

# Hidden pockets of elderly said to be in poverty



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42 mins ago

WASHINGTON – The poverty rate among older Americans could be nearly twice as high as the traditional 10 percent level, according to a revision of a half-century-old formula for calculating medical costs and geographic variations in the cost of living.

The National Academy of Science's formula, which is gaining credibility with public officials including some in the Obama administration, would put the poverty rate for Americans 65 and over at 18.6 percent, or 6.8 million people, compared with 9.7 percent, or 3.6 million people, under the existing measure. The original government formula, created in 1955, doesn't take account of rising costs of medical care and other factors.

"It's a hidden problem," said Robin Talbert, president of the AARP Foundation, which provides job training and support to low-income seniors and is backing legislation that would adopt the NAS formula. "There are still many millions of older people on the edge, who don't have what they need to get by."

If the academy's formula is adopted, a more refined picture of American poverty could emerge that would capture everyday costs of necessities besides just food. The result could upend long-standing notions of those in greatest need and lead eventually to shifts in how billions of federal dollars for the poor are distributed for health, housing, nutrition and child-care benefits.

The overall official poverty rate would increase, from 12.5 percent to 15.3 percent, for a total of 45.7 million people, according to rough calculations by the Census Bureau. Data on all segments, not only the elderly, would be affected:

- The rate for children under 18 in poverty would decline slightly, to 17.9 percent.
- Single mothers and their children, who disproportionately receive food stamps, would see declines in the rates of poverty because noncash aid would be taken into account. Low-income people who are working could see increases in poverty rates, a reflection of transportation and child-care costs.
- Cities with higher costs of living, such as New York, Chicago and San Francisco, would see higher poverty rates, while more rural areas in the Midwest and South might see declines.

- The rate for extreme poverty, defined as income falling below 50 percent of the poverty line, would decrease due to housing and other noncash benefits.
- Immigrant poverty rates would go up, due to transportation costs and lower participation in government aid programs.

The changes have been discussed quietly for years in academic circles, and both Democrats and Republicans agree that the decades-old White House formula, which is based on a 1955 cost of an emergency food diet, is outdated.

The current calculation sets the poverty level at three times the annual cost of groceries. For a family of four that is \$21,203. That calculation does not factor in rising medical, transportation, child care and housing expenses or geographical variations in living costs. Nor does the current formula consider noncash aid when calculating income, despite the recent expansion of food stamps and tax credits in the federal economic stimulus and other government programs. The result: The poverty rate has varied little from its current 12.5 percent.

Next week, the Census Bureau will publish official poverty figures for 2008 with a cautionary note about the shortcomings. The agency says it will expedite release of alternative numbers in the following weeks, because of the interest expressed by lawmakers and the Obama administration in seeing a fuller range of numbers.

"The current poverty measure does a very bad job of measuring the impact of quite a few of our anti-poverty policies," Rebecca Blank, the Commerce Department's undersecretary of economic affairs, said in an interview. "It isn't meaningless, but it isn't complete."

Although the White House Office of Management and Budget dictates how federal poverty is measured, legislation pending in Congress would require use of the National Academy approach. Advocates are hoping the White House may act on its own.

Cities are already showing interest.

In New York City, roughly one in three senior citizens fell below the poverty line after Mayor Michael Bloomberg adopted the new formula last year; state officials in Albany, N.Y., plan to publish their revised numbers next month. Los Angeles, Miami, Washington, San Francisco and Chicago also have been considering a switch.

When New York City changed to the new formula, a smaller percentage of children fell below the poverty line, particularly those living in single-parent homes. Residents 65 and over in poverty nearly doubled, from 18.1 percent to 32 percent.

Bloomberg, who previously pushed for cuts in programs for the elderly, now is advocating pilot programs

for older residents that would reduce taxi costs, provide free bus service to get to grocery stores and offer legal aid to those at risk of eviction from their homes.

"Under this up-to-date measure, you understand that government programs have had a beneficial impact on households with single parents and children," said Linda Gibbs, New York's deputy mayor for health and human services. She expressed concern that as the official measure becomes increasingly outdated, it is redirecting social programs and funding away from the people who may need it the most.

"We wanted to look at poverty with a finer view in New York City and have an impact," Gibbs said.

Nationally, official poverty rates for older Americans have improved significantly over the past 30 years due to expansions of Social Security and Supplemental Security Income. But many older people with modest cash incomes would fall below the poverty line under the NAS formula due to out-of-pocket expenses from rising Medicare premiums, deductibles and a coverage gap in the prescription drug benefit that is known as the "doughnut hole."

The NAS figures could take on added significance at a time when the government is touting an overhaul of Medicare and Social Security as its best hope for reducing the ballooning federal debt. With the potential to add more older Americans to the ranks of the poor, the numbers may underscore a need for continued — if not expanded — old-age benefits as a government safety net.

Advocates for updating the formula note that Barack Obama indicated during the presidential campaign that he supported an improved measure as part of a broader strategy to reduce poverty.

Simon Norwood of Little Rock, Ark., 56, says he's still keeping faith in that promise. A lifelong construction worker who receives food stamps, Norwood hasn't had regular work for months once jobs dried up in the housing meltdown. He doesn't dare to think about getting sick or injured because he doesn't know whether he could cover the expenses. Now working a part-time, minimum-wage job, Norwood said it doesn't matter to him how the poverty numbers are sliced so long as people get a fair shake at getting assistance.

"I often tell my son, 'You've got to save your money. Live within your means,'" he said. "Because you never know when things might take a turn."

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On the Net:

AARP: <http://www.aarp.org>

Census Bureau: <http://www.census.gov>

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