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HEARING ON
REDUCING SENIOR POVERTY AND HUNGER:
THE ROLE OF THE OLDER AMERICANS ACT

UNITED STATES SENATE
COMMITTEE ON HEALTH, EDUCATION, LABOR, AND PENSIONS
SUBCOMMITTEE ON PRIMARY HEALTH AND AGING

JUNE 19, 2013

Chairman Sanders, Ranking Member Burr, and Members of the Subcommittee:

Thank you for holding today's hearing on reducing senior poverty and hunger. Together with Social Security and Medicare, the Older Americans Act is vital to the national goal of ensuring that Americans age with security, independence, and dignity after a lifetime of work.

As co-director of Social Security Works, I co-chair the Strengthen Social Security Campaign, a broad-based coalition of over 300 national and state organizations representing 50 million Americans, including seniors, workers, women, people with disabilities, veterans, children, young adults, people of low-income, the LGBT community, people of color, communities of faith, and others. I also chair the Board of Directors of the Pension Rights Center, and serve on the Board of Directors of the National Academy of Social Insurance.

In 1982, I had the privilege to serve as the top assistant to Alan Greenspan in his capacity as the Chairman of the so-called Greenspan commission, whose recommendations formed the basis for the Social Security Amendments of 1983. Prior to that, I was fortunate to serve as a legislative assistant to Senator John C. Danforth (R-MO.).

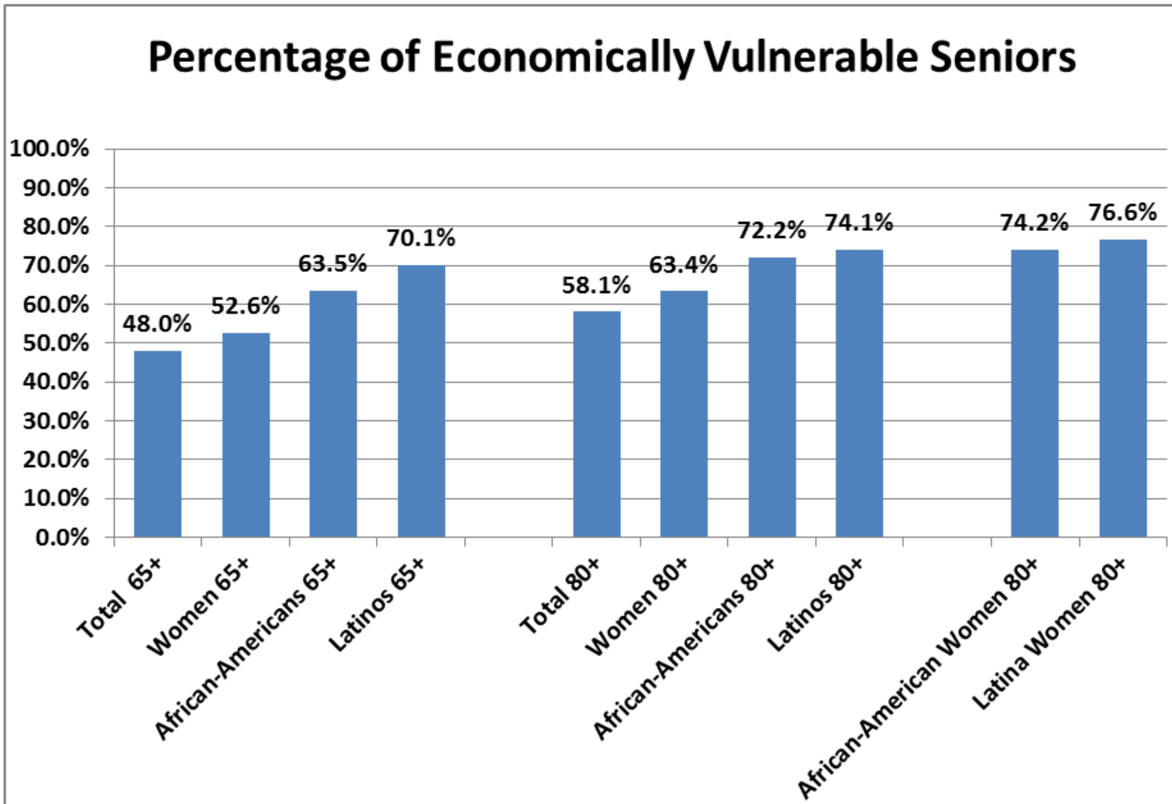
<u>The Truth about the Economic Vulnerability of America's Seniors</u>

The Older Americans Act plays a crucial and integral role, with Social Security and Medicare, in reducing poverty and hunger in this country. To fully understand that vital role, it is essential to see clearly the economic and health status of America's older population.

It is imperative that policymakers examine the facts and reject pervasive but false stereotypes about older Americans. One particularly pernicious but widely-held myth is that most seniors are affluent self-centered retirees, driving luxury cars, enjoying endless rounds of golf, and routinely dining out. Former Senator Alan Simpson (R-WY), for example, has described the overwhelming number of seniors who object to his proposals to cut Social Security as "greedy geezers" and "these old cats 70 and 80 years old …who live in gated communities and drive their Lexus to the Perkins restaurant to get the AARP discount." Instead of correcting this false and pejorative stereotype, many seem to accept it as true. In an op ed column in the Washington Post, writer Dana Milbank, for example, applauded Senator Simpson's comments for "being colorful, provocative and ***<u>honest</u>*** in an arena that discourages all three." (Emphasis added.)

Despite Milbank's claim of the accuracy of this stereotype, it is false. In truth, almost one out of two Americans aged 65 or older – 48 percent -- are either already unable to meet basic needs of food, clothing, and shelter, or are one serious economic setback away from not being able to meet those most basic subsistence needs.[1] The percentage of women in this category is even higher. More than one out of two – 52.6 percent – are poor or economically vulnerable and at risk. For African Americans over age 65, the percentage is higher still – 63.5 percent. For Hispanics, the percentage is 70.1 percent.

Moreover, this economic vulnerability increases with age, as the chart below shows. For those aged 80 or over, the percentage of those who are poor or one economic shock away from becoming poor is 58.1 percent. For women age 80 or over, the percentage is 63.4 percent. For African-Americans, it is 72.2 percent. For Hispanics, the percentage of those aged 80 or over who are poor or at risk is 74.1 percent. For those who fall into multiple categories of disadvantaged groups, the percentages are even higher. For example, more than three out of four – 76.6 percent – of Hispanic women, aged 80 or over, are poor or economically vulnerable.

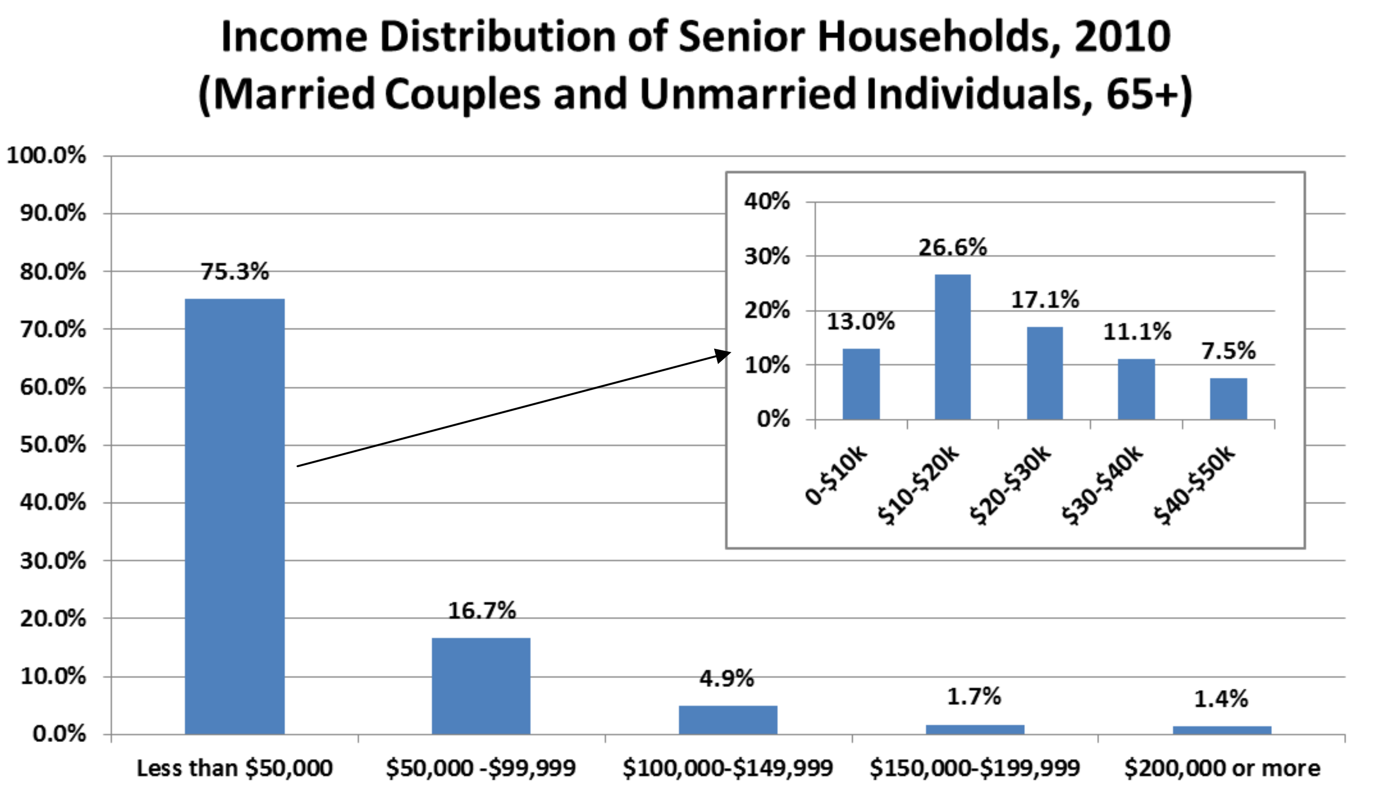


Note: Economically vulnerable is defined as having an income less than twice the Supplemental Poverty Measure threshold, 2009-2011 average.
Source: Gould and Cooper, "Financial Security of Elderly Americans at Risk," Appendix Table 1, Economic Policy Institute (June 6, 2013).

The overwhelming majority of seniors who do not fall into the category of economic vulnerability are only slightly better off. Despite the stereotype of seniors wealthy enough to drive luxury cars and live in gated

[1] Defined as incomes less than twice the U.S. Census Bureau's Supplemental Poverty Measure (SPM) threshold. The SPM is a more refined and comprehensive measure of poverty than the Federal Poverty Level (FPL). Developed 50 years ago, the FPL equals three times the cost of a 1963 minimal food diet, adjusted for inflation, and simply counts before-tax cash income. In contrast, the Supplemental Poverty Measure equals the 33rd percentile of expenditures on food, clothing, shelter, and utilities, and in determining incomes takes into account government benefits and a range of expenses, such as taxes, out of pocket medical costs, and work expenses. Twice the poverty line is a measure of economic deprivation used routinely by researchers and government programs. It is the measure used in the Older Americans Act Amendments of 2013 to determine the income level at which contributions for services are encouraged.

communities, only the rare outlier has income that would even constitute upper middle class, much less wealthy, as the following chart reveals.



Source: Social Security Administration, *Income of the Population 55 or Older, 2010*, Table 3.A1, February 2012.

Half of senior households have total incomes at or below $25,757. Three out of four senior households have total incomes, from all sources, of less than $50,000. More than nine out of ten – 92 percent – have incomes, from all sources, of less than $100,000.

Unmarried seniors – widowed, divorced, or never married – have, on average, even lower total incomes. Half have total incomes at or below $17,261. Almost nine out of ten unmarried seniors – 89 percent – have incomes less than $50,000. Nearly all – 97 percent – have total incomes from all sources of less than $100,000. Only 0.3 percent of unmarried seniors have incomes of $200,000 or more.

Nor do most seniors have assets on which to fall back. Half of those 65 and over have total net worth, excluding equity in their own homes, equal to or less than $27,322. Half of unmarried women aged 65 or older have total net worth, excluding equity in their own homes, equal to or less than $7,754.

The Reasons Behind the Economic Vulnerability of America's Seniors

These figures should not be a surprise. The economic vulnerability of people as they age is not a new phenomenon. Prior to industrialization and urbanization, most workers lived on farms with extended families that could care for them as they aged. With industrialization and urbanization, workers often moved away from extended families and found themselves dependent on wage incomes.

The underlying conditions affecting the economic status of seniors were not so different from today. As people aged, ill health or ordinary physical and mental decline often precluded work. Even those capable of work generally found themselves unable to keep or find work. As a writer in 1912 explained, "The young, the vigorous, the adaptable, the supple of limb, the alert of mind are in demand." It should be noted that the Age Discrimination in Employment Act was not enacted until 1967. Prior to that, employers could and did discriminate against older workers openly and legally. Want ads would routinely include age restrictions.

Through no fault of their own, unemployed seniors rarely had sufficient assets to maintain their standards of living until death. Despite today's policy proposals directed at encouraging or mandating retirement savings, the vast majority of workers cannot accumulate sufficient savings during working years to last, for an average life expectancy or beyond, until death.[2]

Although the distinction is not frequently made in current policy discussions, wage insurance, not savings, is what is needed to prepare for the loss of wages as the result of old age. Insurance is called for when financial loss is predictable for a group but unpredictable for individuals. People need life insurance, not savings, to guard dependents in the event of the policy holder's death. Similarly, because workers do not know how long they will live, they need life annuities or, if married, joint and survivor annuities, not private savings, for protection against a destitute old age. To manage the risk of lost income as the result of death, old age, or permanent and serious disability, wage insurance – like the life insurance, joint and survivor annuities, and disability insurance provided by Social Security -- is what is called for.

Prior to the enactment of Social Security, universal, mandatory wage insurance did not exist. As people aged and found that they were no longer able to work, they routinely moved in with their children. Those who had no children or whose children were unable or unwilling to support them typically wound up in the poorhouse. The poorhouse was not some Dickensian invention; it was an all-too-real means of subsistence for the elderly in the world immediately preceding the enactment of Social Security.

When Social Security became law, every state but New Mexico had poorhouses (sometimes called almshouses or poor farms). The vast majority of the residents were elderly. Most of the "inmates," as they were often labeled, entered the poorhouse late in life, having been independent wage earners until that point. A Massachusetts Commission reporting in 1910 found, for example, that only one percent of the residents had entered the almshouse before the age of 40; 92 percent entered after age 60. These were the only "gated communities" in which most of America's elderly have ever resided.

A second 1912 commentator vividly described the dreadful fate awaiting workers as they aged:

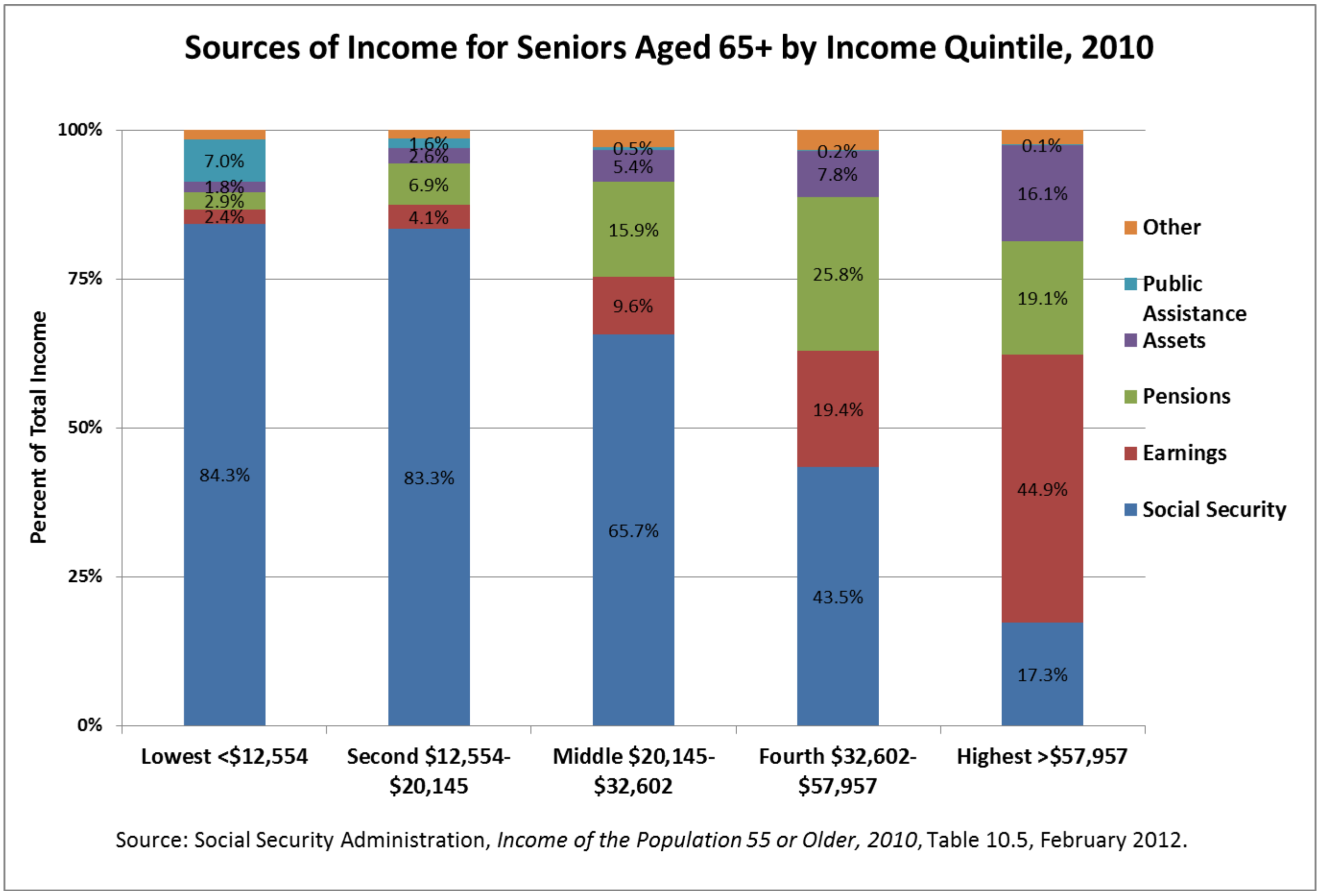
> "After the age of sixty has been reached, the transition from non-dependence to dependence is an easy stage – property gone, friends passed away or removed, relatives become few, ambition collapsed, only a few short years left to live, with death a final and welcome end to it all – such conclusions inevitably sweep the wage-earners from the class of hopeful independent citizens into that of the helpless poor."

The Essential Roles of Social Security and Medicare in Providing Economic Security

Destitute senior citizens were a byproduct of industrialization. Social Security's mandatory, universal wage insurance changed that. Prior to the enactment of Social Security, no national figures on poverty existed, but the states that surveyed their residents found that nearly half of those 65 years of age and over had less than subsistence income. It is no coincidence that when Social Security's modest but vital benefits are disregarded, around one out of two seniors today has income below subsistence, as well.

[2] For a detailed analysis of why this is true, see Altman, "The Striking Superiority of Social Security in the Provision of Wage Insurance," 50 Harvard Law School Journal on Legislation 109 (2013), available at http://www.harvardjol.com/archive/volume-50-number-1/

The importance of Social Security is revealed in the following chart, which shows the sources of income for those aged 65 or older. As the chart displays, the bottom three-fifths of the income scale receive most of their incomes from Social Security. It is important to note that the chart is a snapshot in time, revealing the income in a single year. Many of those in the top two quintiles are still working. They are still receiving a large proportion of their incomes from earnings and have often not yet begun drawing down assets. Once they retire, however, their earnings will disappear and their savings will likely shrink. They are apt to join the ranks of the lower quintiles.



Although the chart does not disaggregate by race or gender, Social Security benefits are particularly important to women and minorities. Around half of all African Americans, Hispanics, and unmarried women, aged 65 and older, receive 90 percent or more or their income from Social Security.

The reliance on Social Security is even greater as people age and exhaust other sources of support. For those aged 80 and over, three out of four rely on Social Security for half or more of their income. For almost one out of two – 45 percent – Social Security constitutes 90 percent or more of their income. For widowed, divorced, or never-married women and for people of color, the percentages are even higher at those ages.

As important as Social Security is in its role of providing some measure of economic security to American workers and their families as they age, policymakers have understood that seniors would remain economically vulnerable as long as they were one serious illness away from bankruptcy. That recognition led to the enactment of Medicare. As vital as Social Security and Medicare are, past policymakers understood that these programs are necessary but not sufficient to ensure old age security.

The Indispensable Role of the Older Americans Act in Improving the Lives of Seniors

More than modest cash income in the form of Social Security and health insurance in the form of Medicare is needed to promote the well-being of older Americans. As people age, their ability to drive and perform other activities of daily living are reduced by loss of balance, strength, flexibility, vision, hearing, and by other limitations. Over 40 percent of those aged 65 or older have difficulty, or even inability, in performing one or more daily tasks of living, such as walking, shopping, cooking, getting in and out of chairs, and light cleaning.

Very few seniors, even those with incomes and assets above the median income figures, have sufficient affluence to hire chauffeurs, cooks and other caregivers. That recognition led to the enactment of the Older Americans Act in 1965, the same year that Medicare was enacted.

In the nearly half century since the Older Americans Act was signed into law, it has more than proven its value. It has been reauthorized and improved under both Republican and Democratic administrations. It has worked synergistically with Social Security and Medicare to dramatically improve the security of seniors. The Older Americans Act Amendments of 2013 (S. 1028) continues that long tradition of extending and improving this important statutory achievement.

Improving Economic Security

The foundation of a secure old age is income. For those unemployed older Americans who can and want to work, S. 1028 reauthorizes the job-based training program known as the Senior Community Service Employment Program.

In addition, S. 1028 directs the Secretary of Labor, through the Bureau of Labor Statistics, to improve the Consumer Price Index for the Elderly (CPI-E), and report about it to Congress within two years. This is an extremely important proposal. It has the potential for substantially improving the economic security of older Americans.

- **Consumer Price Index for the Elderly**

As described above, Social Security benefits are vitally important. They are adjusted automatically every January when there has been inflation in the preceding year. Some describe these annual adjustments as ‘increases,” but they are not. They are intended to prevent erosion in the purchasing power of Social Security’s modest benefits, which averaged just $1,267.55 in May, 2013, or $15,210.60 a year, for retired workers and just $1,157.25 in May, 2013, or $13,887 a year, for all beneficiaries.

President Richard Nixon, who championed these automatic adjustments, explained their importance when he signed them into law on July 1, 1972:

> “One important feature of this legislation which I greet with special favor is the automatic increase provision which will allow social security benefits to keep pace with the cost of living. This provision is one which I have long urged, and I am pleased that the Congress has at last fulfilled a request which I have been making since the first months of my Administration. This action constitutes a major break-through for older Americans, for it says at last that inflation-proof social security benefits are theirs as a matter of right, and not as something which must be temporarily won over and over again from each succeeding Congress.”

As President Nixon recognized, this basic benefit protection is an extremely important feature of our Social Security system. Once workers retire, they no longer have salaries or wages which are capable of increasing with the increasing productivity of the nation. A worker who earns $40,000 and retires in 2015 at age 66, for example, will receive a Social Security benefit that replaces 39.8 percent of those earnings. That retired worker will receive no gain as the nation becomes wealthier and more productive. Rather, that income is, in colloquial terms, "fixed." This explains why seniors on average have much lower incomes than the general population. Indeed, those aged 80 and over have median and average incomes less than half the incomes of working-age adults.

If Social Security were not adjusted to take account of inflation, Social Security benefits, which already fail to reflect national productivity gains once they begin to be paid, would slowly but inexorably erode over time in real terms as beneficiaries aged. This is no small matter. Two-thirds of seniors receive half or more of their incomes from Social Security. These earned benefits would lose value at the same time that seniors exhausted other assets and that their health care costs were increasing. It is important to note that most assets of seniors are not protected against inflation and are not guaranteed for life. Full inflation protection is virtually nonexistent under employer-sponsored pension plans.

To ensure that the value of Social Security's vital but modest benefits does not erode as people age, it is crucial that the automatic adjustment be as accurate as possible, and does not under-measure inflation. At the time of the enactment of automatic adjustments, in 1972, the Bureau of Labor Statistics produced only one measure of inflation – which today is referred to as the Consumer Price Index for Urban Wage Earners and Clerical Workers, or CPI-W. Ironically, the index measures the cost of living of workers, not retirees, but was the only, and so best, measure available.

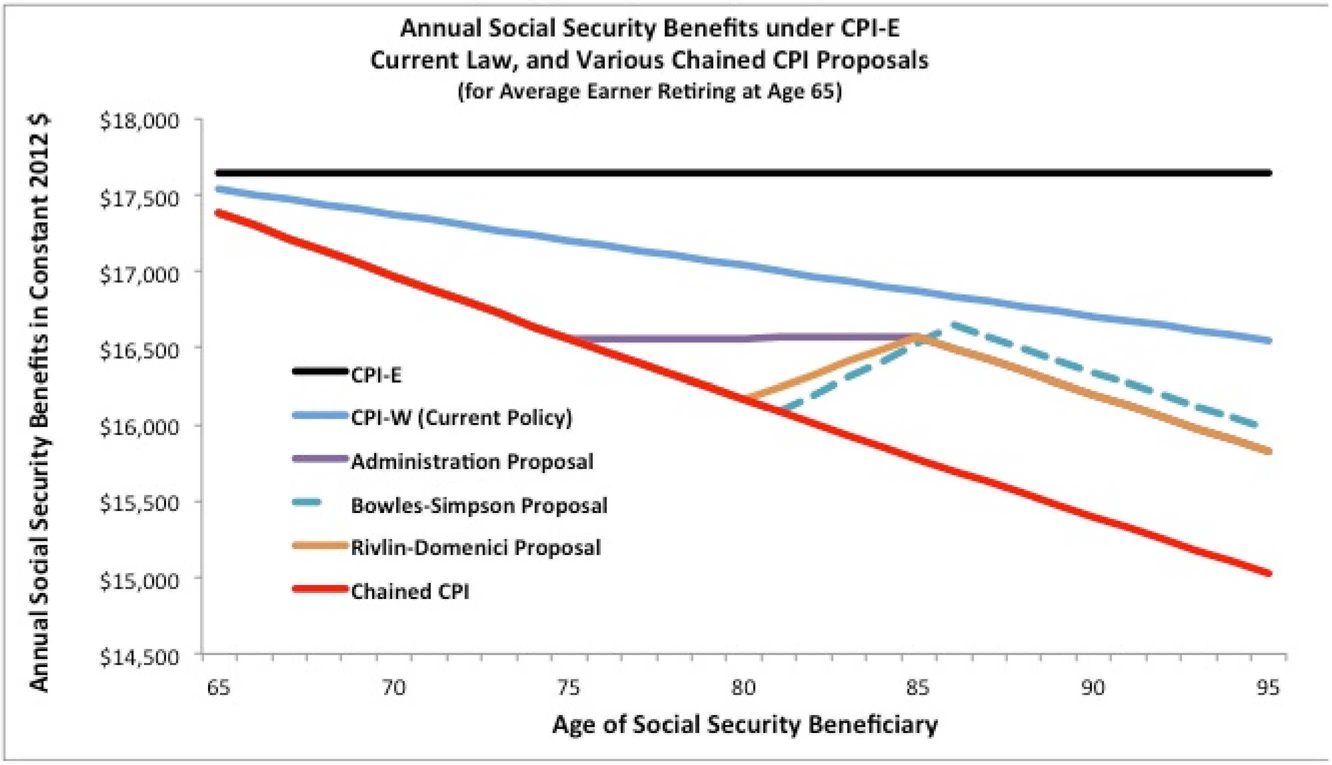
In recognition, though, that seniors have very different expenditures from those of workers or the population as a whole, the Older Americans Act of 1987, signed into law by President Ronald Reagan, included a provision directing the Secretary of Labor to develop, through the Bureau of Labor Statistics, a consumer price index for older Americans. In response, the Bureau of Labor Statistics created and continues to produce the Consumer Price Index for the Elderly, referred to by the shorthand, CPI-E.

In calculating the CPI-E, the Bureau of Labor Statistics takes the work it does in constructing the Consumer Price Index for All Urban Consumers and narrows it to capture the subset of those aged 62 and over. The Bureau has never, however, conducted surveys of expenditures and points of purchase tailored specifically to those aged 62 and older. This is important because seniors often buy different goods in different quantities and shop at different stores in different frequency than the general population. Consequently, the Bureau has labeled the CPI-E, "experimental." S. 1028 would require the Bureau of Labor Statistics to undertake those various surveys, so that the CPI-E would no longer be "experimental."

The current CPI-E has historically reported higher rates of inflation than the consumer price indices measuring the inflation experienced by workers or the general population. This is unsurprising. On average, seniors spend a higher percentage of their incomes on health care than workers or the general population, and health care costs have grown, and are projected to continue to grow, at a faster rate than other goods and services. On average, seniors spend a lower percentage of their incomes on apparel, transportation, and recreation than workers or the general population, and those goods and services have not experienced as rapid inflation. If a more robust CPI-E were produced, as S. 1028 mandates, the differential in inflation between what seniors experience and what workers and the general population experience could be even greater.

As the existing CPI-E reveals, the current measure of inflation used to automatically adjust Social Security benefits under-measures the inflation experienced, on average, by Social Security beneficiaries. Despite that fact, some prominent policymakers have proposed switching to a less accurate, stingier inflation adjustment for seniors than the already inadequate current-law measure. Notwithstanding rhetoric to the contrary, those policymakers implicitly acknowledge that the shift to the even less accurate measure, the so-called chained

CPI, for Social Security and other programs that serve the elderly and those with serious and permanent disabilities is nothing more than a benefit cut masquerading as a technical adjustment. Three leading proposals to shift to the chained CPI – the proposal of former Senator Alan Simpson and Erskine Bowles, the proposal of the Debt Reduction Task Force chaired by former Senator Pete Domenici and Alice Rivlin, and the proposal contained in the Administration's current budget – all call for measures to ameliorate, to a small extent, the impact of the chained CPI, as the graph below shows.[3]



These proposals are poorly targeted benefit cuts. As the graph reveals, the largest cuts fall on the oldest old, because the cut compounds over time. The increasingly large cut occurs as other resources are exhausted and health costs are increasing, on average. In addition, the benefit cut in the form of the chained CPI creates a substantial burden on the poorest in society.[4]

In 2012, around 9.6 million veterans received Social Security. That represents 21 percent of all adult beneficiaries. In addition, a number of veteran-specific programs are adjusted for inflation in the same way as Social Security. Because of the number of programs that would be subject to the chained CPI, veterans could receive double, triple, or more cuts from the chained CPI.[5] It is not surprising that numerous groups

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[3] Social Security Works created the graph from calculations based on estimates of the Social Security Office of the Actuary, Social Security Administration. "Average Earner" is a worker with career average earnings of $40,728.

[4] The Administration's budget proposes to exempt means-tested programs from the switch to the chained CPI, but this still leaves many poor and near poor unprotected. The Supplemental Security Income program ("SSI") is a program for the aged, blind, and disabled who have extremely limited income and assets. If an individual receives Social Security, because he or she worked a sufficient number of quarters to qualify, the SSI benefit is reduced dollar for dollar after disregarding the first $20. There are 2.8 million people who receive income from both Social Security and SSI – the so-called dual eligibles – so part of their income will still be subject to the benefit cut. Moreover, because the SSI income and asset limits are so meager, there are at least 9.4 million poor or near poor who receive only Social Security, and so would be subject to the cut imposed by the chained CPI. (Near poor is defined as within 125 percent of the Federal Poverty Level.)

[5] Military and veterans benefits that are indexed in the same manner as Social Security include Military Retirement pensions, for which many veterans are eligible; Veterans Pension benefits; Veterans Disability Compensation; and Dependency and Indemnity Compensation. Other federal programs that veterans benefit from, beyond Social Security and veteran-specific programs, would

representing veterans, including the American Legion and the Veterans of Foreign Wars, oppose the chained CPI – not just for narrowly-defined veterans programs, but also for Social Security and other programs crucially important to those who have served our nation in uniform.

In addition to improving the economic security of seniors in general, particularly the oldest of the old and the poorest, switching to the more appropriate CPI-E would help veterans. Those who have served our nation in the military deserve not only our immense gratitude. They deserve the most secure old age the nation can provide. They certainly deserve an accurate cost of living adjustment for the benefits they have earned. S.1028 would move the nation an important step further toward that goal.[6]

- **Pension Counseling and Information Program**

Further improving the economic security of seniors, S. 1028 reauthorizes the Pension Counseling and Information Program. Pensions and other public and private retirement plans provide important supplements to Social Security for those who have them. They are complicated legal arrangements, however. Most beneficiaries of these plans cannot afford the legal assistance they may need to obtain the retirement benefits they have earned.

The Pension Counseling and Information Program funds six regional counseling projects, which provide assistance and information to individuals in 29 states. The Program also funds one national pension assistance resource center, the Pension Rights Center, which provides consultation, technical assistance and substantive legal training to the six regional projects, as well as Area Agencies on Aging, Aging and Disability Resource Centers, legal services providers, and others. The Pension Rights Center also created and hosts PensionHelp America, a website for those who are outside the jurisdiction of, or simply unaware of, the regional projects.

The Program is both extremely valuable and cost effective. Since its inception in 1993, the Program has recovered more than $175 million in benefits for 50,000 clients, a return of $8 dollars for every federal dollar spent on the program. A major shortcoming, however, is that it only has sufficient funding to cover 29 states. I recommend that Congress enact S. 1028 and increase funding, as the bill recommends, of all the reauthorized programs, including this one, which would allow residents of all fifty states to have access to a regional counseling project.

Improving Food Security

Notwithstanding the great wealth of the United States and the modest economic security provided by Social Security and Medicare, hunger is a serious problem affecting seniors. In 2011, nearly one in twelve Americans aged 60 or older experienced "food insecurity," a phrase coined by the U.S. Department of Agriculture to describe those with uncertain or limited access to an adequate supply of food. Three hundred thousand veterans age 60 or over fell into this category. Almost one in five grandparents caring for

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be affected, as well. For a more detailed discussion of the programs affected, see Alison Shelton, "Inflation Indexation in Major Federal Benefit Programs: Impact of the Chained CPI," AARP Public Policy Institute, March 2013, available at http://www.aarp.org/work/social-security/info-03-2013/major-federal-benefit-programs-impact-of-chained-cpi-AARP-ppi-econ-sec.html

[6] As a general point, it is a great improvement to the Older Americans Act that veterans, as well as LGBT, Holocaust survivors, and Alzheimer's , are explicitly named as a category deserving to benefit from additional outreach. It is also an important improvement that S. 1028 adds an objective regarding services that are culturally and linguistically responsive to seniors and their caregivers. On a related note, the Strengthen Social Security Coalition recently released a transition report for the new Commissioner of the Social Security Administration. The report discusses the need to improve access for those with limited English proficiency. The report is available at http://www.strengthensocialsecurity.org/transitionreport

grandchildren reported food insecurity, as well. These statistics would be worse without the Older Americans Act programs which provide meals in group settings, delivered to homes of those who cannot travel, transportation services for those who can, and other related services and programs. S. 1028 reauthorizes and improves these crucial programs. Congress should repeal sequestration and instead increase the funding for these vital programs.

Conclusion

Wage insurance in the form of Social Security and health insurance in the form of Medicare are vital to the economic well-being of the nation's elderly. Both programs should be expanded. As crucial as these programs are, though, they are not sufficient. The services and programs authorized under the Older Americans Act work synergistically with Social Security and Medicare, to reduce poverty and increase economic security and to reduce hunger and increase food security. In addition, the Older Americans Act serves other vital goals, including reducing elder abuse and increasing physical security, providing support for caregivers, and facilitating, through those and other key services, the ability of seniors to continue to live at home as they age.

S. 1028, the Older Americans Act Amendments of 2013 reauthorizes and improves this vital and time-tested statute. Congress should enact it and then ensure that its provisions are adequately funded. Older Americans have contributed enormously to our nation's common wealth. Older veterans have served the nation by jeopardizing life and limb. Reauthorizing, improving, and fully funding the Older Americans Act is the least that a grateful nation can do to repay these sacrifices.