</sup> Ibid. p. 21

<sup>26</sup> Areas without public transit but with a paratransit system can calculate those costs for a second track instead. Cost estimates can be derived from average usage patterns and fees charged.

<sup>27</sup> Less frequent users can purchase the Senior/TAP ID card, and pay per trip fees of \$.25 for bus and \$.35 for subway rides. Seniors 65+ can also receive a 50% discount on MBTA commuter rail train fares. The monthly pass is cost effective for seniors taking 32 or more bus trips, or 23 or more subway trips per month.

<sup>28</sup> Sandra Rosenbloom, "The Mobility Needs of Older Americans: Implications for Transportation Reauthorization," (Washington, DC: The Brookings Institution, Transportation Reform Series, July 2003). p. 11.

<sup>29</sup> Per mile costs from Internal Revenue Service, "Revenue Procedure 2005-78," Dec. 2, 2005.

<sup>30</sup> At higher levels of need for care, the likelihood increases of receiving care in a nursing home.

<sup>31</sup> Kemper, P., Komisar, H. & Alecxih, L. (2006). Long-term care over an uncertain future: What can current retirees expect? *Inquiry*, 42, 335-350.

<sup>32</sup> A high-need elder may receive sizable hours of informal, unpaid care by a spouse or family member; in such a case, the cost impact is defined by the number of paid hours of care, which may be for a low package of services.

<sup>33</sup> Centers for Medicare and Medicaid. 2005 <http://www.medicare.gov/LongTermCare/Static/Home.asp>

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- <sup>34</sup> Centers for Disease Control. Functional Limitations of Medicare beneficiaries by age, residence, sex, race, ethnicity: 2003. Trends in Health and Aging. <http://209.217.72.34/aging/TableView/tableView.aspx?ReportId341>
- <sup>35</sup> U.S. Census Bureau. 2004 American Community Survey. Detailed Tables. Sex by age by sensory disability, by physical disability, by self-care disability, by go-outside-home disability.
- <sup>36</sup> Kemper, P., Komisar, H., & Alecxih, L. (2006). Long-term care over an uncertain future: What can current retirees expect? *Inquiry*, 42, 335-350.
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- <sup>40</sup> Weekly average and median figures based on authors' calculations of Johnson & Wiener's analysis of monthly 2002 health and retirement study data. For simplicity constant hours per week are assumed over each month.
- <sup>41</sup> Companions provide attendance and supervision for the frail elder, but they are not in the package because their cost is highly variable and many are volunteers. Regular services by skilled nurses and therapists are also not in the core package as they are mostly covered under Medicare. Also, the cost of the supervisory responsibilities of nurses for direct care workers and of case managers for coordination of care is often factored into the hourly cost of the direct care workers by agencies providing those workers. Heavy chores, durable goods and supplies not covered by Medicare, and home accessibility modifications do not appear in our package. Although all can be crucial to remaining in the home, they are typically occasional and/or one-time capital expenses.
- <sup>42</sup> Holtz-Eakin, D. (2005). The cost and financing of long-term care services. CBO Testimony, April 27, 2005. <http://www.cbo.gov/showdoc.cfm?index=6316&sequence=0>





