



# The Adequacy of Income Allowances for Medicaid Home and Community-Based Services

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*May 2017*

**Medicaid has always covered nursing home care for people with disabilities and few financial resources who are unable to live independently. Over the past decade, Medicaid spending on home and community-based services (HCBS) for people with disabilities living outside nursing homes has increased sharply, spurred partly by the US Supreme Court's 1999 *Olmstead* decision that requires states to provide alternatives to institutional care when they are appropriate and can be reasonably accommodated.<sup>1</sup> However, the rebalancing of Medicaid expenditures on long-term services and supports (LTSS) away from institutions toward HCBS has been much slower for older adults—those ages 65 and older—than for younger people with disabilities. Medicaid's financial eligibility rules for HCBS help explain why Medicaid's institutional bias in the provision of LTSS has persisted for older Americans after having been largely overcome for younger people with disabilities.**

Most people under age 65 who need LTSS qualify financially for Medicaid coverage because they are receiving cash assistance (e.g., Supplemental Security Income [SSI]), or because their income does not exceed the federal poverty level (FPL). Although they may have difficulty covering food, housing, and other basic living costs, receiving HCBS does not affect how much they have available to spend because Medicaid rules do not require them to contribute any of their monthly income toward HCBS costs. In contrast, most older Americans with chronic disabilities are not quite so poor. Even though their Social Security or other pension benefits may give them monthly incomes only slightly above the FPL, their eligibility for Medicaid may require them to continually spend down their wealth in the form of post-eligibility contributions to help defray the cost of their nursing home care or HCBS.

Medicaid covers almost all nursing home costs, including room and board charges, so Medicaid residents are rarely permitted to retain more than \$30 to \$50 per month as a personal needs allowance. However, Medicaid does not cover basic living costs for community-dwelling older and disabled Medicaid beneficiaries. For HCBS to be a viable alternative to nursing home care, HCBS recipients must be able to afford those costs. Most states allow Medicaid HCBS recipients who have monthly incomes above the FPL to keep some of that excess income in the form of maintenance needs and spousal income allowances to facilitate their continued residence in the community. However, these income allowances, which vary by state, are generally relatively small, raising concerns that many older people with disabilities who qualify for Medicaid HCBS are unable to cover their housing costs and other living expenses.

This brief assesses the adequacy of the income allowances granted to older Medicaid HCBS enrollees and their spouses. We measured household expenditures made by older adults living in the community and compared them to the Medicaid HCBS income allowances provided by the state in which they reside, to see how much they would have to reduce their spending if they enrolled in Medicaid HCBS and did not allow their expenses to exceed those income allowances. The results show that 48 percent of low- and moderate-income households headed by an adult age 65 or older spend more than their state's Medicaid HCBS income allowances, and 29 percent spend at least 50 percent more than the allowances. Single adults are more likely than couples to spend more than they would be allocated by Medicaid HCBS because spousal income allowances are generally much larger than the maintenance needs allowances provided to Medicaid HCBS enrollees. These findings suggest that some states do not allow Medicaid HCBS enrollees to retain enough income to cover community living expenses. Raising Medicaid HCBS income allowances could enable more older adults with disabilities to remain in the community and receive the care they need.

## Medicaid Home and Community-Based Services

Many people develop disabilities and need assistance with personal care as they move through old age. Estimates of the size of the older population needing LTSS vary across datasets and definitions of LTSS needs (Freedman et al. 2013). This study focuses on Medicaid HCBS provided through 1915(c) waivers, which require at least a nursing home level of disability. Recent projections indicate that 52 percent of adults turning 65 in 2015 will need assistance before they die with two or more activities of daily living—eating, toileting, transferring, bathing, dressing, and continence—or will need substantial supervision because of severe cognitive impairment (Favreault and Dey 2015).

Family members provide most of the care received by older adults with disabilities (Johnson and Wiener 2006; Spillman et al. 2014). Nonetheless, many older adults living in the community receive help from paid caregivers. According to an unpublished Urban Institute analysis of National Long-Term Care Survey data, nearly a quarter of adults ages 65 and older with significant disabilities received paid help in 2004.<sup>2</sup> That share is likely to grow over time as more women in their 50s and 60s—who provide the bulk of unpaid care—work for pay and have less time to provide care to their frail parents (Johnson, Toohey, and Wiener 2007).

Paid home care is often expensive. In 2015, the median cost of home health aide services was \$20 per hour (Genworth 2015), which translates into an annual cost of almost \$22,000 for someone receiving 90 hours of paid care per month, the median amount of formal home care (Johnson and Wang forthcoming). Medicare covers only medically necessary services, and standard health insurance policies do not generally cover home care. Private long-term care insurance usually provides coverage, but few older adults hold such policies (Johnson 2016).

For low-income and moderate-income older adults with disabilities, Medicaid can be an important payer of home care. Most Medicaid HCBS is provided through special state-run waiver programs approved by the US Department of Health and Human Services. More than 300 HCBS waiver programs are currently operating, covering the District of Columbia and nearly every state (US Department of Health and Human Services 2015). HCBS waiver enrollees must satisfy financial and level of care criteria, both of which vary across states. Federal law requires that states limit HCBS participation to people who meet the institutional level of care criteria, which requires that nursing home care be “medically necessary.” However, states have wide latitude in interpreting the medically necessary criteria (O’Brien 2005). Ten HCBS waiver programs—3 percent of all such programs—use stricter functional eligibility criteria than the criteria used for institutional care (Ng et al. 2014).

As a need-based program, every Medicaid HCBS waiver program imposes strict income and resource limits on participants. State waiver programs generally restrict eligibility to people with no more than \$2,000 in countable assets if single and no more than \$3,000 in countable assets if married (US Department of Health and Human Services 2010). Countable assets exclude the value of the home and such things as automobiles, household goods, the surrender value of life insurance, and burial funds.

The income eligibility rules for Medicaid HCBS waivers are more complicated. SSI beneficiaries are generally eligible, but SSI serves only the most impoverished population. A single SSI beneficiary without earnings who does not receive a state supplement could receive no more than \$741 in monthly income in 2014 (equivalent to \$8,890 per year), well below the 2014 FPL of \$11,670 for adults ages 65 and older.<sup>3</sup> Eleven states that had their own old-age income assistance programs before SSI was created in 1972 tie Medicaid HCBS eligibility to the more restrictive income eligibility criteria for those programs. Other states raised Medicaid income eligibility thresholds to 100 percent of the FPL. Also, many states, including all the 209(b) states that use the lower-income eligibility thresholds, account for individuals’ health care spending when determining eligibility by subtracting Medicaid applicants’ out-of-pocket costs for medically necessary services and supplies from their countable income. This adjustment essentially allows people to “spend down” their income until they qualify for Medicaid. Other states achieve similar outcomes by allowing applicants to assign that portion of their income that exceeds the Medicaid income threshold to a special trust used to help cover service costs. The state receives any funds remaining in Miller trusts after the Medicaid enrollee’s death, up to the amount the state paid in Medicaid benefit (US Department of Health and Human Services 2010).

Because many middle-class families enrolled in Medicaid HCBS waiver programs would have trouble covering the expenses of community living with the income allowed under their state Medicaid program, most states provide Medicaid HCBS enrollees with special income allowances. For example,

states can enroll individuals with total incomes as high as 300 percent of the maximum SSI benefit in Medicaid HCBS waiver programs, an option that 40 states and the District of Columbia exercised in 2009 (Walker and Accius 2010).<sup>4</sup> People who enroll in Medicaid through the 300 percent of SSI option must pay for part of their services, which can be quite expensive. Nearly all states, however, allow waiver enrollees to keep a certain amount of their income each month to cover living expenses. In 2009, these monthly maintenance needs allowances ranged from \$625 to \$2,022 (Walker and Accius 2010). Most states also reserve income for spouses of HCBS waiver enrollees, to protect them from financial hardship. These spousal needs allowances ranged from \$1,821 to \$2,739 in 2009 (Walker and Accius 2010). If a spouse's income falls short of the allowance, the Medicaid enrollee may transfer some income to his or her spouse to make up the shortfall (US Department of Health and Human Services 2010).

The reach and effectiveness of Medicaid HCBS waiver programs depend crucially on the adequacy of the income allowances they provide to enrollees and their spouses. If maintenance needs allowances and spousal income allowances are too low to cover typical housing costs and the other expenses of community living, then few lower- or middle-income families could afford to enroll in Medicaid HCBS waiver programs. This study explores the adequacy of Medicaid HCBS income allowances for older adults by comparing them to household spending by adults ages 65 and older in a nationally representative household survey.

## Data and Sample

Our data came from the Health and Retirement Study (HRS), a longitudinal survey of older Americans conducted by the Survey Research Center at the University of Michigan. The HRS collects detailed information every two years on demographics and health status, as well as comprehensive income and asset data. The companion Consumption and Activities Mail Survey (CAMS) asks a subset of HRS respondents about their expenses over the past 12 months.<sup>5</sup> Conducted in the years that the full HRS was not administered, it collects information on an array of expenses that reflect the cost of living in the community. We based our analysis on the 2009 CAMS, which was completed by 3,514 households, linked to demographic information (e.g., gender, age, disability status) from the 2008 HRS and household income information from the 2010 HRS, which collects 2009 income data. The restricted-access version of the HRS that we used for this study also identifies respondents' state of residence, which allowed us to link respondents to information about maintenance needs allowances and spousal income allowances.

CAMS collects detailed expenditure data for 38 spending categories, asking respondents how much they spent over the past month or week. We annualized this information by multiplying weekly estimates by 52 and monthly estimates by 12, and we grouped the 38 expenditure items into the following cost categories: shelter, utilities, home maintenance, housekeeping and gardening, durable goods purchases, food, health care, transportation, personal items, and other expenditures. Although most expenditure data collected by CAMS refer to household spending, some refer to individual spending, including expenditures on clothing and apparel, personal care products and services, drugs,

health services, medical supplies, tickets for movies, sporting events, and other performances, and hobbies and leisure equipment. Because only one household member responds to the CAMS questionnaire, the survey likely misses some household spending on these items. To obtain a more complete estimate of household spending, we imputed personal expenditures on these items for the spouses of married respondents in CAMS. The imputations were based on regression models that controlled for household income relative to the FPL and a spouse's age and its square, sex, race, ethnicity, marital status, and disability status.

We considered the expenditures reported in CAMS, except for those in the personal items and other categories, to be essential for independent living in the community. Spending on personal and other items consists primarily of clothing, entertainment, and charitable contributions, and we considered these to be nonessential. Table 1 provides details on the expenditure categories.

TABLE 1

**Composition of Expenditure Categories**

<b>Category</b>	<b>Item</b>
Housing	Shelter, utilities, home maintenance, housekeeping and gardening
Shelter	Mortgage, rent, property taxes, homeowners' and renters' insurance
Utilities	Electricity, water, heat, phone/cable/internet
Home maintenance	Home repairs and maintenance
Housekeeping and gardening	Household furnishings and equipment, housekeeping supplies and services, gardening and yard supplies and services
Durable goods	Refrigerator, washer/dryer, dishwasher, television, computer
Food	Food and drink purchased at stores, meals eaten outside the home
Health	Health insurance, drugs, health services, medical supplies
Transportation	Vehicle insurance, vehicle maintenance, car payments (interest and principal), gasoline
Personal	Clothing and apparel, personal care products and services
Other	Trips and vacations, tickets (movies, sporting events, etc.), charitable contributions, gifts, sports equipment, hobbies/leisure equipment
Essential	Housing, durable goods, food, health care, transportation
Nonessential	Personal, other

**Source:** Authors' computations from the 2009 CAMS.

To gauge the accuracy of the CAMS data, we compared reported household spending at older ages in the survey with spending in the Bureau of Labor Statistics' Consumer Expenditure Survey (CEX), used to compute the consumer price index and generally considered the premier data source on spending by US households. Mean 2009 household spending by adults ages 65 and older was \$34,350 in CAMS/HRS, compared with \$37,560 in CEX (table 2). The distribution of expenditures across spending categories was also similar in the two surveys, suggesting that household spending estimates based on CAMS data are likely to reflect actual spending by older households. However, because overall household expenditures were slightly lower in CAMS than CEX, our analysis may somewhat overstate the capacity of HCBS income allowances to cover community-based living expenses.

TABLE 2

**Distribution of Annual Household Expenditures by Data Source, 2009***Households headed by adults ages 65 and older*

	CAMS	CEX
Average total expenditures (\$)	34,350	37,560
<b>Percentage of total expenditure</b>		
<i>Essential</i>	80.9	76.2
Housing	40.6	35.1
Mortgage	6.9	4.2
Rent	5.3	5.5
Property taxes	4.6	4.8
Maintenance, repairs, insurance	5.9	4.6
Utilities	13.1	8.7
Housekeeping, gardening	4.8	7.3
Durable goods	1.0	--
Food	14.3	13.8
Health care	15.2	12.9
Transportation	9.8	14.4
<i>Nonessential</i>	19.0	23.7
Personal	4.3	4.2
Other	14.7	19.5

**Source:** Authors' computations from the 2009 CAMS and published CEX data.

**Notes:** CEX expenditures came from published Bureau of Labor Statistics tabulations for households whose reference person was age 65 or older (<http://www.bls.gov/cex/2009/share/age.pdf>). The Bureau of Labor Statistics' tabulations included home maintenance expenses in shelter costs and durable goods expenses in housekeeping expenses. They also included other lodging in shelter, which we assigned proportionately to mortgage and rent expenses. In the CEX tabulations, we labeled food and alcohol as food; household operations, housekeeping supplies, and household furnishing as housekeeping and gardening; apparel and personal care services as personal; and entertainment, reading, education, tobacco, cash contributions, personal insurance, pension, and miscellaneous expenses as "other."

Using state identifiers available in a restricted version of the HRS data to which we had access, we linked CAMS/HRS respondents to Medicaid HCBS income allowances permitted by the state in which they resided. Maintenance income allowances and spousal income allowances were for 2009 and came from Walker and Accius (2010).

We restricted our sample to adults age 65 or older living in the community (not in nursing homes) and dropped from the sample married adults with spouses younger than 65. We also eliminated households with incomes exceeding 400 percent of the FPL to focus on low-income adults—with household incomes no more than 200 percent of the FPL—and moderate-income adults—with household incomes above 200 percent of the FPL but no more than 400 percent of the FPL—who are more likely to participate in Medicaid HCBS than higher-income adults. Spending by low- and moderate-income households is more likely to represent necessary expenditures than spending by

high-income households. About three-quarters of all older households in the HRS reported incomes below this level, which corresponded to \$41,156 for an older single adult and \$51,872 for an older couple in 2009 (and \$45,416 for a single older adult and \$57,236 for an older couple in 2014). Finally, we dropped households with unreasonably high spending (more than \$100,000) in any single category, those who were missing data on demographics, disability status, and household income, and those who did not report any household income or expenditures. The analysis was conducted at the household level, and we used household weights so that our results represented outcomes for the general older population.<sup>6</sup> The final sample included 1,292 households (table 3).

**TABLE 3**

**Sample Exclusions and Final Sample Size**

Category	Number of Remaining Households in the Sample
Completed 2009 CAMS questionnaire	3,514
<b>Drop respondents who:</b>	
Are not interviewed in the 2008 and 2010 HRS	3,439
Do not live in the community	3,235
Are younger than age 65 or have a spouse younger than 65	2,106
Report spending more than \$100,000 in a single category	2,092
Are missing data on demographics, disability, or income	1,800
Report household income of at least four times the FPL	1,312
Report no household income or expenditures	1,292

**Source:** Authors’ computations from the 2009 CAMS, linked to the 2008 and 2010 HRS.

We estimated mean and median expenditures for the households in our sample and related spending to household income. We also computed the share of households that spent more than the maintenance needs allowances and spousal income allowances provided by Medicaid HCBS waiver programs in their state, and estimated how much their spending exceeded those allowances. We compared spending to a state’s maintenance needs allowance for households headed by a single adult, and we compared spending to a state’s maintenance needs allowance plus spousal income allowance for households headed by married adults.

Our results show how outcomes vary by key household characteristics, including household income relative to the FPL, age, disability status, marital status, homeownership, and income allowances in each respondent’s state. For married households, we set the age of the household equal to the mean age of the two spouses. We classified a household as disabled if either spouse reported, because of a health or memory problem, difficulty with an activity of daily living—bathing or showering, eating, dressing, walking across a room, getting in and out of bed, or using the toilet—or an instrumental activity of daily living—shopping for groceries, preparing a hot meal, using the telephone, managing money, taking medications, or reading a map—that was expected to last three or more months.



About a third of households in our sample included adults with disabilities, nearly half were headed by adults age 75 or older, and two-thirds were headed by a single adult (table 4). About half (51 percent) of households had incomes below 200 percent of the FPL, and 12 percent had incomes below 100 percent of the FPL. Three-quarters owned their homes. Older households headed by single adults and those with disabilities were more likely to be impoverished and less likely to own their homes than their counterparts headed by married adults. Forty-five percent of households in our sample resided in states that allowed spouses of Medicaid HCBS waiver program enrollees to retain incomes of at least \$50,000 per year, and 53 percent were in states that provided maintenance income allowances of \$24,264 per year, the maximum amount in 2009. However, 25 percent of households resided in states that allowed Medicaid HCBS enrollees to keep no more than \$10,000 per year to cover living expenses, and 8 percent were in states that allowed spouses of Medicaid HCBS enrollees to keep no more than \$10,000 per year.

TABLE 4

**Sample Characteristics (%)***Households headed by adults ages 65 and older with incomes below 400 percent of the FPL*

	All	Not Married	With Disabilities
<b>Household income relative to the FPL</b>			
Less than 100%	12.1	16.5	14.9
100–199%	39.2	44.0	39.9
200–299%	27.9	24.4	27.5
300–399%	20.8	15.3	17.8
<b>Age</b>			
65–74	51.5	47.1	46.4
75–84	37.3	37.8	36.1
85 or older	11.2	15.1	17.5
<b>With disabilities</b>	33.5	31.5	100.0
<b>Not married</b>	66.6	100.0	62.5
<b>Homeowner</b>	75.1	66.8	71.1
<b>Renter</b>	26.9	33.9	29.6
<b>Annual maintenance needs allowance in state</b>			
\$10,000 or less	25.1	25.1	10.0
\$10,001–\$15,000	11.0	10.5	11.0
\$15,001–\$24,236	11.3	11.4	35.1
\$24,264	52.6	53.0	43.8
<b>Annual maintenance needs and spousal income allowances in state</b>			
\$10,000 or less	8.4	9.3	25.5
\$10,001–\$29,999	13.5	12.9	11.3
\$30,000–\$50,000	33.1	32.7	11.8
More than \$50,000	45.0	45.1	51.4
<b>Number of observations</b>	1,292	806	458

**Source:** Authors' computations from the 2009 CAMS matched to the 2008 and 2010 waves of the HRS.

**Notes:** The sample excluded households headed by an adult with a spouse younger than 65. Homeowner and renter status are not mutually exclusive, because some homeowners rented other properties, and some older adults lived in their child's or other family member's home without paying rent. The table refers to the maintenance needs and spousal income allowances provided by the state in which each household was located.

## Results

Low- and moderate-income households headed by adults ages 65 and older averaged \$28,110 in household expenditures in 2009 (table 5). Expenditures rose with household income, as households with incomes between 300 and 399 percent of the FPL spent about twice as much, on average, as those with incomes below 100 percent of the FPL. Average expenditures fell as households grew older. Married households spent 68 percent more, on average, than single households, but they spent less on a per capita basis. Homeowners spent more than renters, and households headed by an adult with disabilities spent more than households headed by an adult without disabilities. Median household spending was \$23,550, which is less than mean spending because some households had very high expenditures, even among those with incomes below 400 percent of the FPL.

TABLE 5

**Household Expenditures by Household Characteristics, 2009 (\$)***Households headed by adults ages 65 and older with incomes below 400 percent of the FPL*

	Total Household Expenditures		Essential Household Expenditures	
	Mean	Median	Mean	Median
<b>All</b>	28,110	23,550	23,740	20,070
<b>Household income relative to the FPL</b>				
Less than 100%	17,090	12,390	14,940	11,010
100–199%	24,790	19,960	21,410	17,110
200–299%	32,680	27,800	27,370	23,200
300–399%	34,680	31,520	28,390	26,330
<b>Age</b>				
65–74	30,260	27,160	25,750	23,300
75–84	26,680	21,370	22,350	18,280
85 or older	22,980	17,830	19,100	14,970
<b>With disabilities</b>				
<b>Not married</b>	22,930	19,300	19,850	16,340
<b>Married</b>	38,440	34,800	31,490	28,630
<b>Homeowner</b>				
<b>Renter</b>	23,580	18,980	20,700	15,940

**Source:** Authors' computations from the 2009 CAMS matched to the 2008 and 2010 waves of the HRS.

**Notes:** The sample included 1,292 households and exclude households headed by an adult with a spouse younger than 65. Homeowner and renter status are not mutually exclusive, because some homeowners rented other properties, and some older adults lived in their child's or other family member's home without paying rent. Essential expenditures excluded spending on clothing, personal care products and services, trips and vacations, tickets to performance events, charitable contributions, gifts, and equipment for sports, hobbies, and leisure activities.

Average spending on essential items, which exclude clothing, personal care products and services, trips and vacations, tickets to performance events, charitable contributions, gifts, and equipment for sports, hobbies, and leisure activities, totaled \$23,740 in 2009, about \$4,400 less than total spending. Median household spending on essential items was \$20,070. Differences in spending by household characteristics were similar for essential items and all items combined.

Housing costs accounted for 43.4 percent of spending by low- and moderate-income households headed by adults ages 65 and older, split between shelter costs (mortgage, rent, property taxes, and insurance), utilities, home maintenance, and housekeeping and gardening expenses (table 6). Food accounted for another 16.3 percent of household expenditures, health care accounted for 14.8 percent, and transportation accounted for 10.1 percent. Nonessential items accounted for 14.4 percent of spending by older households.

TABLE 6

**Breakdown of Mean Household Expenditures by Spending Category, 2009***Households headed by adults ages 65 and older with incomes below 400 percent of the FPL*

<b>Spending Category</b>	<b>Level (\$)</b>	<b>Percentage of Total</b>
<b>Total</b>	28,110	100.0
<b>Essential</b>	23,740	85.6
<i>Housing</i>	11,770	43.4
Shelter	5,390	19.9
Mortgage	1,750	4.7
Rent	1,880	8.9
Property taxes	1,190	4.0
Insurance	580	2.3
Utilities	3,920	15.3
Home maintenance	1,150	3.4
Housekeeping, gardening	1,310	4.8
<i>Durable goods</i>	280	1.1
<i>Food</i>	4,330	16.3
<i>Health care</i>	4,500	14.8
<i>Transportation</i>	2,860	10.1
<b>Nonessential</b>	4,370	14.4
<i>Personal</i>	1,130	4.4
<i>Other</i>	3,240	10.0

Source: Authors' computations from the 2009 CAMS matched to the 2008 and 2010 waves of the HRS.

Note: The sample included 1,292 households and excluded households headed by an adult with a spouse younger than 65.

The distribution of household expenditures differed for certain groups. For example, housing costs represented a larger share of spending by households headed by single older adults than those headed by married older adults, primarily because single households spent more on rent (appendix table 1). Households headed by older adults with disabilities devoted a larger share of their spending to health care than those headed by adults without disabilities. Single older households and disabled older households allocated a smaller share of their spending to nonessential items than other older households. Moderate-income older households devoted a larger share of their spending to nonessential items than low-income older households and smaller shares to food and especially housing (table appendix 2). Housing costs accounted for 50.7 percent of spending for households with incomes less than 100 percent of the FPL, compared with 38.0 percent for households with incomes between 300 and 399 percent of the FPL. And households headed by adults ages 85 and older devoted a larger share of their spending to health care than households headed by adults ages 65 to 74 (table appendix 3).

Older households with incomes below 400 percent of the FPL spent about all their income each year. The median ratio of total household expenditures to household income was 103 percent in 2009, indicating that half of older households in our sample spent more than 103 percent of their income (table 7). Older households can finance spending that exceeds their income by dipping into their savings, taking on more debt, or obtaining financial help from family members. The median ratio of essential household spending to household income was 88 percent. Low-income older households generally spent a greater share of their income than moderate-income older households, while households headed by adults ages 85 and older spent a smaller share than households headed by adults ages 65 to 84.

TABLE 7

**Median Household Income and Expenditures Relative to Income, 2009***Households headed by adults ages 65 and older with incomes below 400 percent of the FPL*

	Total Household Income (\$)	Total Expenditures as a Percentage of Income	Essential Expenditures as a Percentage of Income
<b>All</b>	21,310	103	88
<b>Household income relative to the FPL</b>			
Less than 100%	9,000	131	114
100–199%	16,800	116	100
200–299%	27,850	103	81
300–399%	40,380	82	65
<b>Age</b>			
65–74	23,650	106	92
75–84	20,150	100	85
85 or older	18,320	94	77
<b>With disabilities</b>	20,020	108	94
<b>Not married</b>	17,500	101	87
<b>Married</b>	32,220	107	88
<b>Homeowner</b>	24,490	105	87
<b>Renter</b>	16,870	103	93

**Source:** Authors' computations from the 2009 CAMS matched to the 2008 and 2010 waves of the HRS.

**Notes:** The sample included 1,292 households and excluded households headed by an adult with a spouse younger than 65. Homeowner and renter status are not mutually exclusive, because some homeowners rented other properties, and some older adults lived in their child's or other family member's home without paying rent. Essential expenditures excluded spending on clothing, personal care products and services, trips and vacations, tickets to performance events, charitable contributions, gifts, and equipment for sports, hobbies, and leisure activities.

In 2009, nearly half—48 percent—of low- and moderate-income households headed by adults ages 65 and older spent more than the maintenance needs allowances and spousal income allowances granted by their state's Medicaid HCBS waiver programs, and 29 percent of these households exceeded those limits by at least 50 percent (table 8). Spending by moderate-income households was more likely to exceed the allowances threshold than spending by lower-income households; 55 percent of older households with incomes between 200 and 299 percent of the FPL spent more than their state's Medicaid HCBS allowances. Nonetheless, 45 percent of households with incomes between 100 and 199 percent of the FPL and 34 percent of households with incomes below 100 percent of the FPL also spent more than their state's allowances. Single adults were much more likely than married adults to spend more than the allowances (57 percent versus 33 percent) because spousal income allowances are generally much larger than the maintenance needs allowances granted to waiver enrollees. Homeowners were also more likely than renters to spend more than the Medicaid HCBS allowances.

It is not surprising that households in states with the smallest allowances were most likely to exceed those spending thresholds. Eighty-one percent of households in states that grant maintenance needs allowances of no more than \$10,000 per year and 90 percent of households in states that grant spousal income allowances of no more than \$10,000 per year spent more than the HCBS allowances. However, spending exceeded HCBS allowances for 32 percent of households located in states with the largest 2009 allowances—maintenance needs allowances of \$24,264 per year and spousal income allowances of more than \$50,000 per year.



TABLE 8

**Percentage of Households Spending More than the Maintenance Needs and Spousal Income Allowances in their State, 2009**

*Households headed by adults ages 65 and older with incomes below 400 percent of the FPL*

	Total Spending Exceeds Allowances by:				Essential Spending Exceeds Allowances by:			
	Any amount	25% or more	50% or more	100% or more	Any amount	25% or more	50% or more	100% or more
<b>All</b>	48	35	29	17	39	29	22	13
<b>Household income relative to the FPL</b>								
Less than 100%	34	24	21	11	30	20	17	8
100-199%	45	33	27	13	38	27	20	10
200-299%	55	41	31	23	42	33	26	17
300-399%	54	37	32	23	41	33	23	15
<b>Age</b>								
65-74	51	36	29	16	41	31	22	13
75-84	43	32	28	19	35	27	22	13
85 or older	53	38	28	17	42	28	22	10
<b>With disabilities</b>	44	32	25	16	36	28	20	12
<b>Not married</b>	57	43	35	22	48	36	27	16
<b>Married</b>	33	19	16	9	21	15	11	6
<b>Homeowner</b>	52	36	30	19	40	31	23	14
<b>Renter</b>	44	34	28	15	37	29	20	11
<b>Annual maintenance needs allowance in state</b>								
\$10,000 or less	81	71	63	47	74	64	55	38
\$10,001-\$15,000	64	43	32	17	51	36	23	11
\$15,001-\$24,236	39	25	19	6	30	20	12	1
\$24,264	32	18	14	6	21	14	8	3
<b>Annual maintenance needs and spousal income allowances in state</b>								
\$10,000 or less	90	81	71	52	86	71	63	42
\$10,001-\$29,999	61	48	40	27	52	40	32	20
\$30,000-\$50,000	56	42	35	21	47	37	27	15
More than \$50,000	32	17	13	6	20	13	8	3

**Source:** Authors' computations from the 2009 CAMS matched to the 2008 and 2010 waves of the HRS.

**Notes:** The sample included 1,292 households and excluded households headed by an adult with a spouse younger than 65. Homeowner and renter status are not mutually exclusive, because some homeowners rented other properties, and some older adults lived in their child's or other family member's home without paying rent. The table refers to the maintenance needs and spousal income allowances provided by the state in which each household was located. Essential expenditures excluded spending on clothing, personal care products and services, trips and vacations, tickets to performance events, charitable contributions, gifts, and equipment for sports, hobbies, and leisure activities.

Households were less likely to spend more than their state's Medicaid HCBS income allowances when we considered only essential expenditures, excluding spending on clothing, personal care products, vacations, entertainment, and charitable contributions. Nonetheless, 39 percent of low- and moderate-income households headed by adults ages 65 and older spent more on essential items than the Medicaid HCBS allowances granted by their states, and 22 percent exceeded those spending amounts by more than 50 percent. Spending on essential items exceeded Medicaid HCBS maintenance needs allowances for 48 percent of single adults ages 65 and older with low and moderate incomes.

Because households headed by a single older adult—which accounted for two-thirds of all older households with incomes less than 400 percent of the FPL—were especially likely to spend more than Medicaid HCBS maintenance needs allowances, we explored their spending levels in more detail. Household spending exceeded maintenance needs allowances for 72 percent of single older adults with incomes between 200 and 299 percent of the FPL, 50 percent of single older adults with incomes between 100 and 199 percent of the FPL, and 36 percent of single older adults with incomes below 100 percent of the FPL (table 9). Household spending exceeded Medicaid HCBS maintenance needs allowances for nearly 4 in 10 single adults—39 percent—who lived in a state with the most generous allowances—\$24,264 per year in 2009. Even when we considered only essential spending, 54 percent of single older homeowners and 59 percent of single older adults with incomes between 200 and 299 percent of the FPL spent more than Medicaid HCBS maintenance needs allowances.

TABLE 9

**Percentage of Unmarried Households Spending More than the Maintenance Needs Allowances in Their State, 2009**

*Households headed by adults ages 65 and older with incomes below 400 percent of the FPL*

	Total Spending Exceeds Allowances by:				Essential Spending Exceeds Allowances by:			
	Any amount	25% or more	50% or more	100% or more	Any amount	25% or more	50% or more	100% or more
<b>All</b>	57	43	35	22	48	36	27	16
<b>Household income relative to the FPL</b>								
Less than 100%	36	26	23	12	32	22	18	9
100–199%	50	36	29	14	42	30	22	11
200–299%	72	57	45	33	59	48	38	26
300–399%	73	56	47	36	62	51	36	22
<b>Age</b>								
65–74	62	47	38	23	54	42	30	18
75–84	49	39	33	23	42	32	26	16
85 or older	54	39	29	15	43	29	21	9
<b>With disabilities</b>	53	41	32	20	47	36	26	15
<b>Homeowner</b>	65	48	41	25	54	42	32	19
<b>Renter</b>	46	36	29	16	40	31	22	12
<b>Annual maintenance needs allowance in state</b>								
\$10,000 or less	88	80	72	56	84	73	66	46
\$10,001–\$15,000	76	61	47	25	72	53	35	17
\$15,001–24,236	50	36	27	10	42	29	18	2
\$24,264	39	23	17	8	27	18	10	5

**Source:** Authors' computations from the 2009 CAMS matched to the 2008 and 2010 waves of the HRS.

**Notes:** The sample included 806 unmarried households. Homeowner and renter status are not mutually exclusive, because some homeowners rented other properties, and some older adults lived in their child's or other family member's home without paying rent. The table refers to the maintenance needs and spousal income allowances provided by the state in which each household was located. Essential expenditures excluded spending on clothing, personal care products and services, trips and vacations, tickets to performance events, charitable contributions, gifts, and equipment for sports, hobbies, and leisure activities.

Among low- and moderate-income older households who spent more in 2009 than their state's Medicaid HCBS income allowances, the median amount by which their spending exceeded the allowances was \$10,650, or 65 percent of their allowances (table 10). Median excess spending was \$11,340 for older homeowners, \$11,470 for older households with incomes between 200 and 299 percent of the FPL, and \$12,060 for older households in states that provided no more than \$10,000 in annual maintenance needs allowances. Levels of spending exceeding Medicaid HCBS allowances were similar for single older adults.

TABLE 10

**Median Total Household Expenditures Exceeding Maintenance Needs and Spousal Income Allowances, for Households that Spend More than Those Amounts, 2009**

*Households headed by adults ages 65 and older with incomes below 400 percent of the FPL*

	All		Not Married	
	Level	As percentage of allowance	Level	As percentage of allowance
<b>All</b>	10,650	65	10,450	71
<b>Household income relative to the FPL</b>				
Less than 100%	6,450	59	6,450	60
100–199%	9,960	65	9,350	63
200–299%	11,470	69	11,470	87
300–399%	11,950	65	11,450	91
<b>Age</b>				
65–74	10,960	60	10,820	68
75–84	11,290	85	11,110	89
85 or older	6,800	55	6,450	54
<b>With disabilities</b>	9,230	60	9,110	65
<b>Homeowner</b>	11,340	65	10,840	75
<b>Renter</b>	9,910	63	8,790	63
<b>Annual maintenance needs allowance in state</b>				
\$10,000 or less	12,060	120	11,110	134
\$10,001–\$15,000	7,370	54	8,200	62
\$15,001–\$24,236	6,950	44	11,270	61
\$24,264	9,910	37	9,440	39
<b>Annual maintenance needs allowance and spousal income allowance in state</b>				
\$10,000 or less	10,650	115	na	na
\$10,001–\$29,999	11,400	90	na	na
\$30,000–\$50,000	10,780	69	na	na
More than \$50,000	9,030	35	na	na

**Source:** Authors' computations from the 2009 CAMS matched to the 2008 and 2010 waves of the HRS.

**Notes:** Estimates were based on a sample of 604 households (including 450 unmarried households) whose spending exceeded the allowances in their state. Households headed by an adult with a spouse younger than 65 were excluded. Homeowner and renter status are not mutually exclusive, because some homeowners rented other properties, and some older adults lived in their child's or other family member's home without paying rent. The table refers to the maintenance needs and spousal income allowances provided by the state in which each household was located.

Spending levels exceeding Medicaid HCBS income allowances were slightly lower when we considered only essential expenditures. For low- and moderate-income older households spending more than the HCBS allowances, the median excess amount in 2009 was \$8,990, or 58 percent of their allowances (table 11). Median excess essential spending was \$9,710 for older homeowners, \$10,480 for older households with incomes between 200 and 299 percent of the FPL, and \$10,480 for older households in states that provided no more than \$10,000 in annual maintenance needs allowances. As with excess total spending, levels of essential spending exceeding Medicaid HCBS allowances were similar for single older adults.

TABLE 11

**Median Essential Household Expenditures Exceeding Maintenance Needs and Spousal Income Allowances, for Households that Spend More than Those Amounts, 2009**

*Households headed by adults ages 65 and older with incomes below 400 percent of the FPL*

	All		Not Married	
	Level	As percentage of allowance	Level	As percentage of allowance
<b>All</b>	8,990	58	8,560	58
<b>Household income relative to the FPL</b>				
Less than 100%	5,410	57	5,410	57
100-199%	8,720	54	7,810	52
200-299%	10,480	72	9,980	80
300-399%	9,510	71	8,650	82
<b>Age</b>				
65-74	9,290	57	8,990	58
75-84	10,230	77	8,670	77
85 or older	5,750	53	5,410	44
<b>With disabilities</b>	7,800	56	7,580	56
<b>Homeowner</b>	9,710	60	9,130	62
<b>Renter</b>	7,340	55	7,260	55
<b>Annual maintenance needs allowances in state</b>				
\$10,000 or less	10,480	102	9,130	110
\$10,001-\$15,000	5,590	40	6,000	49
\$15,001-\$24,236	8,990	49	8,990	49
\$24,264	8,690	36	8,640	36
<b>Annual maintenance needs allowance and spousal income allowance in state</b>				
\$10,000 or less	8,560	94	na	na
\$10,001-\$29,999	9,260	77	na	na
\$30,000-\$50,000	9,280	58	na	na
More than \$50,000	7,940	33	na	na

**Source:** Authors' computations from the 2009 CAMS matched to the 2008 and 2010 waves of the HRS.

**Notes:** Estimates were based on a sample of 479 households (including 385 unmarried households) whose essential spending exceeded the allowances in their state. Essential expenditures excluded spending on clothing, personal care products and services, trips and vacations, tickets to performance events, charitable contributions, gifts, and equipment for sports, hobbies, and leisure activities. Households headed by an adult with a spouse younger than 65 were excluded. Homeowner and renter status are not mutually exclusive, because some homeowners rented other properties, and some older adults lived in their child's or other family member's home without paying rent. The table refers to the maintenance needs and spousal income allowances provided by the state in which each household was located.

## Conclusions

Nearly half of low-income and moderate-income households headed by adults ages 65 and older would have to reduce their spending upon enrollment in Medicaid HCBS waiver programs to prevent their expenses from exceeding their income, because the program's income allowances would not be large enough to cover what they would otherwise spend. Fifty-five percent of older households with incomes between 200 and 299 percent of the FPL, 45 percent of older households with incomes between 100 and 199 percent of the FPL, and 34 percent of households with incomes below 100 percent of the FPL spend more than their state's Medicaid HCBS allowances. Half of households spending more than their state's allowances would have to cut their expenditures by more than \$10,650 for Medicaid's HCBS income allowances to cover their spending. Otherwise, they would have to dip into any available savings, take on more debt, obtain assistance from family members or friends, or forgo Medicaid HCBS.

Single older adults with low and moderate incomes are nearly twice as likely as their married counterparts to spend more than their state's Medicaid HCBS allowances. Fifty-seven percent of single older adults with incomes below 400 percent of the FPL would have to reduce their spending upon enrollment in a Medicaid HCBS waiver program. Spending by single older adults is especially likely to exceed income allowances, because single adults do not have access to spousal income allowances and must rely solely upon maintenance needs allowances, which are generally much less generous.

Our findings suggest that some states do not allow Medicaid HCBS enrollees to retain enough income to cover community living expenses, potentially limiting access to the program. Of course, it is difficult to determine how much income people need to get by in the community. Certainly, not all household spending is essential. Nonetheless, the large gap between actual spending and HCBS income allowances, even among impoverished households that make limited expenditures, suggest that many older adults with low or moderate incomes would have difficulty financing their current standard of living on the income allowances provided by Medicaid HCBS waiver programs. These financial eligibility rules help explain why Medicaid's institutional bias in the provision of LTSS persists for older Americans while it has largely disappeared for younger people with disabilities. Raising Medicaid HCBS income allowances, especially the program's maintenance needs allowances, could enable more older adults with disabilities to remain in the community and receive the care they need.



## Notes

1. Between 2001 and 2011, Medicaid HCBS expenditures grew 150 percent, from \$22.2 billion to \$55.5 billion (Ng et al. 2014).
2. Brenda Spillman provided us with these estimates.
3. See [http://www.socialsecurity.gov/policy/docs/quickfacts/prog\\_highlights/RatesLimits2014.html](http://www.socialsecurity.gov/policy/docs/quickfacts/prog_highlights/RatesLimits2014.html) for SSI income limits and <https://www.census.gov/hhes/www/poverty/data/threshld/> for federal poverty thresholds. The SSI income thresholds are slightly higher for SSI beneficiaries with earnings, but only a small share of SSI beneficiaries work.
4. Under this 300 percent of SSI option, in 2014 a single adult could qualify for a Medicaid HCBS waiver program with as much as \$2,223 in monthly income (equivalent to \$26,676 per year).
5. The CAMS supplement has been used in other studies to investigate expenditure patterns in retirement (e.g., Butrica, Goldwyn, and Johnson 2005; Hurd and Rohwedder 2003).
6. The household weights correct for attrition and the oversampling of African Americans, Hispanics, and Florida residents in the HRS.

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APPENDIX TABLE 1

**Breakdown of Mean Household Expenditures by Spending Category and Marital and Disability Status, 2009**

*Households headed by adults ages 65 and older with incomes below 400 percent of the FPL*

	Not Married		Married		No Disabilities		With Disabilities	
	Level (\$)	% of Total	Level (\$)	% of Total	Level (\$)	% of Total	Level (\$)	% of Total
<b>Total</b>	22,930	100.0	38,440	100.0	28,710	100.0	26,930	100.0
<b>Essential</b>	19,850	87.3	31,490	82.2	23,950	84.4	23,320	87.9
<i>Housing</i>	10,680	47.7	13,940	34.7	12,020	42.8	11,280	44.6
Shelter	5,050	22.5	6,080	14.7	5,700	20.6	4,780	18.5
Mortgage	1,310	4.3	2,630	5.6	1,950	5.3	1,330	3.7
Rent	2,340	12.1	950	2.7	1,840	8.6	1,960	9.6
Property taxes	910	3.8	1,740	4.4	1,280	4.3	1,010	3.4
Insurance	490	2.4	770	2.0	640	2.5	480	1.8
Utilities	3,520	16.7	4,720	12.6	3,840	14.4	4,090	17.2
Home maintenance	980	3.4	1,490	3.5	1,180	3.5	1,070	3.3
Housekeeping, gardening	1,140	5.2	1,650	4.0	1,290	4.4	1,340	5.6
<i>Durable goods</i>	220	1.1	400	1.1	260	1.1	300	1.2
<i>Food</i>	3,560	16.7	5,850	15.3	4,380	16.2	4,230	16.3
<i>Health care</i>	3,210	12.3	7,090	19.9	4,270	13.8	4,960	16.8
<i>Transportation</i>	2,190	9.5	4,210	11.1	3,020	10.6	2,560	9.0
<b>Nonessential</b>	3,080	12.7	6,950	17.9	4,760	15.6	3,610	12.1
<i>Personal</i>	730	3.5	1,950	6.2	1,180	4.5	1,050	4.2
<i>Other</i>	2,360	9.2	5,000	11.7	3,580	11.1	2,560	7.9

**Source:** Authors' computations from the 2009 CAMS matched to the 2008 and 2010 waves of the HRS.

**Notes:** The sample includes 1,292 households and excludes households headed by an adult with a spouse younger than 65.

APPENDIX TABLE 2

**Breakdown of Mean Household Expenditures by Spending Category and Household Income Relative to the FPL, 2009**

*Households headed by adults ages 65 and older with incomes below 400 percent of the FPL*

	Less than 100%		100–199%		200–299%		300–399%	
	Level (\$)	% of Total	Level (\$)	% of Total	Level (\$)	% of Total	Level (\$)	% of Total
<b>Total</b>	17,090	100.0	24,790	100.0	32,680	100.0	34,680	100.0
<b>Essential</b>	14,940	88.0	21,410	87.4	27,370	84.3	28,390	82.5
<i>Housing</i>	7,700	50.7	10,920	44.7	13,850	42.3	12,960	38.0
Shelter	3,720	24.5	5,160	21.1	6,080	18.3	5,890	16.9
Mortgage	960	3.8	1,480	4.4	1,870	4.7	2,550	5.9
Rent	1,990	16.8	2,260	10.8	1,990	6.7	950	3.8
Property taxes	500	2.4	870	3.4	1,580	4.8	1,660	4.8
Insurance	270	1.5	560	2.5	640	2.1	740	2.4
Utilities	2,720	18.4	3,840	16.1	4,340	14.5	4,210	13.1
Home maintenance	490	1.8	770	2.8	1,700	4.5	1,490	4.0
Housekeeping, gardening	760	6.0	1,140	4.7	1,740	4.9	1,370	4.0
<i>Durable goods</i>	130	0.8	240	1.1	280	1.0	410	1.5
<i>Food</i>	3,070	17.4	3,880	16.9	4,930	15.4	5,100	15.5
<i>Health care</i>	2,610	12.4	3,750	14.3	5,130	15.4	6,180	16.6
<i>Transportation</i>	1,430	6.7	2,620	10.4	3,180	10.4	3,720	11.0
<b>Nonessential</b>	2,150	12.0	3,380	12.6	5,310	15.7	6,290	17.5
<i>Personal</i>	800	5.0	960	4.2	1,320	4.5	1,410	4.3
<i>Other</i>	1,350	7.0	2,420	8.5	3,990	11.1	4,880	13.1

**Source:** Authors' computations from the 2009 CAMS matched to the 2008 and 2010 waves of the HRS.

**Notes:** The sample includes 1,292 households and excludes households headed by an adult with a spouse younger than 65.

APPENDIX TABLE 3

**Breakdown of Mean Household Expenditures by Spending Category and Age, 2009***Households headed by adults ages 65 and older with incomes below 400 percent of the FPL*

	Ages 65–74		Ages 75–85		Ages 85 and older	
	Level (\$)	% of Total	Level (\$)	% of Total	Level (\$)	% of Total
<b>Total</b>	30,260	100.0	26,680	100.0	22,980	100.0
<b>Essential</b>	25,750	86.3	22,350	85.0	19,100	84.4
<i>Housing</i>	13,030	43.2	10,560	42.9	10,010	45.4
Shelter	6,150	20.9	4,390	17.9	5,250	21.8
Mortgage	2,450	6.5	1,210	3.3	290	1.1
Rent	1,820	8.4	1,550	8.4	3,220	13.2
Property taxes	1,270	3.8	1,080	4.1	1,160	4.2
Insurance	600	2.2	550	2.1	590	3.2
Utilities	4,300	14.7	3,800	16.1	2,580	15.3
Home maintenance	1,280	3.5	1,130	3.7	580	2.3
Housekeeping, gardening	1,300	4.1	1,250	5.3	1,600	6.1
<i>Durable goods</i>	350	1.1	200	0.9	200	1.6
<i>Food</i>	4,740	16.8	4,170	16.2	2,960	14.2
<i>Health care</i>	4,070	13.5	5,030	15.9	4,730	17.5
<i>Transportation</i>	3,570	11.7	2,390	9.1	1,200	5.8
<b>Nonessential</b>	4,510	13.8	4,340	15.0	3,890	15.6
<i>Personal</i>	1,220	4.5	1,090	4.4	900	4.2
<i>Other</i>	3,290	9.3	3,250	10.6	2,990	11.4

**Source:** Authors' computations from the 2009 CAMS matched to the 2008 and 2010 waves of the HRS.

**Notes:** The sample includes 1,292 households and excludes households headed by an adult with a spouse younger than 65.

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# Acknowledgments

This brief was prepared for the Office of Disability, Aging, and Long-Term Care Policy within the Office of the Assistant Secretary of Planning and Evaluation at the U.S. Department of Health and Human Services, under contract HHSP2330100025W1 (task order HHSP23337004T). We are grateful to them and to all our funders, who make it possible for Urban to advance its mission.

The views expressed are those of the authors and should not be attributed to the Urban Institute, its trustees, or its funders. Funders do not determine research findings or the insights and recommendations of Urban experts. Further information on the Urban Institute's funding principles is available at [www.urban.org/support](http://www.urban.org/support).

The authors thank Pamela Doty, John Drabek, Melissa Favreault and Pam Blumenthal for valuable comments on an earlier draft.



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