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THE RECESSION AND OLDER AMERICANS: WHERE DO WE GO FROM HERE

HEARING

BEFORE THE

SUBCOMMITTEE ON PRIMARY HEALTH AND AGING

OF THE

COMMITTEE ON HEALTH, EDUCATION, LABOR, AND PENSIONS

UNITED STATES SENATE

ONE HUNDRED TWELFTH CONGRESS

FIRST SESSION

ON

EXAMINING THE RECESSION AND OLDER AMERICANS: WHERE DO WE GO FROM HERE?

OCTOBER 18, 2011

Printed for the use of the Committee on Health, Education, Labor, and Pensions

Available via the World Wide Web: http://www.gpo.gov/fdsys/

U.S. GOVERNMENT PRINTING OFFICE

87–599 PDF WASHINGTON : 2014

For sale by the Superintendent of Documents, U.S. Government Printing Office
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THE RECESSION AND OLDER AMERICANS: WHERE DO WE GO FROM HERE

TUESDAY, OCTOBER 18, 2011

U.S. SENATE,
SUBCOMMITTEE ON PRIMARY HEALTH AND AGING,
COMMITTEE ON HEALTH, EDUCATION, LABOR, AND PENSIONS,
Washington, DC.

The subcommittee met, pursuant to notice, at 10:04 a.m. in Room SD–430, Dirksen Senate Office Building, Hon. Bernard Sanders, chairman of the subcommittee, presiding.

Present: Senators Sanders, Franken and Casey.

OPENING STATEMENT OF SENATOR SANDERS

Senator SANDERS. Good morning, I'm Senator Bernie Sanders from Vermont and I think we're going to be joined by some of my colleagues in a bit. But I do want to thank all of you for being here, and especially our panelists.

This country, I think we all know, is in the midst of the worst economic downturn since the Great Depression.

Sixteen percent of our people are unemployed or underemployed, median family income has declined by over $3,000 in the last decade, and almost all of the new income has gone to the people at the very top—top 1 percent.

In the midst of all of this, it is enormously important that we ask a question that has not been asked enough, in my opinion, and that is what does this recession mean for older Americans.

How are they faring in the midst of this terrible recession? What is the employment situation for people in their 60s? Do most Americans, most working Americans, expect to be working throughout their entire lives?

How many workers in their 60s have lost their jobs, have seen a decline in their incomes and, very importantly, how many older American workers who have lost their jobs are never, ever going to get another job? And what does that mean to the economy? What does it mean to the standard of living of that worker? Both economically and psychologically, if you anticipated working until the retirement age of 65 and now you're 61 and you are never going to get another job in your life—that's one of the issues that we are going to be talking about today.

Another very important question that I don't think has been asked enough that needs some answers today is how do you survive economically in these tough times if, say, you get $12,000 in Social Security, and that's all of your income or virtually all of your in-

come, and you haven't received a COLA for the last 2 years? What does that mean to you?

Furthermore—and this is an enormously important issue, that needs a whole lot of discussion—does the current formulation for Social Security COLAs adequately reflect the purchasing habits of senior citizens?

I can tell you that in Vermont, I hear over and over again from senior citizens who tell me, Bernie, I don't quite understand how they think there has been no inflation when my prescription drug costs are soaring, my health care costs are soaring and we don't get a COLA.

Is the current formulation regarding COLAs adequate? And that becomes very important because I think tomorrow or in the very near future, we're going to be hearing about what COLAs, if any, our seniors will be receiving.

Is the current formulation adequate or do we need a new formulation that better reflects the purchasing needs of seniors?

According to information that we will be receiving today—and this is really rather stunning—the bottom 20 percent of senior citizens in our country live on incomes of less than $12,080 a year. Let me repeat that. Bottom 20 percent of seniors in this country—millions of people—live on incomes of less than $12,080 a year.

In fact, the average income for a senior in the bottom 20 percent is about $7,500. And I hope that our distinguished panelists will explain to me and the American people how any person in this country, let alone a senior with specific needs often regarding health care, can survive in the year 2011 on $7,500 a year.

Now, importantly, and let's be very frank about this, as many Americans know, there is a major effort on the part of some in Congress, especially in the Republican-led House of Representatives, to make major cuts in Social Security, Medicare, Medicaid, the LIHEAP heating assistance program, community health centers, affordable housing, and nutrition programs. Now, if these cuts were to take place, what impact would they have on seniors?

Now, my office learned yesterday that Senator Paul, the Ranking Member, would not be here this morning and I am disappointed by that, and I hope that perhaps he or some other Republicans will, in fact, come to this hearing this morning to talk about these important issues because I'll tell you, it is very easy to get up on the floor of the Senate and to announce how you are in favor of cutting Social Security, cutting Medicare, cutting Medicaid, cutting heating assistance, but it may be a little bit harder to learn what the impact of those cuts will mean on real human beings and what kind of suffering will take place, and how many people, perhaps, will die as a result of those cuts.

So this is an important hearing and I look very much forward to hearing the testimony from the GAO and from our other distinguished panelists.

And with that, let me introduce Senator Franken for some opening remarks.

Thank you, Senator Franken.

STATEMENT OF SENATOR FRANKEN

Senator FRANKEN. Thank you, Mr. Chairman, for holding this extremely important hearing.

I have no opening remarks other than to say that as we get to the reauthorization of the Older Americans Act, I have instructed my staff in Minnesota to do a number of roundtable discussions. I, myself, have also participated in them and held a field hearing when I was with the Special Committee on Aging, and have done just a whole bunch of events at senior centers and have had this discussion.

I think everything that Senator Sanders spoke to is very, very important and I did have an opening statement—what do you know?

I look forward to hearing the testimony today. I do think that cutting Social Security—that Social Security has had nothing to do with our deficit. If anything, we've been borrowing from the Social Security surplus and using it—not lockboxing it.

So I look forward to the testimony today and to the discussion of what we can do in this recession or in this economic slowdown to make sure that seniors live a dignified life and have a dignified retirement, and also that seniors who, or those who are approaching seniorhood, like I am, in an economy where, as we will hear from some of the testimony where folks are out of work—who have lost jobs can't get jobs for just a record amount of time now—what recourse they have.

So I want to thank these two witnesses and the witnesses in the second panel. Thank you, Mr. Chairman.

Senator SANDERS. Thank you. Thank you, Senator, and thank you for all that you've done for seniors.

We're going to begin with Barbara Bovbjerg, the managing director for Education, Workforce and Income Security Issues at the U.S. Government Accountability Office.

Previously, Ms. Bovbjerg was the director for Retirement Income Security, and in that capacity managed studies on Social Security and pension policy and management.

Before joining GAO, she led the Citywide Analysis Unit of the District of Columbia's Budget Office and we thank you very much for being with us this morning.

STATEMENT OF BARBARA D. BOVBJERG, GOVERNMENT ACCOUNTABILITY OFFICE, WASHINGTON, DC

Ms. BOVBJERG. Thank you, Mr. Chairman, Senator Franken.

Thank you so much for inviting us here today to discuss the effects of the recent recession on older adults. While the recession officially ended in June 2009, the economy has experienced a weak recovery with unemployment still above 9 percent.

Older adults, particularly those close to or in retirement, may not have the same opportunities as younger adults to recover from the recession's effects and still assured that they will have sufficient savings for retirement.

My testimony today will present the results of our work for this subcommittee on older Americans' well-being. Our report, which is

being released today, presents data from various, mostly Federal, sources concerning the financial status of older adults.

I am accompanied by Michael Collins, our assistant director for this project.

Things weren't especially great for older adults in 2007, before the recession. We've previously reported that older Americans were heavily reliant on Social Security benefits with about a fifth of beneficiaries over 65 receiving more than 80 percent of their income from this source.

This reflects relatively small amounts of retirement savings for many older people. Almost half of American workers have no defined benefit or defined contribution pension to supplement Social Security, and even those who do have a pension will still not have enough to live comfortably in retirement.

In 2007, before the great recession began, the median level of financial assets for households approaching or entering retirement was only around $72,000. This may sound like a lot of money, but it has to last a retiree for decades. Using basic rules of thumb for withdrawals, this amount would provide for about a 5 percent replacement rate for those at median incomes.

Even with Social Security, this isn't enough to support a middle-class standard of living. So, older Americans weren't especially flush prior to the recession, and things have not gotten better.

Since 2007, annual unemployment rates have doubled from 3 percent to 7 percent for workers age 55 and older. These rates are not as high as for other age groups, likely because older workers have seniority and are less likely to lose their jobs than younger colleagues.

Still, once an older worker does lose their job, they are less likely than a younger worker of similar skill to find another.

Indeed, the median duration of unemployment for older workers rose sharply between 2007 and 2010, more than tripling for workers 65 and older, and increasing from 11 weeks to 31 weeks for workers age 55 to 64. During this period, even among those employed, the proportion of older part-time workers who indicated they would prefer full-time work nearly doubled.

The recession also left older adults with difficult choices regarding retirement savings. Neither stocks nor real estate have recovered from their low points during the recession, and continued low interest rates mean that savings provide little, if any, interest income after inflation.

In these circumstances, those approaching retirement find they may not be able to retire at all until such time that markets recover. Those already in retirement and managing their own assets face reduced circumstances without time to adjust by saving more.

Indeed, in an AARP survey, 50 percent of older people who reported having difficulty making ends meet delayed getting medical or dental care or ceased taking medication entirely.

Those with defined benefit plans are protected from market swings, but increasingly, older adults are managing their own savings via 401k plans or IRAs, and are thus vulnerable to market volatility.

In the only bright spot, adults age 65 and older were somewhat protected during this period, likely thanks to Social Security. Al-

though household income fell for adults aged 55 to 64, those 65 and older experienced an increase in household income. And, similarly, while poverty rates increased for those age 55 to 64, they decreased for those 65 and older, although this changes when medical costs are factored in.

It seems that Social Security is an important protection, as it is intended to be, to those eligible for those benefits.

In conclusion, the great recession has had a profound impact on older adults. Many have lost employment and wealth, and have little time relative to their younger counterparts to make up the difference before they retire. And some will not retire voluntarily but may either lose their job from lay-offs or from physical disability.

Fortunately, Social Security has largely protected retirees from poverty, but it is intended to be a foundational benefit and not the sole source of income. Americans' increased vulnerability to the fluctuations and complexities of the financial markets for their retirement security means that they are increasingly unprotected from a retirement in reduced circumstances.

Helping protect a rapidly growing population of older people offers a special challenge as we seek economic recovery for all Americans.

And that concludes my statement. I hope our written statement will be submitted for the record, and I await your questions.

[The prepared statement of Ms. Bovbjerg follows:]

PREPARED STATEMENT OF BARBARA D. BOVBJERG

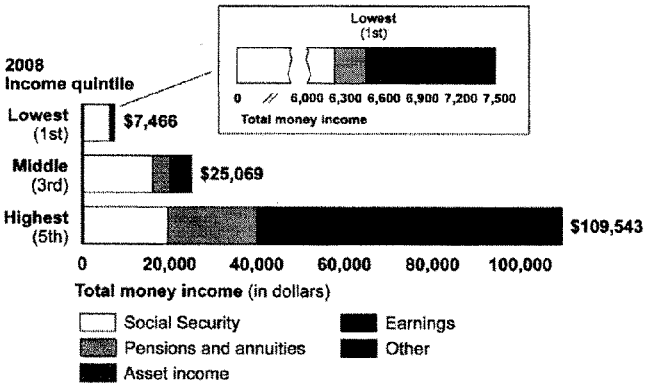
Mr. Chairman, Ranking Member Paul, and members of the subcommittee, I am pleased to be here today to discuss the effects of the recent recession on older adults.[1] While the recession officially ended in June 2009, our economy has experienced a weak recovery, with unemployment still above 9 percent. Older adults—particularly those close to or in retirement—may not have the same opportunities as younger adults to recover from the recession's effects. For example, older adults—generally those 55 and older—may have insufficient time to rebuild their depleted retirement savings due to sharp declines in financial markets and home equity, and increased medical costs. Further, while older workers are less likely to be unemployed than workers in younger age groups, when older workers lose a job they are less likely to find other employment.[2] These changes have intensified older adults' concerns about having sufficient savings now and adequate income throughout retirement.

Social Security forms the foundation of income for nearly all retiree households, providing 36 percent of aggregate income for households with a member aged 65 and older; however, it provides a much greater portion of income for low and middle income households. Pensions and assets together provide 31 percent of aggregate income. However, many older adults lack any pension; 44 percent of full-time workers in their 50s have neither a defined benefit nor a defined contribution pension from their current employer; and the number of active defined benefit plan participants has declined since 1990. In 2007, before the recession began, the median level of financial assets for households approaching or entering retirement was around $72,000. Using a 4 percent withdrawal rate in retirement, this amount would replace about 5 percent of these families' $55,000 median annual household income. Although most retirees would also receive Social Security benefits, for many retirees even these will not be sufficient to maintain their standard of living. Older Americans' income varies widely. In 2008, annual income for households with a member age 65 and older ranged from $7,466 for those in the lowest of five income groups to $109,543 for the highest of five income groups (see fig. 1).

[1] The National Bureau of Economic Research Business Cycle Dating Committee identifies the period of this recession to be December 2007 through June 2009.

[2] GAO, *Social Security Reform: Raising the Retirement Ages Would Have Implications for Older Workers and SSA Disability Roles*, GAO–11–125 (Washington, DC.: Nov. 18, 2010).

Figure 1: Average Income by Source for Households in the Lowest, Middle, and Highest of Five Income groups, 2008



Source: GAO and SSA analysis of 2008 income data from the March 2009 U.S. Census Bureau, Current Population Survey, Annual Social and Economic Supplement.

Note: Households are defined here as either a married couple living together where one member is 65 or older, or a single person age 65 or older. Income from other people (such as adult children living at home) is not included in household income. "Other" includes noncash benefits, unemployment compensation, workers' compensation, and personal contributions.

Those in the lowest and middle groups received most of their income from Social Security retirement benefits, while those in the highest group on average received most of their income from earnings, asset income, and pensions.

Today's testimony is based on a GAO report that we are releasing at this hearing, titled *Income Security: Older Adults and the 2007–2009 Recession*.[3] This report examined: (1) What changes have occurred in the employment status of older adults, generally those 55 and older, with the recession? (2) How have the incomes and wealth of older adults in or near retirement changed with the recession? (3) What changes have occurred in the costs of medical care, the purchasing power of Social Security benefits, and mortality rates for older adults in recent years? To address our objectives, we used Bureau of Labor Statistics (BLS) and Census Bureau data concerning the employment status of older adults,[4] Census Bureau and Federal Reserve Board data concerning the income and assets of older adults, BLS data concerning the costs of medical care, Social Security Administration and BLS data concerning the purchasing power of Social Security benefits, U.S. Department of Agriculture data concerning food security, and Centers for Disease Control and Prevention data concerning mortality rates for older adults.[5] We determined that the data were sufficiently reliable for the purposes of the report. We also reviewed relevant Federal laws and regulations. We conducted our review between July and September 2011 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings based on our audit

[3] GAO, *Income Security: Older Adults and the 2007–2009 Recession*, GAO–12–76 (Washington, DC.: Oct. 17, 2011).

[4] Data on the labor market outcomes of displaced workers and the number of older workers who are low-wage are based on GAO analyses of microdata from the Current Population Survey. For our analysis of the re-employment experiences of older displaced workers, we used data from the 2008 and 2010 Displaced Worker Supplements to the CPS; the analysis was not restricted to workers who had held the job from which they were displaced for a minimum period of time. For our analysis of low-wage older workers, we used data from the outgoing rotation groups of the CPS (the basic monthly CPS) for the years 2007 and 2010. We defined "low-wage" as those with an hourly wage rate in the bottom quintile (bottom 20 percent) of wages across the workforce for workers who reported positive earnings. We estimated the hourly wage rate using usual weekly earnings divided by usual hours worked per week.

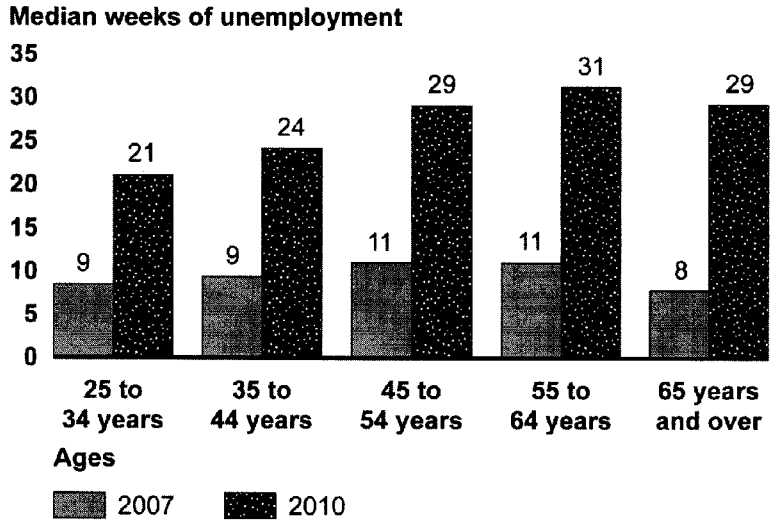
[5] Since data on life expectancy are based on projections using older data, prior to the recession, we examined mortality rates, which directly affect life expectancy and have more updated data available.

objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Mr. Chairman, the following summarizes our findings on each of the three issues discussed in our report.

Since 2007, unemployment rates doubled and remained higher than before the recession for workers aged 55 and older. While these rates were not as high as for other age groups, of more concern is that once older workers lose their jobs they are less likely to find other employment. In fact, the median duration of unemployment for older workers rose sharply from 2007 to 2010, more than tripling for workers 65 and older and increasing to 31 weeks from 11 weeks for workers aged 55 to 64 (see fig. 2).

Figure 2: Duration of Unemployment by Age Group, 2007 and 2010



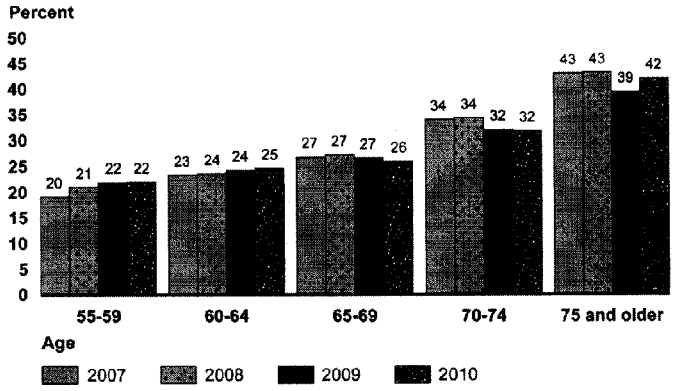
Source: Bureau of Labor Statistics.

Note: Estimates have confidence intervals that are within +/- 23 percent of the estimate itself. All statements made in the text were found to be statistically significant.

In addition, the proportion of older part-time workers who indicated they would prefer full-time work nearly doubled during this time.

Household income fell by 6 percent for adults 55–64, but increased by 5 percent for adults 65 and older. Median household net worth fell during the recession for older adults. Poverty rates increased for adults aged 55–64, but declined for those 65 and older, while low incomes were more prevalent in older age groups than in younger ones (see fig. 3).

Figure 3: Percentage of Adults with Incomes Below 200 Percent of the Poverty Level by Age Group, 2007-2010



Source: U.S. Census Bureau, Current Population Survey, Annual Social and Economic Supplements.

Note: Estimates have 95 percent confidence intervals that are within +/- 3 percent of the estimate itself. All statements made in the text were found to be statistically significant. "Poverty level" refers to levels determined by the Census Bureau.

Furthermore, the recession leaves older adults with difficult choices regarding retirement savings. Neither stocks nor real estate have recovered from their low points during the recession, and continued low interest rates mean that savings provide little, if any, interest income after inflation.[6] According to a survey by the AARP Policy Institute, many older Americans experienced financial hardship during the recession.[7] For example, nearly a quarter of survey respondents aged 50 and older indicated that they or someone in their family had exhausted or used up all of their savings during 2007–10, while more than 12 percent stated that they or someone in their family had lost their health insurance.[8]

Among those who reported having difficulty making ends meet during 2007–10, nearly 50 percent reported that they delayed getting medical or dental care, or delayed or ceased taking medication. In addition, more than one-third reported that they had stopped or cut back on saving for retirement.

Medical costs continued to rise faster than other costs, and older adults continued to spend more on medical care than those in younger age groups. The purchasing power of Social Security benefits was maintained with cost-of-living adjustments and, for those receiving benefits in 2009, increased with a one-time $250 Recovery Act payment in 2009.[9] Mortality rates for older adults continued a long-term decline during 2007–9.

In conclusion, the recession of 2007 to 2009 has had a profound impact on older adults, many of whom, like other groups, have lost employment and wealth. The major challenges for older adults are that they face a shorter timeframe before retirement to make up for these losses. Social Security likely helped keep some eligible long-term unemployed older adults from falling into poverty, but workers who had to leave the workforce prematurely could still face insufficient income at older ages. In addition, more of today's older retirees are able to rely on lifetime retirement income from defined benefit plans than will in the future. The shift from de-

[6] In 2009, however, real interest rates were positive as consumer prices fell.

[7] See AARP Public Policy Institute, *Recovering from the Great Recession: Long Struggle Ahead for Older Americans* (Washington, DC.: 2011). AARP surveyed adults aged 50 and over who had been in the labor force at some point during the previous 3 years. Their findings were based on a random sample of U.S. residents aged 50 and older from a panel representative of the U.S. population.

[8] This question was asked of those aged 50 or older (n=5,027): Which if any of the following financial hardships have you/your family experienced in the past 3 years?

[9] Cost-of-living adjustments are currently based on the consumer price index for urban wage earners and clerical workers, reflecting prices for these workers. There is concern that this measure may be based on consumer items that may not be representative of those purchased by older adults. No reliable measure is currently available of inflation targeted exclusively on older adults' consumption.

fined benefit to defined contribution pension plans will make future retirees more dependent on their own choices about how much to save, how to invest those savings, at what age to retire, and how to draw upon those savings; and make them more vulnerable to financial market volatility.

Chairman Sanders, this concludes my statement. I would be happy to answer any questions that you or other members of the subcommittee might have.

Senator SANDERS. Thank you very much.

Now we will hear from Senator Casey, who I believe wanted to make an opening statement.

STATEMENT OF SENATOR CASEY

Senator CASEY. Thank you, Senator Sanders. I want to, first of all, thank you for convening this hearing on this important topic, and I won't be here for all of the testimony but I am especially grateful.

I represent a State that has, depending on what the latest number is, probably the third highest number of individuals over the age of 65. So we have at least over 1.9 million over the age of 65 and, of course, big numbers just below 65.

And I think what this hearing does is remind us not only of the gravity of the impact of the recession but it also reminds us how urgent the work is we're doing right now to put in place job-creation strategies.

We're finally at a point where we're actually debating and voting on a series of job-creation ideas and this report that the GAO has done and the other testimony from our witnesses should give added urgency to the work that we're doing because we've got to do everything we can to prevent even further damage to people's lives and their communities. So, it's been a horrific time for a lot of families and probably ever more so for older workers and their families.

So, we're grateful for the scholarship and the work that goes into this report and grateful for the testimony of our witnesses.

Thank you very much.

[The prepared statement of Senator Casey follows:]

PREPARED STATEMENT OF SENATOR CASEY

I would like to thank Chairman Sanders for holding this important hearing on the recession and older Americans. We must remember that the recession is affecting all Americans at every stage of life, including older Americans. Older Americans continue to feel the effects of the recession.

Workers aged 55 and older faced an unemployment rate of 6.7 percent in September 2011, more than double the 3.0 percent unemployment rate these workers experienced in November 2007, just before the recession began. The unemployment rate for workers 55 and older peaked at 7.3 percent in August 2010. However, last month's unemployment rate for older workers of 6.7 percent represents a 0.6 percentage point decline from its peak, the unemployment rate for these workers in September 2011 was the same as it was in January 2011. In the past year, older workers have seen some progress. The number of unemployed workers aged 55 and over declined from 2.2 million in September 2010 to 2.1 million in September 2011. While this is an encouraging development, there are still many older Americans in need of help.

As rising energy prices, a struggling economy and increasing food costs place a heavy burden on our most vulnerable citizens. The Federal Government has a responsibility to help people afford the most basic needs. Older Americans throughout the country are being forced to choose between heat, food, medicine, gasoline, mortgage payments, and other necessities. This is truly unacceptable.

Many assistance programs such as Social Security, meals on wheels, the Low Income Home Energy Assistance Program (LIHEAP) and the Senior Community Service Employment Program have helped keep many older Americans out of poverty. According to data recently released from the Census Bureau, Social Security benefits alone kept 13.8 million Americans age 65 and older out of poverty in 2010. LIHEAP is another program many older Americans depend on. For years, LIHEAP has effectively and efficiently delivered help to the most vulnerable individuals and the need has never been greater. In Pennsylvania, older Americans make up 33 percent of LIHEAP beneficiaries. Older Americans should not have to choose between staying warm in the winter and their medications. While working to close the Donut Hole in the Medicare Part D program is one way to help this problem, we must continue to fund the programs our most vulnerable older citizens rely on, especially in these difficult times.

As many here know, Pennsylvania is one of the oldest States in the country. We are consistently in the top five for percentage of older citizens. We have an abiding responsibility to get this right. These are the people who fought our wars, worked in our factories, taught our children and gave us life and love. It is now our turn to repay that service.

We must continue to work to minimize the impact of the recession on Older Americans as well as the impact to citizens 10 to 15 years away from retirement. With the increasing number of individuals with little or no employer pensions and declines in retirement savings we must work to make sure these Americans have what they need when they reach retirement age. I look forward to hearing from our witnesses and again, appreciate the Chairman calling this hearing.

Senator SANDERS. Thank you, Senator Casey.

Let me begin, Ms. Bovbjerg, with just a few questions. You mention in your report that workers 65 years of age and older saw their length of unemployment triple, and you mention in your report that workers 55 to 64 saw their length of unemployment almost triple. And you also mention that one-third of workers 65 or older are in low-wage jobs.

In human terms, what does it mean if somebody is 65 or 66 today and loses their job, or 62 and lose their job? In your judgment—and I know there are, obviously, exceptions—but are many of those workers never again going to be working and what happens to their lifestyle if that income is not coming in to their family?

Ms. BOVBJERG. We've previously reported on the situation for older workers that they are less likely to lose their jobs than younger workers. But once they do, it is very hard for them to get another.

They may have skill issues with shifting to another job. They may have health issues. They also, frankly, have employer issues. Employers will not always look to hire older workers.

So it is very difficult for older people, once unemployed, to go back and get a job. But if they are lucky enough to be at least age 62, they can claim Social Security benefits. Unfortunately, if you claim benefits at age 62, you're going to get 25 percent less on a monthly basis than if you wait for the full retirement age of 66. But it is still available to you, and we have seen increased claiming as a consequence of the recession.

Senator SANDERS. So, very specifically, what you're saying is that many more seniors are now taking Social Security at 62 at 25 percent less benefits than waiting until 66.

Ms. BOVBJERG. That's correct.

Senator SANDERS. All right.

Could you elaborate on the GAO's finding about the important role that Social Security and Medicare and Older Americans Act programs have on protecting the financial stability of our Nation's seniors? You talk about the poverty rate not declining when people reach Social Security.

And also, what would happen if Social Security programs were cut? What happens if the eligibility age for Medicare goes from 65 to 67? What would your guess be about the implications of that?

Ms. BOVBJERG. Let me talk first about Social Security because Social Security is there to assure a baseline income for older people, and has done its job. It has reduced poverty rates for older people fairly steadily since its inception.

Clearly, if people don't have Social Security to go to, you would see a different pattern in poverty levels at age 65 and older. But something you'd have to worry about in Social Security—and you alluded to this earlier with cost-of-living increases—is that older women in Social Security have higher poverty rates than the average that we reported for everyone over 65. And so a concern in anything that might happen with the COLA is what would happen with those older women who, in their 80's, may find themselves in poverty.

Now, I cannot comment on the increase in the age for Medicare. That is completely outside of my area of expertise. But I can say that the things that you hear from older people and the information we have on medical costs suggest that those make quite a difference to what they perceive they are able to spend on other things—to their disposable income.

Senator SANDERS. OK. Senator Franken.

Senator FRANKEN. Thank you again, Mr. Chairman, for calling this hearing.

Ms. Bovbjerg, as I mentioned in my opening statement, the Older Americans Act is coming up for reauthorization, and it really provides a number of services that allow seniors to remain independent.

In a way, that actually saves the Federal Government money because these folks end up being able to stay in their homes instead of getting much more expensive nursing home care. And some of the services that are provided include home-delivered meals or

meals in congregate settings, job training, which we'll hear from in the next panel, transportation, and respite care for caregivers.

Based on the findings of the GAO study, would you say that the need for these types of programs will increase or decrease in the coming years as our aging population reaches an all-time high?

Ms. BOVBJERG. The need will increase simply because of the demographics, if nothing else. The Baby Boomers are entering their retirement years and as they get older there will be an increased demand for these services.

We did do some work for the Senate Special Committee on Aging on this topic—the Older Americans Act—and discovered that the States and the communities that are providing these services are just overwhelmed, and it will only get worse.

The concern that we had is there really isn't much sharing of ways to address services. There isn't a lot of targeting of services. So while many people may be receiving services, probably the people who need it the most are not always getting those kinds of services, and we think that there's a Federal role there to help these communities. But just based on the demographics, there will be a greatly increasing demand.

Senator FRANKEN. Given that we're talking about the effect of the recession on older Americans, and given that you're seeing higher unemployment as you are across all sectors and especially with seniors once jobs are lost incredibly in expansion of the time that it takes to get another job.

So with longer unemployment and lower wages, as we're seeing, and decreased savings, there's an increase in a reliance on Social Security, is there not?

And I think it's really especially important at this time to maintain Social Security benefits, not only at their level but to use the COLA to increase them. Would you agree with that?

Ms. BOVBJERG. Senator, for at least 10 years GAO has been very, very concerned about Social Security because of the future—the financial instability of the program but the importance of it to the American people, and it is, clearly, something that's a decision for Congress and we cannot make any recommendations.

But it is something that needs to be thought through very, very carefully precisely because of your point—that people are so reliant and becoming more so on Social Security.

Senator FRANKEN. The title of today's hearing is "Where Do We Go From Here." Given your research, what would be your advice to older Americans who have been particularly hard hit by the recessions? What are the strategies that they can employ now to rebuild their retirement savings?

Ms. BOVBJERG. I wish I knew. If you're already retired and you're reliant on a 401K or an IRA—you're relying on the financial markets—you are probably really reducing your spending on other things. You're probably making a significant change to the standard of living.

Senator FRANKEN. And there are choices made sometimes that aren't good choices—between heat and between medicine and between food. I mean, that's something that we should just recognize that is happening, right?

Ms. BOVBJERG. People are making choices and that AARP survey suggested that the first thing to go is medical care and medicine, even though those over 65 would be eligible for Medicare.

Senator FRANKEN. In a number of the senior meetings that I've held, it's been very, very common for people's only income to be Social Security. For one reason or another, their savings have been depleted and they require certain medicine and they have to make choices. And one of the things—and I'll get into it in the next panel—is that the Affordable Care Act is closing the donut hole, which I think is very important to do and I think a repeal of the Affordable Care Act just in that alone would be disastrous.

Thank you for your good work.

Ms. BOVBJERG. Thank you, Senator.

Senator SANDERS. Before we bring up the second panel, Ms. Bovbjerg, the average income of a senior living in the bottom 20 percent quintile is $7,500. How does somebody, in your judgment, survive in the year 2011 with health care needs and prescription drug needs? How do you survive on $7,500, do you think?

Ms. BOVBJERG. I think that they are probably tremendously reliant on the programs in the Older Americans Act—for example, for meals, for transportation. They're very reliant on Medicare. They're probably getting food assistance through the SNAP program. They would be tremendously reliant on supports like this.

Senator SANDERS. And would it be fair to say that if those programs were cut it would be devastating for people who are just right now living on the edge?

Ms. BOVBJERG. It would be very difficult for them to adjust. I think that is really our point in our work as we looked at things that are happening with younger adults. But with older adults, they have really limited ability to adjust.

Senator SANDERS. OK. Thank you very much and we'll hear from our second panel now.

Ms. BOVBJERG. Thank you.

[Pause.]

Senator SANDERS. OK. We have a great panel here. We have some of the leading experts in the country on senior issues and we're going to be delving into what's happening economically, financially, for seniors and we're very, very pleased and I want to thank all of you for being with us this morning.

We're going to begin with Dr. Eric Kingson. Dr. Kingson is a professor of social work and senior research associate in the Maxwell School's Center for Public Policy at Syracuse University.

He is also a co-director of Social Security Works and a founding board member of the National Academy of Social Insurance. So we're very pleased that Dr. Kingson is with us today.

Doctor.

STATEMENT OF ERIC KINGSON, Ph.D., SYRACUSE UNIVERSITY AND SOCIAL SECURITY WORKS, SYRACUSE, NY

Mr. KINGSON. Senator, thank you, and thank you very much, Senator Franken, as well, and other members of the committee for holding this hearing and for focusing on human beings, in particular, because ultimately these policies are about the lives of Americans and we lose that too often. So thank you very much.

As you mentioned, my name is Eric Kingson. I'm a professor at Syracuse University. I also served as staff to two Presidential commissions on Social Security including the Greenspan Commission in 1982, and most of my work is on the politics and economics of the aging, and now co-direct Social Security Works and co-chair the Strengthen Social Security campaign, which both members present today on the issues and the programs have been extraordinarily supportive of. Thank you.

To summarize main points—I submit my written testimony for the record, if I may—there's nothing, absolutely nothing, that provides the surety of protection, the widespread protection, of Social Security and nothing is going to replace it in the next 50 years, 60 years.

It is as that chart shows—and I'll be happy to talk about that in Q and A—the single most important source of income for the vast majority of older people. For older persons with less than $31,000, I believe, roughly, it provides 75 percent of the aggregate income going into their households. Critical—it's not going to be replaced.

Former presidents, former Congresses were wise to establish and maintain the cost-of-living adjustment—and it's my hope that in the future Members of Congress will also be doing the same and try to maintain a standard of cost-of-living adjust that accurately reflects the cost-of-living changes for older people, people with disabilities and others.

The weight of evidence, as has been mentioned, concerning the current cost-of-living adjustment mechanism is that it understates the impact of inflation on older Americans.

It falls short of assuring that older Americans maintain their purchasing power no matter how long they live because primarily, it does not give sufficient weight to the impact of health and health care in cost increases on these populations.

The alternative, CPI or the chained-CPI or also called the superlative CPI that's being proposed by some members of the supercommittee and has been discussed in the deficit reduction discussions, that alternative simply does not pass the smell test.

It would only make a situation we have today worse. We are not adequately, in my opinion and in the opinions of others, adjusting for inflation.

Today, the chained-CPI, if it's implemented, will further reduce benefits. A woman who retires at age 65 living to 75 would get a benefit about $600 less in real dollars. Ten years later at age 85, about $950 or so less and at age 95, if she lives so long, it would be roughly $1,400 less than it would have been if the chained-CPI is put into effect.

The consumer price index for the elderly, which the Older Americans Act asked be developed by the Bureau of Labor Statistics, CPI–E for Americans over age 62 is a far superior measure of inflation but it too is less than perfect. But it certainly is better than what we have in play today.

In terms of the impact of inflation on older households and on persons with disabilities, the public would be very well-served if initially the CPI–E were put into effect and if Congress requested further development and testing of price indices.

We all have an interest in an accurate CPI—Democrats, Republicans all have an interest in that. The problem is I think today we do not have an accurate CPI. I think if we get an accurate CPI it would, in fact, adjust benefits.

We don't want a national policy that says the longer you live the less purchasing power your Social Security has. That's what we will have if we implement the chained-CPI—and it is also arguably what we still have today because the current CPI does not fully adjust for it.

The implications, by the way, of the chained-CPI on the SSI program are even more deleterious because it would both cut benefits in the beginning before people get benefits and it would also be cutting their benefits after that. Whether they're implemented in 2011 or 2021, the chained-CPI would violate promises that Members of Congress and the President have made that there would be no changes to Social Security benefits affecting people 55 and over.

It's bad policy. It's also terrible public relations. Social Security is a promise. It's a promise Americans expect their government to keep and this is true across all political spectrums. Across political spectrum it's true for Tea Party households and union households.

Americans are not easily deceived and if Congress chooses to implement the chained-CPI ultimately they'll understand that in terms of Social Security over 10 years it will take $112 billion directly out of the pockets of Social Security beneficiaries. They will understand that their government has let them down.

So it's very important that you're casting light today on this issue and it's very appreciated that you have put this panel together and we are delighted to assist in any way possible.

Thank you.

[The prepared statement of Mr. Kingson follows:]

PREPARE STATEMENT OF ERIC KINGSON, PH.D.

Chairman Sanders, Ranking Member Paul and other distinguished members of the Senate Committee on Health, Education, Labor, and Pensions Subcommittee on Primary Health and Aging, as you know well, the recession has destabilized the finances of many retirees and people nearing retirement as well as the economic prospects of younger working persons. Thus, it is important that you have chosen to examine how Older Americans are faring in these very difficult times, and it is an honor to appear before your panel.

My name is Eric Kingson. I am a professor at the Syracuse University School of Social Work. My scholarship and research address the political and economic consequences of population aging. Previously, I directed a study for the Gerontological Society of America in 1984–85 which examined various ways of framing policy discussion about the aging of America, and I served as an advisor to the 1982–83 National Commission on Social Security Reform and to the 1994 Bipartisan Commission on Entitlement and Tax Reform. I also co-direct Social Security Works and co-chair the Strengthen Social Security Campaign (*www.strengthensocialsecurity.org*). To summarize my main points:

- Nothing provides the surety of protection afforded by Social Security, the single most important source of income for the overwhelming majority of retirees.
- Former presidents, beginning with Richard Nixon, and former congresses were wise to establish and maintain Social Security's automatic Cost-of-Living-Adjustment (COLA).
- The CPI–W, currently used to calculate the COLA, does not fully take into account the impact of rising health care costs on Older Americans (and persons with severe work disabilities and survivors). Therefore, it falls short of assuring that Social Security benefits maintain purchasing power, no matter how long a retiree, disabled worker or survivor lives.

• The alternative "Chained–CPI" doesn't pass the "smell test" and would cut benefits of all retirees, survivors, and persons with severe work disabilities, a clear violation of promises made to Social Security beneficiaries and persons nearing retirement.

• The Consumer Price Index for the Elderly (CPI–E) for Americans 62 and older, an index whose development was mandated by the 1987 Amendments to the Older Americans Act, does a better job of maintaining the purchasing power of benefits because it takes into account the disproportionate and rising cost of health care for the old and disabled.

Which measure Congress chooses matters greatly to the lives of everyday Americans. Consider for a moment what a choice of indexes would mean for Jane Smith, a hypothetical never-married woman described in Appendix A who worked for 40 years as a legal secretary at a salary that was roughly equivalent to the average earner in the U.S. economy (e.g., about $43,000 in 2010). She begins with a yearly Social Security benefit of $15,132.

• Assuming current law (i.e. the CPI–W) correctly measures the impact of inflation of retirees, the purchasing power of her benefits will remain the same, no matter how long she lives, $15,132 in 2011 dollars.

• But if the chained-CPI was used to determine COLAs since her retirement, her annual Social Security benefit would lose $560 in purchasing power (in 2011 dollars) at age 75, $984 at age 85, and $1,392 at age 95, a cumulative loss of $24,019 if she reaches that age.

• If, as many experts believe, the CPI–E is the more accurate, the purchasing power of her benefits will decline by $393 in purchasing power (in 2011 dollars) at age 75 (relevant to current law), $798 at age 85, and $999 at age 95.

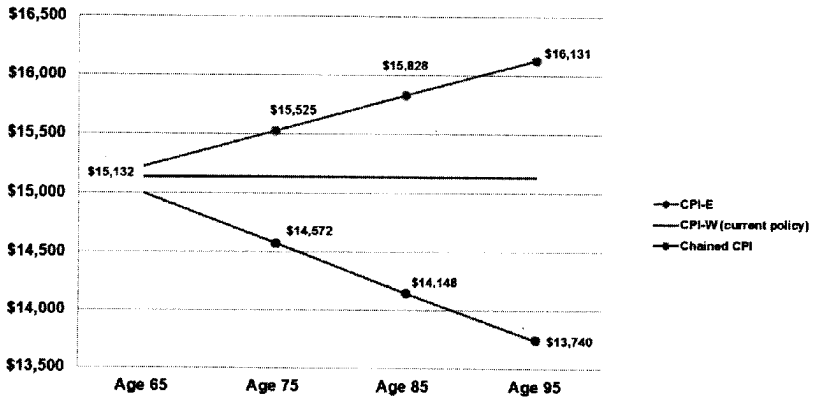
• Relative to the CPI–E, the chained-CPI would cut her benefits by $953 (in 2011 dollars) at age 75, $1,688 at age 85, and $2,391 at age 95.

Bottom line, the chained-CPI poses a very significant danger to Ms. Smith, and by extension to all Social Security beneficiaries, now and in the future. It underestimates the impact of inflation on retirees, persons with disability and survivors (see figure 1).

Figure 1

Social Security Benefit Levels Under Various CPI Measures

(For Medium Earner Retiring At Age 65, In wage-indexed 2011 dollars)



Source: Chief Actuary, Social Security Administration, June 2011.
Note: These calculations apply once the chained CPI and scheduled increase in the retirement age to 67 are fully phased in, by 2015 and 2022, respectively. .

THE IMPORTANCE OF SOCIAL SECURITY, FOR TODAY'S AND TOMORROW'S RETIREES

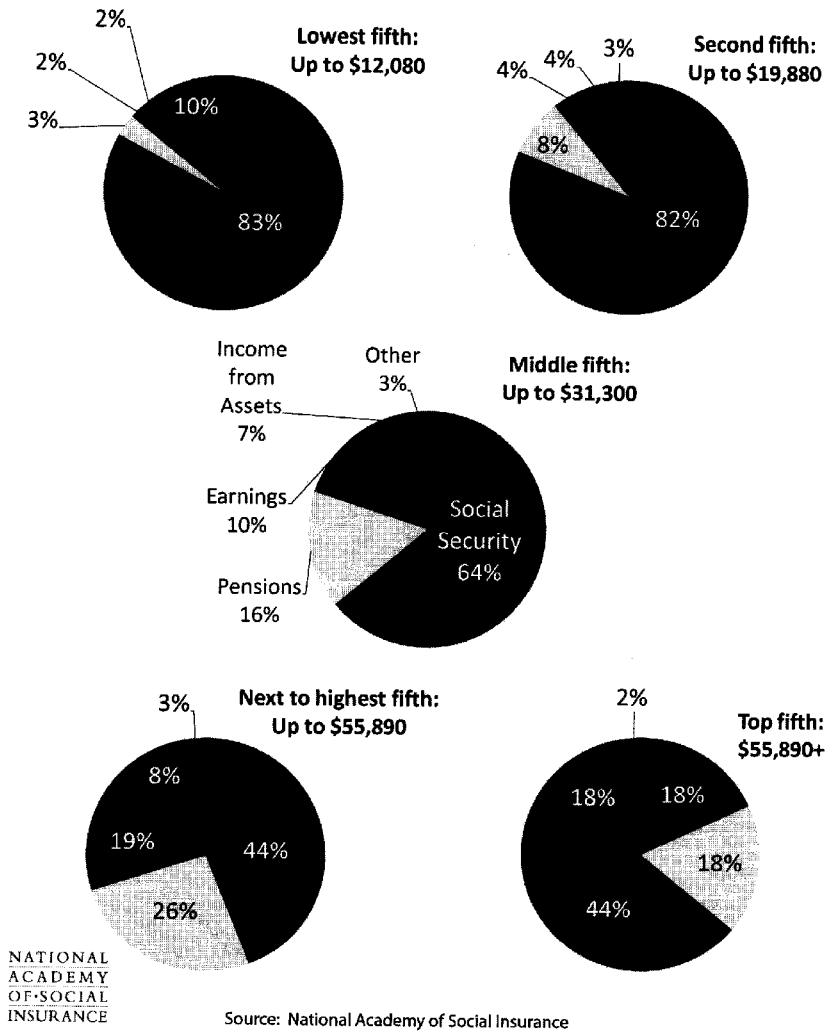
Today's retirees and persons nearing retirement are at great risk. Home equity and stock market losses have taken a large bite out of household assets. Employer-sponsored pensions offer less protection to working Americans. Many persons have reduced or stopped contributions to their retirement funds, and some, facing financial exigencies, are making premature withdrawals from their retirement funds (Brown, 2009). Historically low interest rates have resulted in lower than expected returns on 401Ks and IRAs. The key points to keep in mind are that:

• By far, Social Security is the most important source of income for today's old.
• While today's seniors are more comfortable than older populations of the past, their household incomes are typically modest, and many remain at financial risk.
• There is a great deal of diversity of economic circumstances among older populations, both at any one point in time, and as they age.
• The recession is placing the financial security of today's old and persons nearing traditional retirement ages at increasing risk.

The only pension protection available to 6 out of 10 working persons in the private sector, Social Security is the foundation of the Nation's retirement income system. Social Security is the largest single source of income for the overwhelming majority of retirees (see Figure 1).

Figure 2

Shares of Income from Specified Sources by Income Level, 2008
Married Couples and Unmarried Persons Age 65 and Older



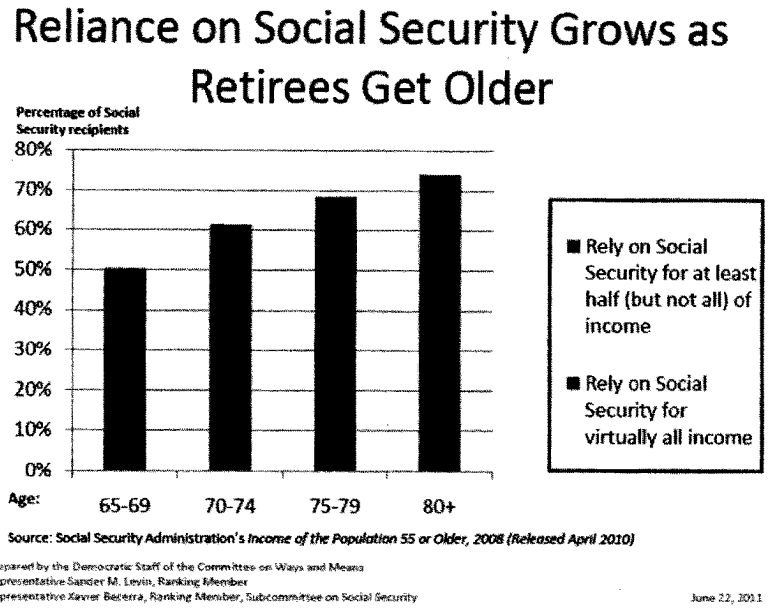
Source: National Academy of Social Insurance

Social Security is the heart of the Nation's retirement income system. More than 75 percent of the income going to aged (65 and over) households in the bottom 60 percent of the income distribution—households with less than $31,300—comes from Social Security. Only for those in the highest 20 percent of the elderly income distribution (with incomes above $55,890), do occupation pension and assets income equal or, as with earnings, eclipse Social Security in terms of their aggregate contribution to household income. Occupational pensions make significant contributions to the aggregate incomes going to households in the three highest quintiles. Assets income and earnings are not unimportant but with the exception of the highest quintile fall short of Social Security. While not unimportant, the aggregate contribution of cash welfare benefits (8.4 percent) to the 5.3 million aged units with less than $10,399 in 1998 is substantially less than that of Social Security (82.1 percent).

The economic status of today's older Americans is greatly improved from the days when the Poor House loomed as a major fear of the old. The median income of elderly households was $31,408 in 2010, compared to $56,575 for households 55 to 64 and $62,485 to those 45 to 54. In terms of elder poverty—defined as individuals aged 65 and over with less than $13,180 and couples with less than $14,953 in 2010—3.5 million persons (9 percent) are defined as poor (Census Bureau, 2011). This is because, as a report recently issued by the Institute for Women's Research notes, Social Security lifts nearly half of elderly persons above the poverty line—14 million in 2009. One-third of women ages 65–74 are raised above poverty by Social Security, one half of women 75 years and older (Hartmann, Hayes and Drago, 2011).

That the standard of living for elderly households has improved over the past 50 years does not mean that the living standard of the old is excessive or that most older persons are without significant financial risk. Especially as they age, develop health problems or lose a spouse, even those in the upper 20 percent of the elderly income distribution (more than $55,890), can deplete their savings quickly and become vulnerable. Indeed, on average, Social Security income becomes significantly more important as a share of household income as individuals and couples get older (see figure 3).

Figure 3



Two other recent reports highlight the economic diversity of older persons as well as the economic diversity across race and Hispanic ethnicity. When poverty data for

the old is disaggregated, it shows substantially higher poverty rates among unmarried elders, women and persons of color. For example, 6.8 percent of white alone, non-Hispanic elders have below-poverty incomes in 2010, compared to 18.0 percent of African-American elders, alone and 14.0 percent of Asian alone elders, and 18.0 percent of Hispanic elderly persons of all races (Census Bureau 2011). Furthermore, people of color are less likely to work for employers with occupational pension coverage, and thus rely more heavily on Social Security than white Americans (Commission to Modernize Social Security 2011).

The employment and retirement income prospects of those nearing retirement, already worrisome before the recession, are more so today. Utilizing its National Retirement Index, a 2008 report from the Retirement Research Center at Boston College estimates that "even if households work to age 65 and annuitize all their financial assets, including the receipts from reverse mortgages on their homes, 44 percent will be "at risk" of being unable to maintain their standard of living in retirement." That number rises to 61 percent when the anticipated out-of-pocket costs for health and long term care are factored into the assessment (Munnell, Muldoon and Sass, 2009).

While the labor force participation rates of persons 55 and over have increased modestly in recent years and their unemployment rates remain lower than younger workers, "recent BLS data indicate that the average period of unemployment for job seekers aged 55 and over was 40.6 weeks, compared to 31.6 weeks for younger job seekers." Also, "more than half of older job seekers (53.5 percent) have been out of work for 27 weeks or longer, relative to 41.5 percent of younger job seekers" (Heidkamp, Corre, Van Horn 2010).

HISTORY OF BI-PARTISAN SUPPORT FOR THE COLA

President Richard Nixon signed the COLA into law on July 1, 1972 as a rider to a debt-extension bill. The rider was proposed by Democratic Senator Frank Church and supported by the overwhelming majority of Democratic and Republican members of the House and Senate. Signing the bill, the President greeted with special favor:

> 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 (Social Security Administration).

When the COLA was enacted, the Bureau of Labor Statistics (BLS) only had one measure of inflation, what we now call the CPI–W, or the Consumer Price Index for Urban Wage Earners and Clerical Workers, measuring the inflation experienced by 32 percent of the population, still used to index Social Security benefits. Today, by law, a "COLA is effective for December of the current year [and] equal to the percentage increase (if any) in the average CPI–W for the third quarter of the current year over the average for the third quarter of the last year in which a COLA became effective" (Social Security Administration, 2011).

In 1978, BLS added the CPI–U, covering about 87 percent of the population including retirees, and which, today, is used to index income tax brackets. As part of the 1987 Amendments to the Older Americans Act, Congress mandated the BLS to develop an "experimental" index using a market basket of goods and services which more closely tracks the spending of the population ages 62 and over—the CPI for Elderly Consumers, or, CPI–E. The growth of the various CPI indices was slowed in 1999 by a technical change that took into effect the tendency of consumers to substitute within categories when for instance to buy fewer Macintosh apples and more delicious apples when Macintosh apples become more expensive relative to delicious apples (Veghte et al., 2011). In 1999 the BLS also established an alternative "chained-CPI–U" to take into account how Americans change their spending when they make substitutions across dissimilar categories of goods and services, to account for the tendency to substitute less expensive, for more expensive, goods when prices, for example to take vacations by automobile when the cost of airline flights go up (Strengthen Social Security Campaign, 2011).

The last Social Security COLA was 5.8 percent for 2009, primarily reflecting the spike in oil prices that took place during the 2008 summer. Following that spike, oil and other prices dropped, and so there has been no COLA for the past 2 years, 2010 and 2011, because the average third quarter CPI–W in 2009 and 2010 did not exceed the 2008 average third quarter CPI–W.

Because oil and other prices have once again begun to rise, this week Social Security is expected to announce the COLA for 2012, thoughts to be in the neighborhood of 3.2 to 3.6 percent.

Because it would make little sense to have a national retirement, disability and survivor pension that results in beneficiaries losing purchasing power the longer they live, the COLA is a critical source of protection for today's beneficiaries, a provision that is valued by the public and which receives much support across party lines.

WHY THE CURRENT CPI SHORTS RETIREES

The use of the CPI–W to determine the Social Security COLA seems far more likely to understate than overstate the impact of inflation on elderly (Bivens, 2011; Vegne et al., 2011; Goda et al., 2011) and by extension also on persons with disabilities. One study of people born in 1918 shows that, net of out-of-pocket medical expenses, the average man who retired at age 65 in 1983 and survived to 2007, has seen the value of his Social Security benefit drop by 20 percent, 27 percent for the average woman (Goda et al., 2011). The existing COLA understates inflation because:

• **The current Social Security automatic COLA, which is based on the CPI–W, simply does not account for the disproportionate impact of health expenditure for households of retirees and persons with disabilities.** In 2009, households with disabled and elderly Medicare beneficiaries spent almost 15 percent of their budgets out-of-pocket for health care, roughly three times as much as non-Medicare Households (Kaiser Family Foundation, 2011). "Health care costs have been rising faster than prices for other goods and services for over three decades—5.5 percent per year on average, compared to 3.1 percent for non-medical costs" (BLS, 2011 as referenced in SSSC, 2011). Not surprisingly, health care costs increase with age.

• **Health care expenditures increase as people age, often greatly diminishing disposable income in very old age.** Thus, even if the annual COLA more accurately measured the impact of health care on all the old, there would still be the problem of disproportionate impact on the very old.

• **Medicare Part B and Part D premiums are growing, relative to the Social Security benefits** of elderly and disabled beneficiaries, except for low-income beneficiaries who are not required to pay these premiums. These premiums are increasing well in excess of Social Security's COLAs, especially so for higher income beneficiaries. Higher income beneficiaries—individuals with $85,000 and couples with $170,000 of income in 2010) must pay income conditioned Part B premiums ($154.70 to $353.50 per month in 2010) and 35 to 80 percent of the cost of Part D. Because these thresholds are not adjusted for inflation from 2010 to 2019, increasing numbers will be paying larger premiums (Kaiser Health Foundation, 2011). Bottom line, even with an accurate COLA measure, when Medicare premiums are taken into account, the purchasing power of Social Security benefits of seniors and persons with disabilities would not maintain their purchasing power.

WHY THE CHAINED-CPI DOESN'T PASS THE "SMELL TEST"

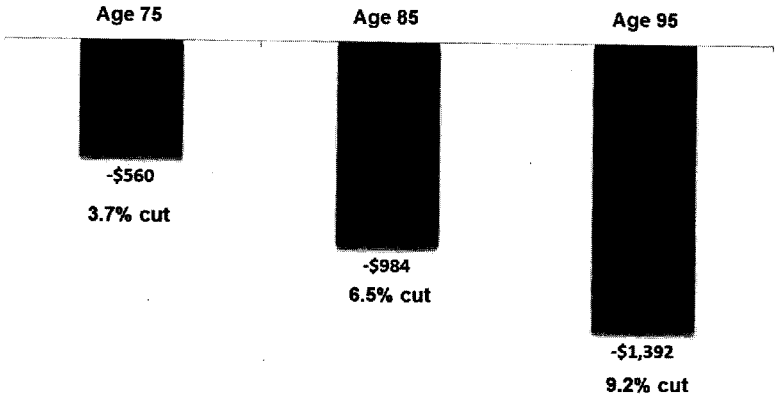
Switching to the chained-CPI has emerged as a proposal in the context of Federal deficit reduction talks, especially those now taking place under the jurisdiction of "Super Committee" established under the Budget Control Act of 2011. Proponents argue that it represents a more accurate way of measuring the impact of inflation on older populations. This assertion simply does not pass the "smell text:"

• **As discussed, the weight of evidence strongly suggests the existing COLA understates inflation**, eroding the purchasing power of Social Security benefits for retirees, survivors and persons with disabilities.

• **The chained-CPI would make the current situation still worse**. Substantial benefit losses would be sustained, especially as people receive benefits over many years (see figures 1 and 4).

Figure 4

Annual Cut in Social Security Benefits Under Chained CPI
(For Medium Earner Retiring At Age 65, in wage-indexed 2011 dollars)



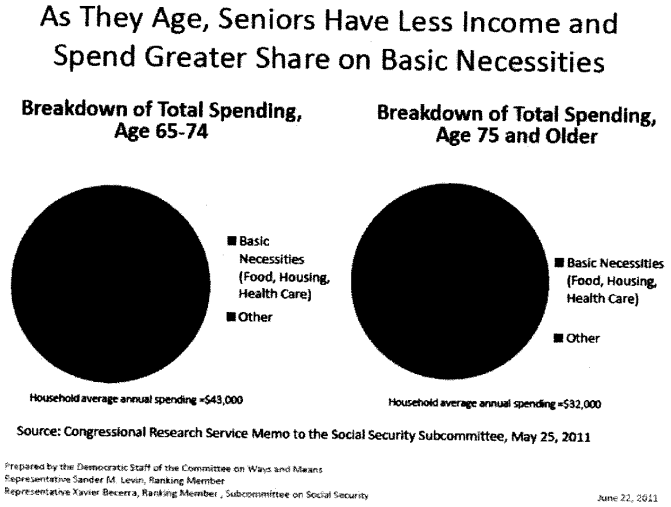
Source: Chief Actuary, Social Security Administration, June 2011. Note: These calculations apply once the chained CPI and retirement age increase are fully phased in, by 2015 and 2022, respectively.

• **Shrouded in technical language suggesting greater accuracy, the proposal to switch to the chained-CPI is best understood as a "stealth-like" attempt to implement benefit cuts in Social Security and other similarly indexed programs.**

• **Enactment of the chained-CPI would violate promises made to hold harmless current beneficiaries and persons 55 and over who are nearing retirement.** Current beneficiaries would be effected, regardless of whether it was implemented in 2011 or 2021.

Yet another problem, the chained-CPI assumes that households can lesson the impact of inflation by changing their spending patterns. But seniors, with a larger proportion of their budgets devoted to necessities do not have the same flexibility as younger persons (see figure 5):

Figure 5



WHY THE CPI–E DOES A BETTER JOB OF MEASURING INFLATION FOR RETIREES

Recognizing that the expenditures of elderly households differ from those of the general population, as part of the 1987 Amendments to the Older Americans Act, Congress directed the BLS to develop an index designed to more accurately reflect the impact of inflation on seniors. As noted, BLS complied by developing the CPI–E, making a new series of inflation data available projected back to 1982. From 1983 to 2007, the CPI–E has grown faster relative to the CPI–W, to 126.5 percent while the CPI–W rose to just 110 percent (Stewart, 2008).

While the chained-CPI would reduce COLA adjustments, on average, by a roughly 0.3 percentage points the CPI–E would, on average, increase benefits by roughly 0.2 percentage points, a difference of $953 (in 2011 dollars) at age 75, $1,688 at age 85, and $2,391 at age 95.

CONCLUSIONS

In terms of measuring the impact of inflation on older households and on persons with disabilities, the public would be well-served if Congress and the President focused on funding the development and further testing of price indices that more closely track the spending of households with elders and persons with disabilities.

Unquestionably, switching to the chained-CPI is ill-advised. Doing so would, over the next 10 years, take an estimated $112 billion directly out of the pockets of Social Security beneficiaries. It would also cut Veterans Compensation and Pension benefits, Federal pensions and other Federal programs with COLAs—taking an additional $24 billion out of the pockets of veterans and $9 billion from other persons receiving Federal benefits (Reno, Bethell, and Walker, 2011).

The implications of the chained-CPI are especially problematic for the most financially vulnerable aged and disabled who receive Supplemental Security Income (SSI) benefits. Because the annual adjustment to the Federal SSI guarantee (currently $674 a month) is indexed to the CPI–W, both *before and after* receipt of SSI benefits, substituting the chained-CPI would result in benefit reductions every year prior to when they apply for benefits, and again, every year after they begin receiving benefits—a double hit on the most economically vulnerable.

Whether implemented in 2011 or 2021, the chained-CPI would violate promises made by Members of Congress and the President that no changes will be made to Social Security that affect the benefits of persons ages 55 and over. It's bad policy and bad public relations because Social Security is a promise Americans expect their government to keep. This is true across virtually all demographic groups—young, middle aged and old, union and tea-party identified households—and across the political spectrum—Democrats, Independents and Republicans. Large majorities (rang-

ing between roughly 70 and 80 percent) of each groups say, over and over again, do not cut their Social Security (see, for example, National Committee to Preserve Social Security and Medicare, September 2011). Americans are not easily deceived. They know a cut when they see one, and if the chained-CPI is implemented, tens of millions of Americans will understand that their government has let them down.

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Appendix A—T3Hypothetical Case of Jane Smith

Jane Smith turned 65 on January 1, 2011. She's healthy and looking forward to continuing her work on a part-time basis and to pursuing her life-long avocation as an amateur painter. She also plans to expand her volunteer service through her church. All things being equal, she will live another 20 years, very possibly longer.

Always careful with her money, she rents a modest one bedroom apartment that she shares with her dog and cat. She has $70,000 in her company 401(k) and another $40,000 in other assets (savings, bonds and stocks). Wanting the peace of mind that comes with knowing she has an assured stream of income, she buys a $70,000 single life income annuity (no payment to beneficiaries), guaranteeing that she will receive $4,670 a year, no matter how long she lives. Her assets spin off another $1,000 in 2011. She works part-time, anticipating about $12,000 a year in earnings. She starts receiving Social Security benefits on January 1, 2011, which will pay out $15,132 in 2011. This brings her first year income to $32,802, enough for her to live comfortably and to put her among the top 25 percent of households headed by unmarried persons 65 and over.

Things go along well for the first 10 years and during most of those years she is able to add a few dollars to her savings, bringing the value of her assets up to $45,000. But little by little as inflation diminishes the purchasing power of her annuity, her household budget tightens. Part-time work is becoming more difficult, causing her to cut back on her hours, and, then to stop working all together when she has a hip replacement at age 78. Her medical expenses are increasing. Still independent at age 85, she now needs to employ someone several hours a week to assist with heavy household chores and she has to dip into her other savings. After 20 years, inflation has nearly halved the value of her annuity payments. Her budget is now very tight. Five more years pass. She never expected to be 90, but it's happened. She is only 4 years older than the average life expectancy for her cohorts who reach 65.

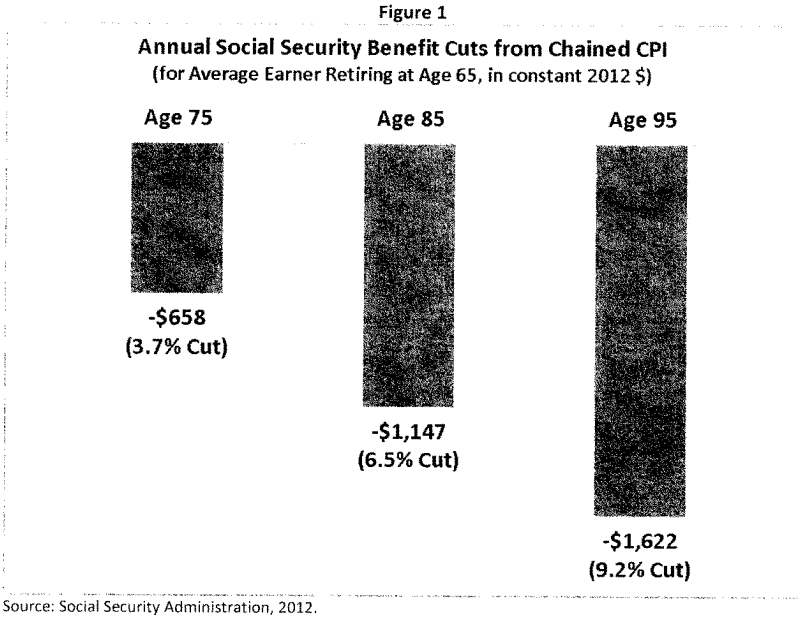
Appendix B—Social Security Works/Strengthen Social Security Campaign Fact Sheet Social Security COLA Cut: A Benefit Cut Affecting Everyone

STRENGTHEN SOCIAL SECURITY . . . DON'T CUT IT

SOCIAL SECURITY COLA CUT: A BENEFIT CUT AFFECTING EVERYONE

Some politicians in Washington are preparing to cut your Social Security COLA for good - even after two years without a cost of living adjustment. This COLA cut has an obscure name - the chained CPI—but it would do real damage by changing the formula used to calculate the COLA. The important thing to know is that this change would cut the benefits of all beneficiaries, including current retirees, disabled workers, and others—even after politicians promised repeatedly that any changes to Social Security would not affect current beneficiaries. The COLA cut is a real threat to the financial security of every American who does currently or will rely on Social Security.

Figure 1



Source: Social Security Administration, 2012.

The Congressional Budget Office (CBO) estimates that switching to the chained CPI could save the government $340 billion over ten years by reducing Social Security, veterans and other benefits, and by increasing revenues. More than half of this amount—$127 billion—would come from Social Security alone.[1] The chained CPI will cut $1.6 trillion over Social Security's 75-year valuation period—mainly from the oldest of the old, who are primarily women and disproportionately poor.[2]

These earned benefits would be taken directly from beneficiaries, as Figures 1 and 2 show. The average earner retiring at age 65 would get a $658 cut each year at age 75, and a $1,147 cut by age 85. By age 95, when Social Security benefits are typically needed most, that person faces a staggering 9.2 percent cut (Figure 1).[3] What is far more severe is the cumulative effect of the COLA cut as it compounds over time. The average earner retiring at age 65 would get a cumulative cut of $4,642 at age 75, $13,921 at age 85, and $28,015 at age 95 (Figure 2).[4]

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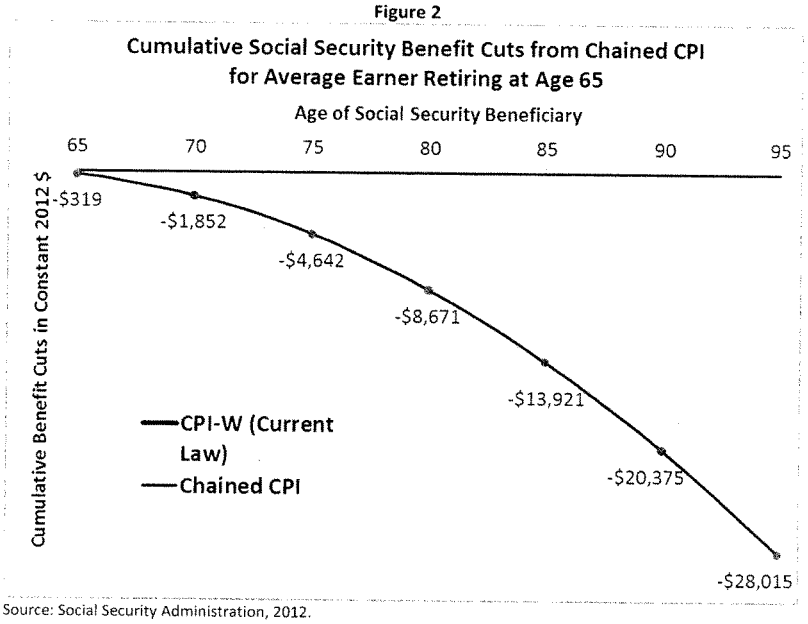
[1] Congressional Budget Office, "Preliminary Estimate of the Budgetary Effects of Using the Chained CPI for Mandatory Programs and the Tax Code Starting in 2014," March 2013. *http://www.cbo.gov/sites/default/files/cbofiles/attachments/Government-wide__chained__CPI__estimate-2014__effective.pdf.*

[2] Social Security Administration (SSA) Chief Actuary, private correspondence with Nancy Altman, Co-Chair,

[3] These calculations assume the chained CPI has been in effect for 3 years. Percent benefit reduction under chained CPI from SSA Chief Actuary, "Effects on Social Security Financial Status and on Benefit Levels of Two Potential Modifications to the Automatic Annual Cost of Living Adjustment (COLA) Requested by Representative Xavier Becerra," June 21, 2011, *http://ssa.gov/oact/solvency/XBecerra 20110621.pdf.* Projected wage-indexed benefits for a worker with average earnings claiming benefits at age 65 from SSA, Table 2.A26, *Annual Statistical Supplement, 2012*, 2012, *http://www.ssa.gov/policy/docs/statcomps/supplement/2012/2a20-2a28 .html#table2.a26.*

[4] See endnote 3. Cumulative benefit reductions calculated by adding up annual dollar reductions over span of a beneficiary's retirement.

Figure 2

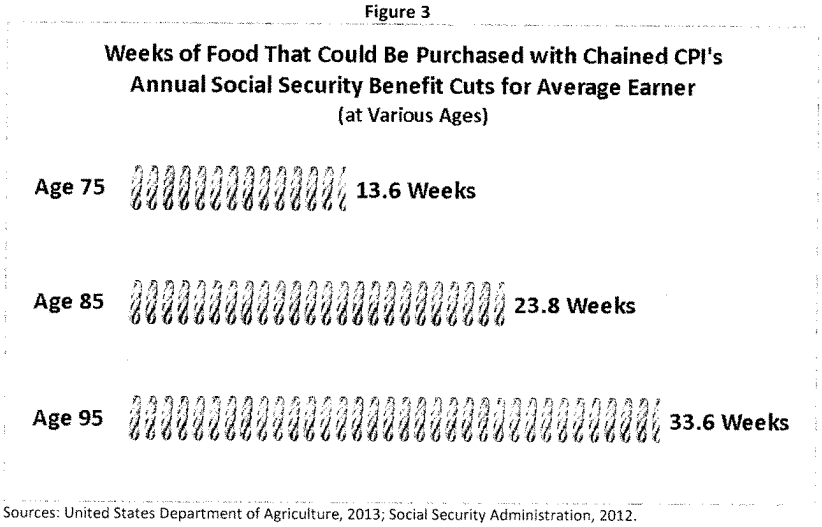


Source: Social Security Administration, 2012.

The COLA cuts are real and get deeper every year, so they have the biggest impact when Social Security benefits are needed the most, usually in old age when other sources of income have been used up. As Figure 3 shows, the amount lost annually at age 85 is more than the amount of money a senior would spend on food in five months.[5]

[5] 5 United States Department of Agriculture (USDA), "Official USDA Plans: Cost of Food at Home at Four Levels, U.S. Average, September 2012," October 2012. Food costs estimated at $47.85/week, an average of costs for women and men age 71+ on the low-cost plan. http://www.cnpp.usda.gov/Publications/FoodPlans/2012/CostofFoodDec2012.pdf.

Figure 3



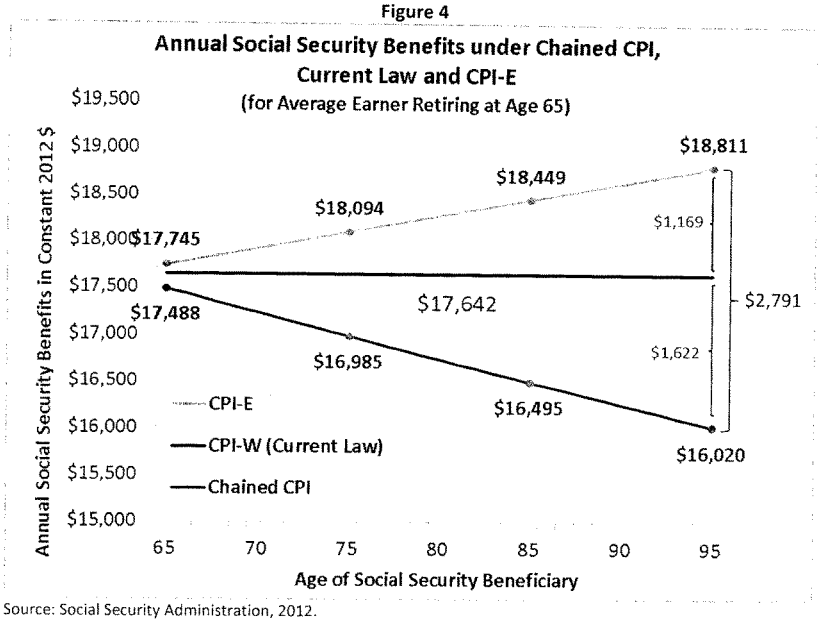
Sources: United States Department of Agriculture, 2013; Social Security Administration, 2012.

We need a higher COLA, not a lower one. The current COLA formula does not take into account the greater proportion of income that seniors and people with disabilities spend on health care. Adopting the chained CPI would make matters even worse. Instead, Social Security should use a formula that takes account of these differences called the CPl–E, the experimental CPI for the elderly. With improvements in its sample size, it would offer the most accurate measure of the cost of living of the elderly.

As Figure 4 shows, the CPl-E rises at a slightly faster rate than the current formula (CPl-W), and at a much faster rate than the chained CPI. Compared with the CPl-E, the chained CPI registers even bigger losses over time—$2,791 a year by age 95.[6] Switching to the CPl–E is a much more accurate way to measure the Social Security COLA without cutting current benefit levels.

[6] These calculations assume the chained CPI and CPl-E have been in effect for 3 years. Percent benefit increase under CPl-E and benefit reduction under chained CPI from SSA Chief Actuary, "Effects on Social Security Financial Status and on Benefit Levels of Two Potential Modifications to the Automatic Annual Cost of Living Adjustment (COLA) Requested by Representative Xavier Becerra," June 21, 2011. Projected wage-indexed benefits for a worker with average earnings claiming benefits at age 65 from SSA, Table 2.A26, *Annual Statistical Supplement, 2012*.

Figure 4



Source: Social Security Administration, 2012.

Senator SANDERS. Thank you very much, Dr. Kingson.

Our second witness is Gail Ruggles. Gail is a Vermont resident who lives in a very rural part of northeastern Vermont, and what she's going to be talking about are some of the struggles that she has had over the years which, I think, reflect the struggles that millions of people her age have had, and also she is going to talk about the benefits that a Older Americans Act program called SCSEP has had in turning her life around.

So, Ms. Ruggles, thanks very much for being with us.

STATEMENT OF GAIL RUGGLES, LYNDONVILLE, VT

Ms. RUGGLES. Good morning, and thank you for inviting me to testify. It's a pretty important issue to me too. My name is Gail Ruggles and I am 61 years old. I am currently the administrative assistant for Numia Medical Technology, which is a growing research and development firm in northeast Vermont.

For the first time in many, many years, I'm beginning to feel economically self-sufficient. Three years ago, not so pretty. My life was definitely a different story. I never planned to be broke. I never planned to be out of work. I've been gainfully employed since I was 16 years old, mostly in lower-level jobs.

When I turned 50 I was divorced. I was raising a fifth and seventh grader on my own and I decided I'd like to be a better role model for them and do something better with my own life. I met with a financial aid rep at Lyndon State College. I went back to school. Took me a while but I graduated cum laude with a Bachelor's degree in liberal studies. I was 56 years old and I was ready to get back into the working world full-time.

But something weird happened in those 5 years. Somewhere along the line, people started looking at me and saying this thing called "at your age." It has this dirty gritty feel like I was used up, like I was a has-been. I was still me. I was worried that going back to school hadn't been such a good idea. I was deeper in debt because even though I participated in work study I had maxed out my student loans to help pay my monthly bills.

I searched the papers for jobs but when I saw something I considered answering I started to think yes, but who'd want me at my age. I lost sleep. I turned the thermostat down and we were cold.

We ate cheaper and cheaper food. I told the kids sometimes I wasn't hungry so they'd eat enough. I gained weight from poor eating. I knew I looked bad. That made me feel bad. My chances of getting a job got worse. The worst thing was I felt like I was a failure in my kids' eyes.

Within 6 months of graduating, I was working five part-time jobs. I did substitute teaching whenever I was called. I picked up books from the town dump and sold them on Half.com. I brokered auto parts for a friend on eBay. I did freelance writing and I did tax work in tax season.

I didn't know what else I could do. The slump in the economy had hurt me like it hurt so many others. My car was on its last legs. I was getting behind in my mortgage, and except for a very understanding banker I was afraid of foreclosure.

In 3 months it would be spring time. Big deal. Then the electric company could shut me off for late payment. Once, I went to the local food pantry. A prominent lady from my town was checking off names and I was so mortified I took my bag of groceries, got in my car and cried all the way home and I never went back.

At this point, I was 59½ years old and I read and re-read my Social Security earnings statement like it was the Holy Grail. All I wanted to do was make it to 62, pick up that little chunk of Social Security and combine it with all my five other jobs and maybe make ends meet.

I was afraid of what would happen to my kids if I couldn't support them. All I really wanted to do was get them through school and I didn't care what happened. I knew I needed help. I had no idea where to get it.

The turning point for me came in January 2009. I went to a thrift store to get a winter coat and I told the girl at the register that I was looking for work. I made a joke about being someone at my age, and she said, how old are you, and I told her and she handed me this little brochure from Vermont Associates for Training and Development.

The program sounded too good to be true but I called for an appointment anyway. Got to tell you, I don't like public aid offices. I don't like having to defend my life's failures in exchange for a handout. But the people at Vermont Associates were different. They really cared. They really wanted me to make a better life for myself.

They took the time to explain to me the duality of the Senior Community Service Employment Program or SCSEP. They placed senior workers in paid training positions in 501(c)(3) organizations. Personally, I thought that was brilliant—community people helping

each other. I was assigned to train at the office of the Clan of the Hawk, a little Native American nonprofit group.

This was a 20-year-old organization run entirely by volunteers. I set up their files. I put their finances in order. I started to catalog their library and museum holdings, and over the next few months the chief of the Clan of the Hawk started to call me the Clan secretary.

I looked around and I thought, hey, I am pretty good at this. I told a Vermont Associate supervisor that I'd like to learn to write grants to help fund the Clan library. It was kind of weird but we worked together to make it happen and I took an amazing 2-day grant-writing workshop in Boston. It was a key addition to my resume.

As part of the SCSEP program, Vermont Associates holds monthly training and employment meetings. The specialists come to these meetings to teach us to rewrite our resume for today's employers, a really new skill. They taught us interviewing skills, how to create a portfolio.

At one meeting, we were asked to make a list of skills that we had and I found out I can do a lot of things from sewing on a button to cleaning a septic tank. I realized I had a lot of skills though that could be used in a real job situation.

In early November I was helping a friend deal with a tax issue that he'd incurred and I met him once a week where he worked. One day, his boss let us use his office while he was out to lunch. I looked around and I saw stacks of mail and piles of folders and papers everywhere and I thought, boy, this guy could use me. With my training through SCSEP, I was confident that I knew how to take care of an office. After all, I'd been doing it for 8 months.

So I gathered my courage and asked for an interview with the owner of Numia. He did know he needed extra help but he wasn't really convinced he needed to hire a new staff employee. But I had an ace up my sleeve called OJE. It's a SCSEP-employer incentive program and stands for on-the-job experience.

As it turned out, the combination of skills I had honed during my training and the OJE incentive together landed my job. Of course, it was up to me to keep it. But that was December 2009. It's October 2011. I got a raise in January. I have insurance benefits. I have vacation time and I'm investing in a 401K.

Being a participant in SCSEP through Vermont Associates gave me things welfare programs never could—gave me occupational skills and special training to obtain real lasting employment. It gave me confidence in my abilities, ultimately gave me the stepping stones to become economically self-sufficient.

I'm not even thinking about collecting Social Security at 62 because I don't have to. I'm actually building a stronger retirement. Vermont and SCSEP helped me turn my life around. It's a program that works.

Thank you.

[The prepared statement of Ms. Ruggles follows:]

PREPARED STATEMENT OF GAIL RUGGLES

INTRODUCTION

I am Gail Ruggles and I am 61 years old. I am currently the administrative assistant for Numia Medical technology, a growing firm in Lyndonville, VT. I am earning a fairly nice wage and for the first time in several years, I can pay most of my bills on time—I am economically self sufficient. Every morning I wake up and pinch myself to be sure it is still true. I am working in a high growth industry and having success!

But before I discuss my current life situation, let me share some of my past life experiences.

THE PROBLEM

A Little Background

I have been gainfully employed since I was 16 years old. I even managed to work at home through all four of my pregnancies, and found bosses back then willing to let me bring my nursing infants to work with me! I am the second of seven children and we were taught early on a respect for honest work. My parents never took hand outs. When I was 50 years old my youngest son and daughter were in fifth and seventh grades. I took a giant leap of faith and went back to school and finished the degree I had started in my twenties. I was proud of my accomplishment. I graduated Cum Laude with a Bachelor's degree in Liberal Studies. I was ready to start a new chapter. I was 56 years old. I wanted to get back in the working world.

TDSS or What I Now Refer to as The Downward Senior Spiral

And then it began. Somehow along the way, people started using the phrase "at your age." It had a kind of dirty feel to it; like I was used up, a "has-been." I began to worry, doubting that going back to school had been a good idea. I felt that maybe I should have just continued working, doing anything from bindery work in a print shop to waiting tables. I was heavily in debt because even though I had participated in work-study and kept most of my part-time endeavors going while I was in school, I had maxed out my student loans to help pay my monthly bills. I searched the papers for jobs that I felt would bring me out of the financial hole I had dug. I thought there must be something I could do that was commensurate with my abilities and education. But when I read an ad I thought I might answer, I thought, "Who would want me, 'at my age.' Employers want younger, more ambitious applicants, or people with more experience in the field."

The worry caused loss of sleep. The financial stresses caused poor eating habits and personal care. I lowered the heat to uncomfortable levels, ate cheaper and cheaper food. I told the kids I wasn't hungry sometimes so they would have enough. You may not want to hear this, but if I found bugs in the rice or pasta, I picked them out and cooked it anyway. I cutoff "the bad parts" of marked down produce. The downward spiral had little hope in it. I gained weight, felt awful and felt like a failure as a person and a mother. What kind of a role model was I for my high-schoolers? What hope did I have to offer them?

I was working five part time jobs:

1. Substitute teaching whenever I was asked.
2. Picked books from the town dump and sold them on half.com
3. Brokered auto parts for a friend on eBay. I was always scouring the house for things I could sell on Craig's list or eBay.
4. Freelance writing.
5. Part-time bookkeeping and tax work for friends.

The recession had hit me hard. I was struggling and in dire straights. My car was on its last legs. In addition, I wasn't sure where the next month's payment would come from and I feared I'd lose my house. My mortgage company had allowed me to pay only the interest on my monthly payment and add the payment to the end of the loan. As well, I was dreading the warmth of spring because it would mean that the electric company could legally shut me off for late payment. I was getting food stamps and some fuel assistance. Once, I swallowed my pride and went to the local food pantry, and a well-known lady from my town was checking in participants. She was very gracious and "understanding" which made it all the worse. I was mortified and cried all the way home. I never did it again.

Bottom line: My financial situation was awful; no matter how hard I tried on my own, I couldn't make ends meet. I was frustrated and knew I needed help.

At 59½ years old, I was reading and re-reading my Social Security Statement of Earnings like it was the Holy Grail. I kept adding the numbers and I was wondering if I could somehow just make it until I could claim early "retirement" (i.e.

Social Security). And I would not quit working! My expected social security at that point would never be enough to support me in even the most austere circumstances. But, if I could somehow manage to make ends meet until then, combining my SS earnings *with all the other stuff I was doing*, then maybe I would be OK. I would of course have no fear of losing my benefits because I would not earn more than $14,000 a year with my meager work. But, I knew I would have to continue working till the day I died, and I was afraid that I might not be able to do that.

THE SOLUTION

In early January 2009, I sat down and added the December bills and December's income and the figures were definitely against me. I decided to go look for a maid's job in one of the hotels. But before I could even apply for this kind of work I had to get a better coat. Mine was pretty funky; it was washed out, zipper broken and cuffs frayed. I went to a local thrift store to get another.

As I stood in the check-out line at the thrift store, I mentioned to the girl at the counter that I was hoping the coat would bring me luck because I was looking for work. I made a wry joke about being a person "of my age." She handed me a little brochure from Vermont Associates for Training and Development, Inc. At first I thought it might be a telemarketing scam or something, but I figured, if it was legal and they would train and pay me, I would do it. I took it home, read it thoroughly and actually without much expectation, I called for an appointment.

The Turning Point—January 2009

I really don't like public aid offices, the staring, the plastic chairs, the guarded looks from the interviewers, and the sense of having to defend myself and my life's failings and ask for a handout. But the office of Vermont Associates was a different kind of aid station. Quiet and subtly furnished, it was like the office of a small corporation. There weren't 15 people with the same appointment, just me!

I met with Vermont Associates staff and they made me feel comfortable, worthy and welcome. I quickly realized that I was in an office of people who truly cared and really wanted me to make a better life for myself. They told me of the Senior Community Service Employment Program (SCSEP) and its dual mission of providing a community service to non-profits and job training to low-income, unemployed individuals who were 55 years old or older. I thought this was great. People helping people in the community was something I was all for.

They explained that they were not a "hand out" but a "hand up." Through the SCSEP, they could provide me with training that would enable me to be competitive in today's job market. As a participant in the program, I would earn minimum wage. It wasn't much, but at least I would have a steady, dependable source of income while I learned what I would need to find a new job. I left that first meeting at Vermont Associates with renewed hope that I would find a way out of my predicament and once again be a provider for my family and be able to hold my head up in my community.

The Vermont Associates staff helped me through the paperwork—which was really not that complicated—and soon through the SCSEP program I was assigned to a local Native American non-profit group, training in their office. At the time, the Clan of the Hawk (my host agency training site) was a 20-year old organization, run entirely by volunteers. They had over 2,000 manila folders all marked "powwow" or "clan." I had a blast. I set up files, made scrapbooks, put their finances in order and started to catalog their growing library and museum holdings. I was learning to take an organizational initiative. Often I would chat with my supervisor at Vermont Associates about office procedure, and she encouraged me to be resourceful and not be afraid to make decisions. I read about meeting procedures and created a corporation records book that would satisfy State and Federal regulations. I read about codifying museum holdings, how to photograph individual museum items, tag and number them. I made a photographic and data recording of all items they had. I learned more computer skills and when I had a question or got stuck on the computer, the staff at Vermont Associates steered me to people who had answers. Over the next few months the Chief began to refer to me as "the Clan Secretary." I had a TITLE, and a wee bit of self-esteem started to seep back in.

SPECIALIZED TRAINING OPPORTUNITIES

As time passed, I shared with Vermont Associates staff that what the Clan of the Hawk really needed was grant money to help their library and museum grow. They asked me what I wanted to do about it. I said, "I want to learn to write grants." They said lets work together to see if we can make it happen. I spent a month online reading about grant writing courses and finally settled on the one I thought

was best. The problem was—it was a 2-day course in Boston. Vermont Associates could not pay the expenses. But the staff connected me with the Women's Club of Vermont. I applied for their scholarship, won it and took an amazing 2-day grant workshop in Boston. Since then, I have successfully processed a trail's grant for The Clan of the Hawk. My workshop completion certificate was also a great addition to what would eventually be my new resumé. Without the SCSEP, I would never have had this opportunity to learn this new skill. It felt good to say, "I know how to do this and do it well." What I didn't know then, this newly learned skill would ultimately help me land a new job!

JOB SKILLS PREPARATION

As a standard part of the SCSEP program, Vermont Associates holds mandatory monthly Training and Employment meetings, which at first I thought would be boring and superfluous. I saw no reason to break up my day by coming to 11 o'clock meetings to listen to people tell me how to do things I had been doing all my life. Yet, I soon realized my resumé was as old as I was, my interviewing skills were rusty, and my self-confidence was near zero. I had no idea what "networking" was.

As it turned out, these meetings were a monthly mental shot in the arm. I was amazed at the "tank of skills and knowledge" that gathered in that room. At first I thought I was the only one who had NO skills in that group. But at one meeting, we were instructed to make lists of skills that we had—every thing from sewing on a button to cleaning a septic tank. I was astounded to see what a long list I could write. I realized I had a myriad of skills that could be put to good use in many job situations. Hmm—I started to think I was not quite so worthless. I was also encouraged when others in the Vermont Associates program graduated into the real job world and came back to one of the monthly meetings to share their success stories. I realized there was more to strive for—even "AT MY AGE."

Also, many specialists came to these meetings to help us prepare to re-enter the job market. One speaker taught us to rewrite our resumé in a format expected by today's business owners. Another taught us interviewing skills, what to and what not to say, how to handle a tough interview question, and when we could legally say no to a question. Still another helped us create a portfolio, something few of us had ever done or knew we should do. As the labor market had changed drastically, these sessions caught us up with the new trends. At every meeting a member of the labor board was there to share new job openings and the staff at Vermont Associates was quick to suggest a likely placement for one of the participants. They taught us to expect initial skepticism if we were hired, but to persevere and show our employers just how valuable an asset an "older" worker can be! The services offered by the SCSEP seemed never ending as each meeting brought something new to prepare us for re-entering the workforce.

Meantime, my work at the Clan was progressing. I used all my computer skills and then some to create newsletters, small booklets and pamphlets, and spreadsheets for their finances. I realized as I looked around me that I was pretty good at putting an office in order that had started in relative shambles.

TRANSITIONING TO A JOB

I was helping a friend deal with a tax issue that he had incurred. I met him at the place where he worked. One day his boss was out for the day and we used his boss's office for privacy. I looked around and saw stacks of mail, folders and papers in general, and thought—they really could use someone like me. It was obvious the owner did not have a secretary. With my training through the SCSEP, I was assured that I knew how to take care of an office now. After all, I had been doing it for over 8 months at my SCSEP training placement.

BVA, (or Before Vermont Associates), I would have gone home and felt sorry for myself and thought, "Gee, it would have been nice to work there." And that would have been the end of it, but I remembered some of the discussions we had at those "boring" Training and Employment meetings.

- You have to "*put yourself out there*."
- You have to *tell an employer why he or she needs* ***you****; an experienced MATURE worker*!
- You have to talk yourself up, be proud of what you know and what you can do.

I found the courage to "put myself out there" and I told my friend that I would like to speak to the owner about being his personal assistant. I thought big, and would take what I could get.

My friend set up the meeting. I took my new self-confidence, my newly polished resumé, my zinger of a cover letter and went to meet with him. I think he really

wanted some help, but wasn't sure he needed a "whole person" to do what needed to be done. He wasn't convinced that there was enough to keep an assistant busy.

But I had an ace up my sleeve. The Vermont Associates staff had given me info on an employer incentive program offered as part of the SCSEP, called the "On The Job Experience" (OJE). My boss has told me quite frankly that without it *he probably would not have hired me*.

So, largely because of the skills I could bring to the job due to my training and the OJE incentive, I did get the job. I was hired on the company's standard 500 hours probation at a pay rate that was the highest I have ever had. Of course it was up to me to keep the job, but that was December 2009 and this is October 2011. I even got a very nice raise in January this year. Interestingly, my job offer states that I would be working a minimum of 20 hours per week. My first week I clocked 43 hours and was asked to watch the overtime! I have not put in less than 40 hours since. I have insurance benefits, vacation and personal time and am now investing in a 401k!

All in all being a Participant in the SCSEP gave me a lot of things a welfare program never could.

1. It gave me the occupational skills and specialized training to obtain *real, lasting employment*.
2. It gave me the *confidence in my abilities* to succeed.
3. It gave me the opportunity to provide a community service to my town, in a wonderful way that was an inspiration to my family and not a burden on them.
4. Ultimately, it gave me the stepping stones to become economically self-sufficient.
5. It helped ease the fear of survival on just Social Security. I don't need to grasp at early retirement at a low level; I am building a stronger retirement and have put that much further in my future.

Vermont Associates and the SCSEP helped me turn my life around. The SCSEP is a program that works!

Now—I tell a different story. I am 61; I am *not even considering collecting my Social Security at 62*. I really love my job. Because of it, I sleep better, eat better, and can "almost" afford my heat. All together my health is better, so I don't worry so much about getting older and being sick, which makes my health even better: the downward spiral is reversed. I can hold my head up when I get home. My kids are proud of me.

Thank you to Senator Sanders, Senator Paul, and the rest of the members of the HELP committee for the opportunity to share my story with you today. I sincerely appreciate it.

Senator SANDERS. Thank you very much.

Our third witness is Dr. Heidi Hartmann, the president of the Washington-based Institute for Women's Policy Research, which she founded in 1987. Dr. Hartmann is also a research professor at the George Washington University and we thank her very much for being with us today.

Dr. Hartmann.

STATEMENT OF HEIDI HARTMANN, Ph.D., INSTITUTE FOR WOMEN'S POLICY RESEARCH, WASHINGTON, DC

Ms. HARTMANN. Good morning, Mr. Chairman. It's a pleasure to be here and I thank you for this opportunity to testify. In addition, as you said, to being president of the Institute for Women's Policy Research, I am a labor economist with a Ph.D. degree from Yale University.

I want to share with you findings from some recent research and I would like to acknowledge the support of the Ford Foundation, the Rockefeller Foundation and the Annie Casey Foundation in supporting our work. To put it briefly, our studies show that seniors have been hit hard by this recession. Their income from assets and pensions has fallen and they are trying to make up for that by working more.

Fortunately, Social Security is there for them and it is making up a larger share of their income at the same time that other sources of income have declined. Among all the age groups, only the elderly did not see an increase in poverty during the recession and its aftermath, and this income stability is almost certainly a result of the near universality of Social Security and its important protective features such as its lifetime guarantee and its cost-of-living adjustments.

As a result of the recession, more Americans of all ages are worried about having enough funds for retirement. Fewer feel they are saving enough for retirement. Many are borrowing from their retirement funds or withdrawing money from savings to deal with the slow recovery from the recession.

I am skipping through my testimony and I will be summarizing it. The severe loss in assets as a result of the recession should increase policymakers' concern that those who are 45 to 59 years old who are beginning to enter retirement now and will continue to do so for the next 20 years will need Social Security benefits even more than the current generation of retirees.

These older workers are also experiencing a disproportionate share of long-term unemployment and therefore programs that create jobs, such as the American Jobs Act, are especially important to them. And as we have just heard from the poignant testimony of Ms. Ruggles, the assistance with job training and finding employment is also critically important as is continued long-term unemployment insurance benefits.

I would like to illustrate some of the major points of our research. First, older Americans are relying more on Social Security. First, in the full testimony with all the figures, Figure 2.5 show that women's income from all sources is lower than men's income and that women therefore rely on Social Security more than men do.

This graph, which is Figure 6 in the testimony, show that for all women 65 and older the share relying on Social Security for 80 percent or more of their income has grown 4 percentage points since 1999 to 50 percent. In other words, half of all women 65 and over are getting 80 percent or more of their income from Social Security.

For men, the increase has been even greater in this recession and recovery period. Since 1999, the share of men 65 and older who are relying on Social Security for 80 percent or more of their income has grown by 6 percentage points—from 29 percent to 35 percent. So that's more than one-third of all men who are now relying on Social Security for more than 80 percent of their income.

The period from 1999 to 2009, of course, included two recessions—that 2001 recession—and the GAO testifier mentioned that at the start of the second recession older people were not in a great position in terms of their assets because most Americans never really recovered from the 2001 recession before this much bigger recession hit in 2007.

So we have another graph in the full testimony that shows that the older old rely more on Social Security than the younger old, and also that minorities rely on Social Security for larger shares of their income than do whites.

Second, I would like to point out in the next graph something that the GAO also mentioned—that Social Security has been remarkably successful in this recession in preventing the poverty rates for older Americans from going up. As you can see in the green line—those are Americans 65 and older—their poverty rates actually fell between 2007 and 2010.

But you can also see that the age group characterized by Ms. Ruggles, for them the poverty went up for those 60 to 64—that's the blue line—their poverty increased during the recession, and especially for those 55 to 59—the red line—their poverty rate steadily increased during the 4-years of the recession and recovery, and this reflects the fact that they are still largely in the labor force and the labor force is simply not providing the jobs.

Again, their rising poverty rates reflects the difficulties that older workers are having in the labor market and it shows how important it is to create jobs and to provide job training for this age group.

Third, I want to share some findings from a survey we did of 2,700 Americans in the next chart, and just looking at how people believe they will or will not have adequate savings to maintain their standard of living in retirement. We asked them to compare their view of that now to what they held before the recession, and the drops in the confidence that their savings will be enough to maintain their standard of living are amazing.

For example, for women ages 45 to 59 in the blue lines showing a severe drop—52 percent before the recession thought their savings would be adequate. Now, only 25 percent do. And once again, women have less confidence than men and a greater drop in confidence as a result of this recession.

Once again, this age group is an age group that is at severe risk and therefore, I think, I would just conclude with the notion that these programs such as described that Ms. Ruggles was able to take advantage of are extremely important to continue.

If we are going to prevent poverty from increasing as this generation retires, we have to do something now to strengthen their employment opportunities and their ability to save and build for their retirement. Thank you very much.

[The prepared statement of Ms. Hartmann follows:]

PREPARED STATEMENT OF HEIDI HARTMANN, PH.D.

Good Morning, Mr. Chairman. I am Heidi Hartmann, president of the Institute for Women's Policy Research and a labor economist with a Ph.D. degree from Yale University. Thank you for the opportunity to testify today and to share the findings from research recently completed by the Institute. To put it briefly, our studies show that seniors have been hit hard by the recession.

Their income from assets and pensions has fallen and they are trying to make up for that by working more. Fortunately, Social Security is there for them and is making up a larger share of their income, at the same time that other sources of income have declined. Among all age groups, only the elderly did not see an increase in poverty during the recession and its aftermath. This income stability is almost certainly a result of the near-universality of Social Security and its important protective features, such as its lifetime guarantee and its cost-of-living adjustments. It should be pointed out, however, that because of high and rising medical costs for the elderly, the current poverty measure underestimates elders' poverty; use of the CPI–E in setting the annual cost of living adjustment (COLA) for Social Security benefits would more accurately reflect the consumption patterns of the older population.

As a result of the recession, more Americans of all ages are worried about having enough funds for retirement, and fewer feel they are saving enough for retirement. Many are borrowing from their retirement funds or withdrawing money from savings to deal with the slow recovery from the recession. The severe loss in assets as a result of the recession should increase policymakers' concern that those 45–59 years old, who are beginning to enter retirement now and will continue to do so for the next 20 years, will need Social Security benefits even more than the current generation of retirees. Therefore, it is of the utmost importance that Social Security benefits, including the COLA, not be a target of budget cutting, either through direct cuts or an increase in the retirement age. Each 1-year increase in the retirement age cuts benefits by approximately 7 percent.

IWPR has published several reports in the past few months that shed light on how the older population has been faring in the recession and recovery. In 2010 we conducted a survey of 2,700 adults, asking them about their experiences since the recession, and, in a few cases we can compare their answers with those given by a similar sample of adults to similar questions in a survey administered in 2007, allowing us to compare response before and after the 2007–9 recession. Two reports based on the survey were released on October 2. In an earlier study, we analyzed data from the Federal Government's Current Population Survey between 1999 and 2009, to see what difference the recession made in the financial well-being of the older population. I would like to summarize that information for you today.

CHANGES IN INCOME OF THE 65+ POPULATION

Our analysis of the incomes of the older population (65 years and older), based on the Federal Current Population Survey, shows a startling drop in asset income across the past decade, from 1999 to 2009 (Hartmann, Hayes, and Drago 2011). This decade included two recessions, one in 2001, from which the falling asset income of the elderly never fully recovered, and another in 2007–9, a long and deep recession associated with a banking crisis and a devastating crash in the value of equity and housing assets. While the stock market has recovered somewhat, the value of housing is at about 2003 levels and is expected to fall further (Hayes and Hartmann 2011).

Our analysis was done separately for women and men of different age groups (among those aged 62 years and older) and for all sources of income (Hartmann, Hayes, and Drago 2011). For both women and men, the shares receiving asset income fell between 1999 and 2009 for all older age groups, and the shares of men receiving pension income fell for all older age groups (for women's pension income the picture is more mixed, partly because women increased their labor force participation and therefore increased the likelihood of having pensions).

Asset income fell the most for those between the ages of 65 and 74, by 45 percent for women and 40 percent for men. Other older age groups (those 62–64 and those 75 and older) lost about one-quarter to one-third of their asset income.

In contrast to substantial losses in asset income, both the younger old (aged 65–74) and the older old (ages 75 and older) saw their earnings and their Social Security benefits increase across this 10-year period. The share reporting earnings grew by about 4 percentage points for the entire older population (65 years and older), which was almost a doubling for women (see Figure 1). Women's earnings doubled or nearly doubled for both age groups, while men's earnings grew by one-quarter to one-third.

Figures 2–5 illustrate trends in the changing dollar values of income sources for the 65+ population (all figures are in 2009 dollars). The figures also show that women generally have less income from all sources than do men.

THE INCREASED IMPORTANCE OF SOCIAL SECURITY

According to the IWPR's analysis of the Current Population Survey (Hartmann, Hayes, and Drago 2011), the combination of asset losses (and for men, pension losses) and more income from working resulted in more women and men relying on Social Security for a larger share of their income. Figure 6 shows that the share of women and men relying on Social Security for 80 percent or more of their income grew between 1999 and 2009. For women the increase is 4 percentage points and for men it is 6 percentage points. More than one-third of men aged 65 and older rely on Social Security for 80 percent or more of their income and half of women in the same age range do (in 2009). Figure 7 shows that for both males and females the older old rely on Social Security even more than the younger old among each of the three largest race/ethnic groups in the United States. For example, among white women, of those who are 75 and above, 55 percent rely on Social Security for 80 percent or more of their income, a share which is 13 percentage points larger

than the share of white women aged 65–74. For Hispanic women the shares of the older old relying on Social Security to that extent are even larger, 68, a share which is 17 percentage points larger than for the younger old. Both Figures 6 and 7 also illustrate that women typically rely more on Social Security than do men.

Current Population Survey data also show how poverty rates have changed across the recession years (U.S. Census Bureau 2008a, 2009, 2010, and 2011a). Figure 8 shows that in 2007, when the recession had barely begun (December 2007 is the recognized starting point of the Great Recession), poverty, at 8.1 percent was the lowest for those aged 55–59 years old, an age group that is still mostly in the labor force; the next older group (those aged 60–64) had the next highest poverty rate at 9.4 percent; and the oldest group (those aged 65 and older) had the highest poverty rate at 9.7 percent. By 2010, the year after the recession had come to an end (and the recovery had supposedly begun), poverty rates had climbed for the two younger groups, to 10.1 percent for both, while poverty had fallen slightly for the oldest group to 9.0 percent (Figure 6). The increasing poverty rates for those aged 55–64 show the importance of legislation that provides employment assistance to older workers. Older workers are being left out of the recovery. Data show that since June 2009, the month when the economy began to grow again, the number of unemployed older Americans (those 55 and older) has increased, by nearly 3 percentage points, through September 2011, while the number of unemployed in all other age groups fell about 5 to 6 percent points (Rix 2011).

THE DECREASE IN ASSETS OF THE OLDER POPULATION

For a closer look at assets held by the older population, the Federal Reserve Board's Survey of Consumer Finances provides additional information. Bricker and colleagues (2011) studied the net worth of households from data collected before (2007) and after (2009) the recession. More than 6 of 10 households headed by someone aged 55 and older in 2007 lost wealth during the recession. In households headed by someone aged 55–64 in 2007, wealth (net equity in homes and financial assets combined) declined from $257,700 to $222,300 for the average (median) household, or about 14 percent. In households headed by someone aged 75 and older in 2007, wealth declined from $228,900 to $191,000, or 17 percent, between 2007 and 2009.

Financial assets that could produce retirement income (including stocks, pooled investment funds, and retirement accounts) all declined for the average household headed by someone aged 55 and older (Bricker et al. 2011). The median value for all financial assets combined declined from $78,200 to $72,500 in households headed by someone aged 55–64 in 2007, from $63,900 to $48,000 for households headed by someone aged 65–74, and from $41,400 to $39,000 for households headed by someone aged 75 and older. While the value of financial assets fell only about 6 to 7 percent for the youngest and oldest groups, the middle age group, 65–74 years old, saw a 25 percent decline in the value of financial assets in the recession.

Although Census Bureau data are not showing a drop in home ownership among the population 65 and over during the recession, the share of homeowners with indebtedness on their homes increased between 2007 and 2009 by about 3 percentage points and the share owning their homes free and clear dropped by the same amount, from about 68 percent to 65 percent (U.S. Census Bureau 2008b and 2011b). According the AARP Public Policy Institute, this increased indebtedness is raising housing costs for the elderly (Harrell 2011). Between 2000 and 2009, housing cost burdens, as measured by the share of the population paying more than 30 percent of their income on housing, increased for all income quartiles of the population aged 50 and up (including both home owners and renters), by anywhere from 3 percentage points to 10 percentage points. For example, for the second income quartile, those with incomes between approximately $23,000 and $47,000, the share with high housing costs burdens increased from 28 percent in 2000 to 38 percent in 2009 (Harrell 2011).

EXPERIENCES OF HARDSHIP AND WAYS OF COPING

Not surprisingly, given the length and depth of the Great Recession, many older Americans are experiencing significant hardships. Among women and men 60 years of age and older, women consistently experience more hardship than men, according to their responses to the IWPR–Rockefeller Survey on Economic Security. At the time of the survey, which was completed in November 2010, women and men report the most difficulty paying for health care and health insurance: 39 percent of women and 20 percent of men find it "somewhat difficult" or "very difficult." Paying monthly utility bills and gasoline or other transportation is also very difficult for ⅓ of women and ¼ of men aged 60 and older. Finally paying for food is difficult for 1 of 5 women and 1 of 7 men aged 60 and above. (See Figure 9.)

Respondents were also asked how much hardship they had experienced in the prior year. Two-fifths to three-fifths of women and men said they cut back on household spending, vacations, or entertainment. More than 1 in 5 failed to pay a bill on time. About 1 in 6 women and 1 in 10 men did not fill a prescription. Eight percent of women and 4 percent of men received food stamps. Six percent of women and 3 percent of men aged 60 and above said they went hungry in the past year because they could not afford food. (See Figure 10.)

About half of all respondents report that they had lost investments in the prior 2 years, 48 percent of women and 47 percent of men, and about half of those report that they lost more than 20 percent in value (25 percent of women and 28 percent of men). Proportions among only those 60 and older are about the same (Hess, Hayes, and Hartmann 2011). Among those 60 years and older, about 40 percent (39 percent of both women and men) say they have taken money out of their savings or retirement fund in the year prior to the survey, 10 percent of women and 9 percent of men say they have borrowed against a retirement plan, and 27 percent of women and 23 percent of men that age say they have stopped or reduced contributions to retirement savings (Hayes and Hartmann, 2011).

Older Americans have also borrowed to make ends meet. About 13 percent of women and 14 percent of men aged 60 and up report having increased their credit card debt in the prior year, 5 percent of women and 7 percent of men report taking out a second mortgage or home equity loan, 12 percent of women and 9 percent of men have borrowed from a friend (Hayes and Hartmann 2011). Those who are younger generally report higher rates of tapping into savings for the future and higher rates of borrowing from other sources than the 60 and up age group.

Among all those who have not yet retired, the shares of women and men believing they are saving enough for retirement have dropped sharply. Comparing the 2010 survey results with those from an earlier 2007 survey shows that now only 25 percent of women believe they are saving enough for retirement, a drop of 9 percentage points. Among men, the drop is 10 percentage points, from 45 to 35 percent, in the share who believe they are saving sufficiently for retirement (Hess, Hayes, and Hartmann 2011).

FUTURE EXPECTATIONS

Americans are increasingly concerned about not having enough money to live on in retirement. Respondents of all ages (18 years and up) were asked about their worries about four potential challenges in retirement—not being able to afford health care, having to go to a nursing home, Social Security being cut back or eliminated, and not having enough money to live on—in both the 2010 survey and an earlier 2007 Rockefeller Foundation survey. Americans expressed increased worry in 2010 on all four dimensions, but the largest increase in worry was expressed for not having enough to live on. In 2007, nearly 2 in 5 women expressed "a lot" or "a fair amount" of worry about not having enough to live on in retirement; in 2010, 3 in 5 women did so. For men the increase was from 28 percent to 43 percent (see Figure 11).

The recession has had an even larger effect on people's expectations that their retirement income will be sufficient to maintain their standard of living in retirement. Respondents were asked about their expectations before the recession and when the survey was taken (in November 2010). Adults of all ages show significant declines in that expectation. Those showing the largest drop in the expectation that they will be able to maintain their standard of living are the group from 45 to 59 years old. For women that age the drop was precipitous, from 52 to 25 percent; men's drop was also large, from 52 percent responding they had enough before the recession to only 35 percent responding that way currently. Drops for the other age ranges (18–44 years and 60+ years) are a minimum of 9 percentage points for men and 13 percentage points for women, with the youngest being the most optimistic that they will have enough to maintain their standard of living in retirement (see Figure 12).

Among women and men not yet retired, many more expect to be working in retirement than are likely to do so, not withstanding that the labor force participation rates of older Americans have been rising for at least the last 25 years. Of those not yet retired, fully 72 percent of women and 70 percent of men respond that they expect to work in retirement (Hess, Hayes, and Hartmann 2011). Yet as of 2010, even with substantial increases in labor force participation in recent years for older Americans, only 27 percent of women and 37 percent of men aged 65–69 are working or looking for work, and among those 75 and older, only 8 percent of women and 15 percent of men are working or looking for work. Of those who expect to work after retirement, Figure 13 shows that women are much more likely to respond that they will have to work (41 percent) than men are (29 percent).

Employment data from the Bureau of Labor Statistics show that the labor force participation rates of older workers continued to increase through the recession. Both the number working and the number unemployed grew, at least partly because the share of the population made up of older Americans grew, as the large baby boom cohort aged. As of September 2011, 2.1 million Americans 55 and older are looking for work, making up 15 percent of all unemployed workers. Of older unemployed workers, 61 percent have been unemployed for 27 weeks or more, a share that increased steadily since the beginning of the recession (when only 22 percent of unemployed workers aged 55 and older were unemployed that long). The proportion of older Americans who have been employed for a long time is much greater than it is for younger Americans. The average duration of unemployment for workers under age 55 is 38.6 weeks, while it is 54.8 weeks for those aged 55 and above (Rix 2011).

It is likely that a continuing slow recovery will mean that many older unemployed workers will never find jobs. Given that our survey research shows that many of these workers are already using their savings and borrowing more, assistance in finding employment is critical for this group to prevent rates of poverty at older ages from increasing in the future. Efforts to increase job growth and provide job training are important policy levers that should be used to increase employment among older Americans, enabling them to rebuild their retirement savings.

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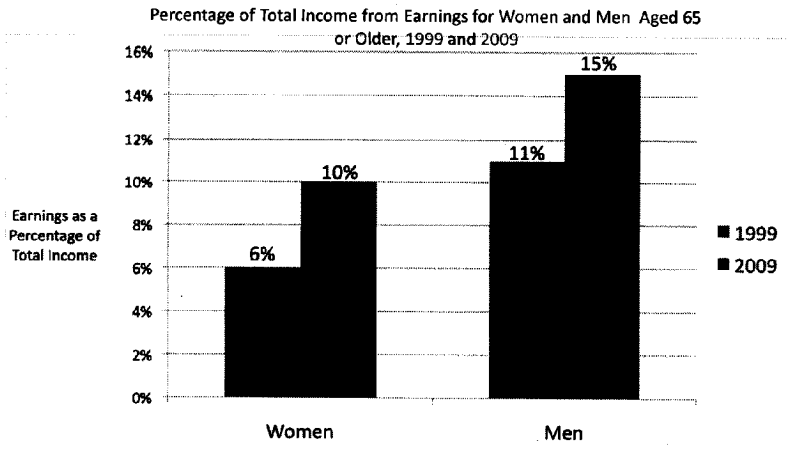
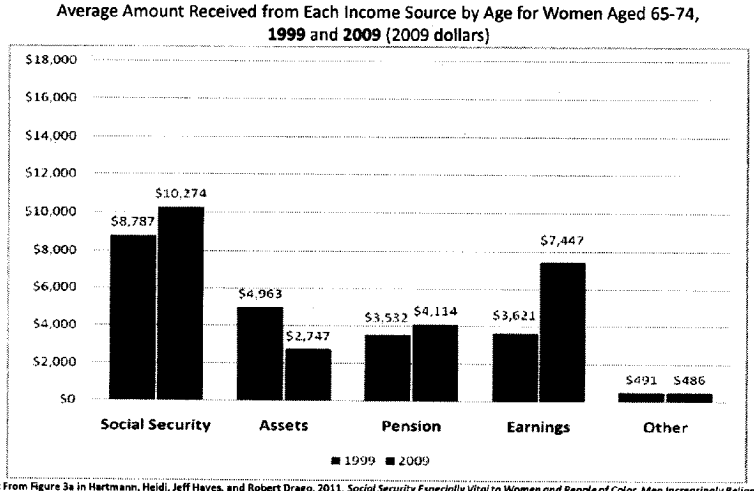
1. Older Americans are working and earning more



Source: Hartmann, Hayes, and Drago 2011, Figures 1a and 1b. Based on IWPR calculation using the Current Population Survey Annual Social and Economic (ASEC) Supplement. Earnings data are for calendar years 1999 and 2009.

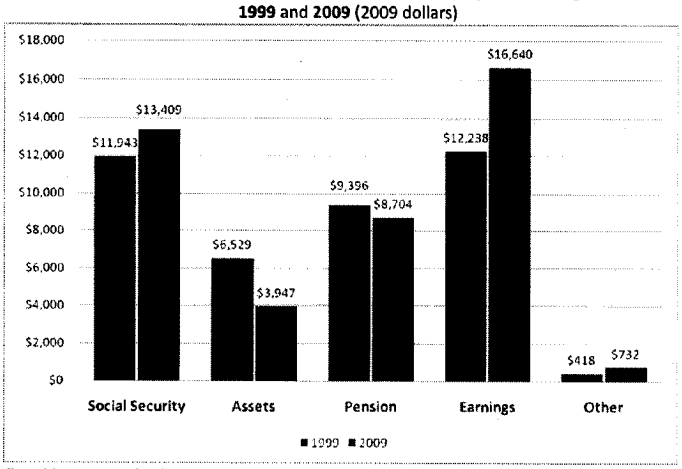
2. Women aged 65-74 increasingly rely on Social Security; asset income is down; earnings & pensions are up



Source: From Figure 3a in Hartmann, Heidi, Jeff Hayes, and Robert Drago. 2011. *Social Security Especially Vital to Women and People of Color, Men Increasingly Reliant.* Report #D494. Washington, DC: Institute for Women's Policy Research; IWPR calculations based on the Current Population Survey Annual Social and Economic (ASEC) Supplement Survey.

3. Men aged 65-74 increasingly rely on Social Security; asset & pension income are down; earnings are up

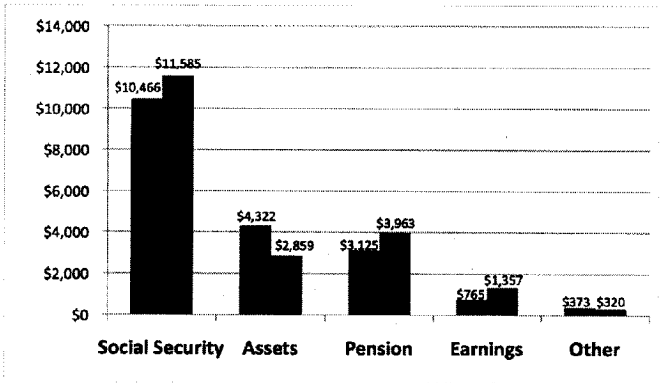
Average Amount Received from Each Income Source by Age for Men Aged 65-74, **1999** and **2009** (2009 dollars)



Source: From Figure 3b in Hartmann, Heidi, Jeff Hayes, and Robert Drago. 2011. *Social Security Especially Vital to Women and People of Color, Men Increasingly Reliant.* Report #D494. Washington, DC: Institute for Women's Policy Research; IWPR calculations based on the Current Population Survey Annual Social and Economic (ASEC) Supplement.

4. Women aged 75 & older increasingly rely on Social Security; asset income is down; earnings & pensions are up

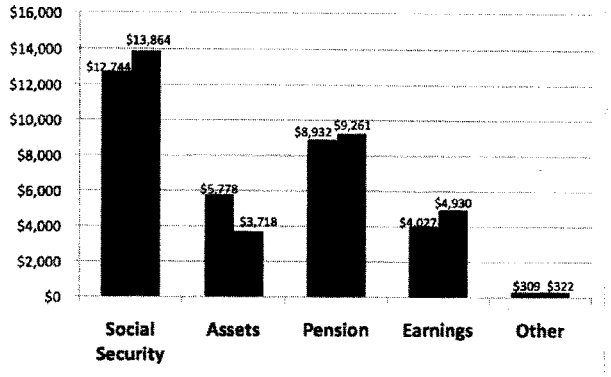
Average Amount Received from Each Income Source by Age for Women Aged 75 or Older, **1999** and **2009** (2009 dollars)



Source: From Figure 3a in Hartmann, Heidi, Jeff Hayes, and Robert Drago. 2011. *Social Security Especially Vital to Women and People of Color, Men Increasingly Reliant.* Report #D494. Washington, DC: Institute for Women's Policy Research; IWPR calculations based on the Current Population Survey Annual Social and Economic (ASEC) Supplement).

5. Men aged 75 & older increasingly rely on Social Security; asset income is down; earnings & pensions are up

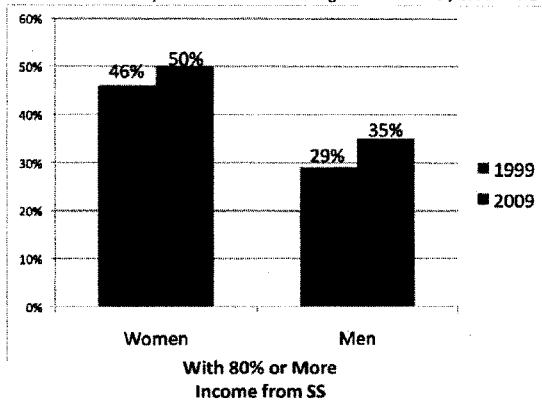
Average Amount Received from Each Income Source by Age for Men Aged 75 or Older, 1999 and 2009 (2009 dollars)



Source: From Figure 3b in Hartmann, Heidi, Jeff Hayes, and Robert Drago. 2011. *Social Security Especially Vital to Women and People of Color, Men Increasingly Reliant*. Report #D494. Washington, DC: Institute for Women's Policy Research; IWPR calculations based on the Current Population Survey Annual Social and Economic (ASEC) Supplement.

6. Reliance on Social Security (80% or more of income) is increasing for both women and men

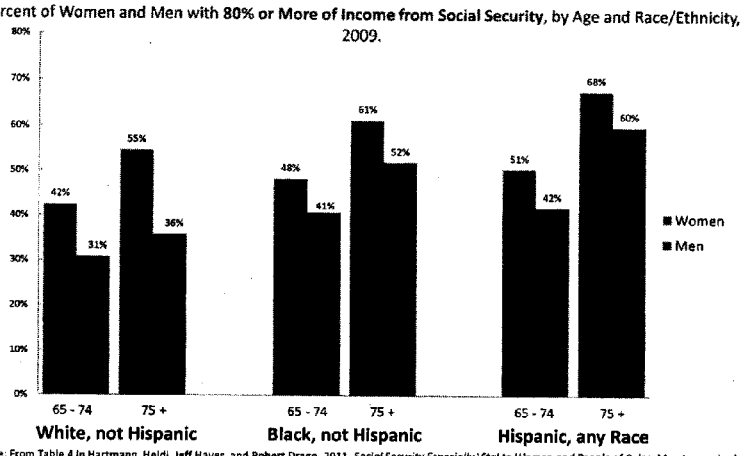
Reliance on Social Security for Women and Men aged 65 and older, 1999 and 2009



Source: From Figure 4 in Hartmann, Heidi, Jeff Hayes, and Robert Drago. 2011. *Social Security Especially Vital to Women and People of Color, Men Increasingly Reliant*. Report #D494. Washington, DC: Institute for Women's Policy Research; IWPR calculations based on the Current Population Survey Annual Social and Economic (ASEC) Supplement.

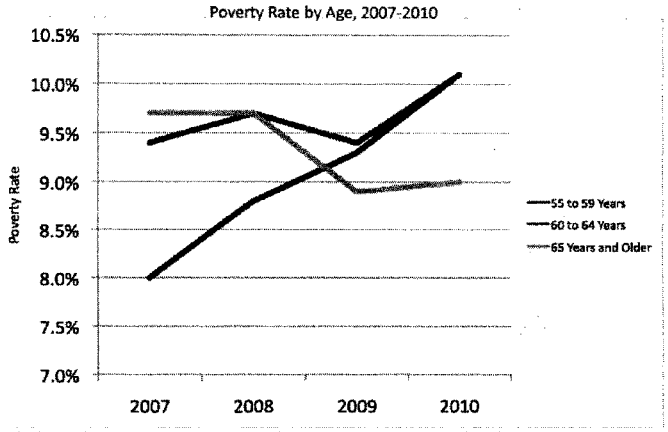
7. Blacks and Hispanics generally rely more on Social Security than do whites & women more than men

Percent of Women and Men with 80% or More of Income from Social Security, by Age and Race/Ethnicity, 2009.



Source: From Table 4 in Hartmann, Heldi, Jeff Hayes, and Robert Drago. 2011. *Social Security Especially Vital to Women and People of Color, Men Increasingly Reliant*. Report #D494. Washington, DC: Institute for Women's Policy Research; IWPR calculations based on the Current Population Survey Annual Social and Economic (ASEC) Supplement.

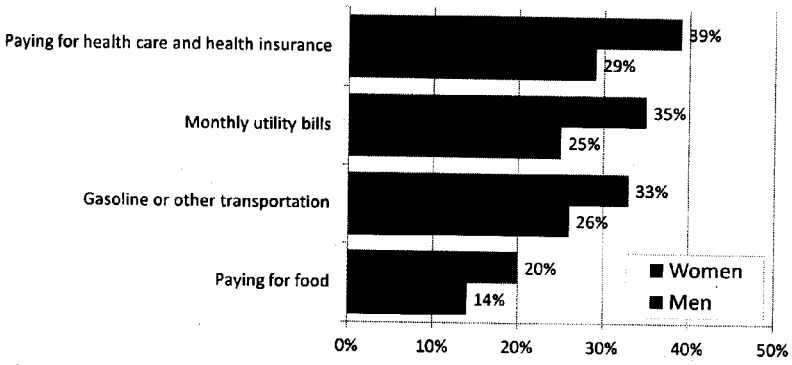
8. Poverty rates for those aged 55-59 and 60-64 are rising, while poverty rates for those aged 65 and older are declining



Source: IWPR analysis based on the 2008- 2011 Current Population Surveys (US Census Bureau 2008a, 2009, 2010, and 2011a).

9. More women than men experience difficulty paying their living expenses; both women and men experience the most difficulty paying for health care and health insurance

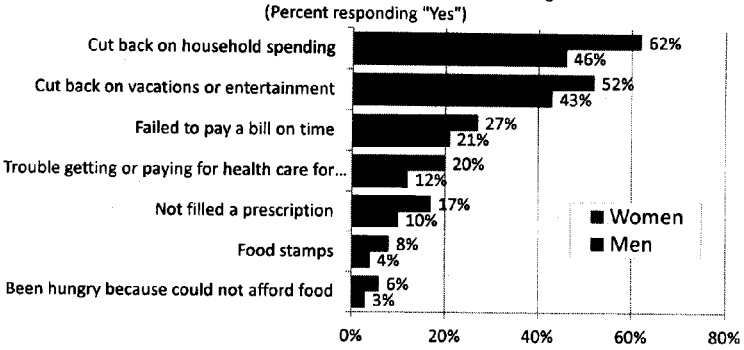
Current Difficulty Affording Living Expenses Among Women and Men Aged 60 and Older. (Percent responding "Very difficult" or "Somewhat difficult")



Source: Hayes and Hartmann. 2011. *Women and Men Living on the Edge: Economic Insecurity After the Great Recession*. IWPR/Rockefeller Survey of Economic Security 2010. (N = 1,094)

10. More women than men experienced economic hardship between October 2009 and October 2010

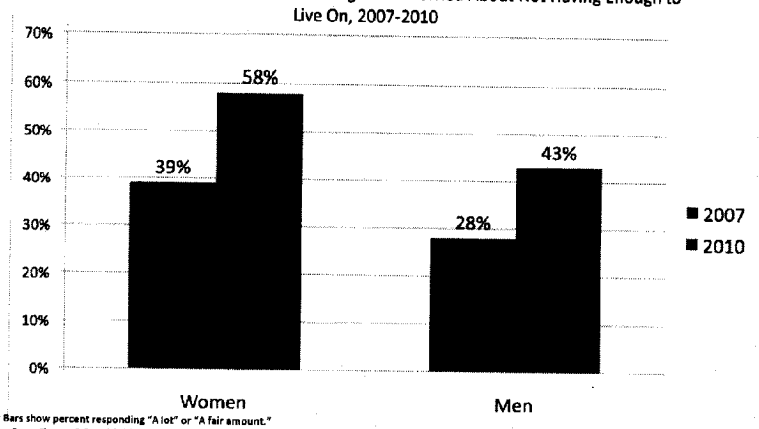
Economic Hardship in the Past Year Among Women and Men Aged 60 or More (Percent responding "Yes")



Source: Hayes and Hartmann. 2011. *Women and Men Living on the Edge: Economic Insecurity After the Great Recession*. IWPR/Rockefeller Survey of Economic Security 2010. (N = 1,094)

11. Women and men increasingly worry about not having enough to live on in retirement; more women worry than men

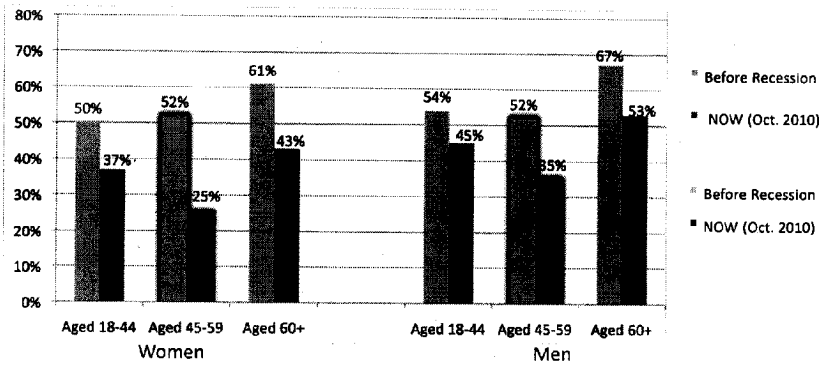
Percentage of Women and Men Claiming to Be Worried About Not Having Enough to Live On, 2007-2010



Note: Bars show percent responding "A lot" or "A fair amount."
Source: From Figures 2.3 and 2.4 in Hess, Cynthia, Jeff Hayes, and Heidi Hartmann. 2011. *Retirement on the Edge: Women, Men, and Economic Insecurity After the Great Recession.* Washington, DC: Institute for Women's Policy Research.
IWPR analysis of the Rockefeller American Workers Survey 2007 and the IWPR/Rockefeller Survey of Economic Security 2010.

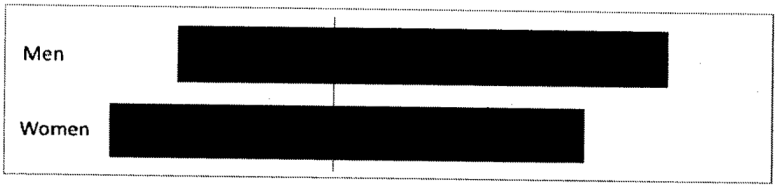
12. Fewer women and men now than before the recession expect that their retirement savings will be adequate to maintain their standard of living in retirement

Percentage of Women and Men Responding that they Expect their Retirement Savings To Be Adequate to Maintain their Standard of Living In Retirement



Source: IWPR analysis from Table 2.2 in Hess, Cynthia, Jeff Hayes, and Heidi Hartmann. 2011. "Retirement on the Edge: Women, Men, and Economic Insecurity After the Great Recession." Washington, DC: Institute for Women's Policy Research.

13. Work in Retirement – Have to or Want to? (People Not Yet Retired and Expecting to Work for Pay After They Retire)



Note: N=1,235
Source: Figure 6.4 in Hess, Cynthia, Jeff Hayes, and Heidi Hartmann, *Retirement on the Edge: Women, Men, and Economic Insecurity After the Great Recession*. Based on analysis of the WPR/Rockefeller Survey of Economic Security 2010.

Senator SANDERS. Thank you very much, Dr. Hartmann.

Our final witness is Dr. Sandra Nathan, senior vice president for economic security at the National Council on Aging where she oversees programs geared toward improving the economic well-being of 5 million vulnerable older adults by 2020.

Prior to joining NCOA, Dr. Nathan served as president and CEO of the Richmond Children's Foundation.

Dr. Nathan, thanks very much for being with us.

STATEMENT OF SANDRA NATHAN, Ph.D., NATIONAL COUNCIL ON AGING, WASHINGTON, DC

Ms. NATHAN. Thank you, Chairman Sanders.

My fellow witnesses and guests, on behalf of the National Council on Aging, I greatly appreciate the opportunity to testify today. NCOA is a nonprofit service and advocacy organization headquartered here in Washington, DC.

NCOA's mission is to improve the health and economic security of millions of older adults, especially those who are vulnerable and disadvantaged. NCOA is a national voice for older Americans and the community organizations that serve them, and working with nonprofits, businesses and government, NCOA develops creative solutions to help seniors find jobs and benefits, improve their health, live independently and remain active in their communities.

Senator, throughout my career I have examined the issues that we are discussing here today from a public, private and nonprofit perspective. But my expertise is not the focus of my remarks.

Today, I am an ambassador on behalf of the millions of older adults who struggle every day just to pay for food, for medicine, utilities, and a place to live.

My remarks will give voice to the one in three, over 13 million older adults in this country who are living on the edge, just one health incident, one car repair, one missed rent payment, one roof leak or one lay-off away from poverty, people like Frank from St. Johnsbury, VT, who shares,

> "I am one paycheck away from foreclosure and bankruptcy. Struggling to make ends meet, I went back to college at the

> age of 59. I graduated at the age of 61 and continue training in my career field learning new valuable skills but can't seem to get ahead simply because I'm so strapped with debt."

Ann Verdella from Warsaw, KY, who says,

> "I'm a 72-year-old female getting by on $650 a month in Social Security. I'm living in a senior citizens subsidized apartment complex in rural Kentucky. I need my medical benefits and food stamps so that I can make ends meet every month. I'm someone's mother and grandmother."

Struggling to make ends meet, many low- and moderate-income older adults are either rethinking retirement plans and extending work or returning to the workforce, often their only option. As Marcus in Eugene, OR, puts it, "My 83-year-old mother is so pressed economically that she's had to go back to work in a part-time job."

With little cash, many older adults in this country today are balancing their budgets on credit, foregoing necessary medical care and letting the bills mount.

This past year, NCOA launched a national video advocacy campaign called "One Away", which gives voice to older adults who are struggling financially. Working with over 14 State and local organizations including many strong partners in States like Vermont, Kentucky, Iowa, Maryland, North Carolina and Pennsylvania, "One Away" captures real stories of seniors to raise awareness and advocate for policy change.

The "One Away" campaign shines a spotlight on the fact that the golden years are not so golden for many older adults. Despite their struggles, they regularly suffer in silence and the courageous few who do reach out for help often find a system that is ill-equipped to respond to their needs.

Of course, family, caregivers and friends play an essential role in helping older adults but the needs that older adults are facing today are often too complex for families and friends to have the expertise to assist them.

With the retirement of over 78 million Baby Boomers ahead of us, NCOA believes the pending reauthorization of the Older Americans Act provides a key opportunity to initiate important changes.

We have three specific recommendations for the Older Americans Act this morning and I'll highlight them very briefly. First, the Older Americans reauthorization must improve the coordination of existing resources and empower older adults to access and navigate the range of public and private supports that are critical to increasing their economic security.

With the growth in the older population and their economic struggles, the Aging Network organizations across the country are experiencing escalated demand for core services such as job training, help with applying for benefits and subsidized meals.

We feel strongly that the Older Americans Act reauthorization should remove barriers and strengthen opportunities for the network to better coordinate existing Federal, State, local and private resources through a comprehensive person-centered approach to elder economic security.

Second, the Older Americans Act reauthorization should define economic security and it's explicitly stated as an objective of the Older Americans Act. It should evaluate and replicate comprehensive person-centered approaches to economic casework and assistance.

Although the economic security has long been an applied goal of the Older Americans Act, the recent economic downturn and its negative impact on the housing, employment and financial markets have made it an even more pressing matter for older adults.

The Aging Network must define and adopt a measurable goal as a benchmark. The term "economic security" should mean access to assets, income and community-based supports necessary to provide for basic needs. At a minimum, the measure must be geographically based, take into account life circumstances and ensure that an individual can afford housing, health, nutrition, transportation, basic household needs, financial services, and if necessary, long-term care.

These recommendations are based on the Elder Economic Security Standard Index, or Elder Index, created by the Wider Opportunities for Women and the Gerontology Institute.

Our third recommendation is that the Older Americans Act reauthorization must modernize, expand and protect training and employment assistance for mature workers, including the Senior Community Service Employment Program. Our previous witness, Ms. Ruggles, talked about the importance of that program and we feel very strongly that it should be expanded to meet the needs of an aging workforce.

Finally, we could not forget to protect and strengthen the foundational role that Social Security, Medicare and Medicaid play in ensuring economic security.

We have specific recommendations, Senator, that we've included in our white papers and I'd be happy to elaborate on those. But very quickly, I'd like to close with a story about Ms. Perry in Baltimore who worked hard, wanted to retire at the age of 70 and just found herself in a position where she wasn't able to do so. She went to the CASH Campaign in Baltimore, which is an economic security center, and as a result of the service and supports that we were able to provide her, she was able to get her life back on a path of economic security.

So thank you so much for the opportunity to testify today. I'd be happy to answer any questions you might have.

[The prepared statement of Ms. Nathan follows:]

PREPARED STATEMENT OF SANDRA NATHAN, PH.D.

Chairman Sanders, Ranking Member Paul, esteemed members of the subcommittee, my fellow witnesses and guests. On behalf of the National Council on Aging (NCOA), I greatly appreciate the opportunity to testify today.

NCOA (*www.NCOA.org*) is a nonprofit service and advocacy organization headquartered in Washington, DC. NCOA's mission is to improve the health and economic security of millions of older adults, especially those who are vulnerable and disadvantaged. NCOA is a national voice for older Americans and the community organizations that serve them. Working with nonprofit organizations, businesses, and government, NCOA develops creative solutions to help seniors find jobs and benefits, improve their health, live independently, and remain active in their communities.

Throughout my career, I have examined the issues that we will discuss today in this chamber, from a public, private, and nonprofit perspective. That said, my exper-

tise is not the focus of my remarks today. Today, I am an ambassador on behalf of the older adults who struggle every day just to pay for food, medicine, and a place to live. My remarks will give voice to the 13 million older adults who are living on the edge—living one health incident, one car repair, one missed rent payment, one roof leak, or one layoff away from poverty.

People like Frank from St. Johnsbury, VT, who shares,

> "I am one paycheck away from foreclosure and bankruptcy. Struggling to make ends meet, I went back to college at age 59. Graduated at age 61, I continued training in my career field learning new, valuable skills but find I can't seem to get ahead because I am strapped with debt."

Or David in Boone, IA, who says,

> "For myself and many of my friends [living one away] means having to choose whether to buy groceries for the family or the medicines we require for diabetes, high blood pressure, heart disease, chronic pain, etc. My wife and I have even considered whether we may need to sell our home. We didn't live high, but we had money for the necessities of life. Now it mostly goes for food and medicine, and very little else."

And then there is Verdella from Warsaw, KY,

> "I am a 72-year-old female getting only $650.00 a month in Social Security. I'm living in a senior citizens subsidized apartment complex in rural Kentucky. I need my medical benefits and food stamps to make ends meet each month. I'm someone's mother and grandmother."

The economic reality of old age has changed considerably over the last several decades. As individuals live and work longer, they also have had to take on increasing responsibility with regard to safeguarding their own health and financial status later in life. At the same time, many older Americans have seen their hard-earned personal and employer-supported retirement savings and assets diminish, with no guarantees for the future, and very little time for their assets to rebound.

Homeownership status, once the cornerstone of economic security for so many older adults, has become a source of stress and debt, with many mortgages exceeding home value, and escalating property taxes beyond the reach of those with fixed incomes. Struggling to make ends meet, many low- and moderate-income older adults are either rethinking retirement plans and extending work or trying to return to the workforce. Employment is often the only solution for so many low-income older adults. Yet, unemployment rates for older workers are at record highs with over 1.8 million adults aged 55 and older currently seeking work. Many have been frustrated by the search and have filed for Social Security early, reducing lifetime benefits by 25 percent and threatening their long-term economic security. Without employment income and with insufficient Social Security benefits, individuals often balance household budgets on credit, forego necessary medical care, and let the bills mount.

This past year, NCOA launched a national video advocacy campaign, entitled *One Away* (*www.OneAway.org*), which gives voice to older adults who are struggling with economic insecurity. Working with 14 State and local organizations, including strong partners in Vermont, Kentucky, Iowa, Maryland, North Carolina, and Pennsylvania, the *One Away* campaign captures real stories of seniors to raise awareness and advocate for policy change that will empower them to access the coordinated services and supports they need to live with economic security and dignity.

The *One Away* campaign shines a spotlight on the reality that the "golden years" are not so golden for many older adults. The reality is that 1 in 3, or over 13 million, older Americans live in poverty or right on its edge, with annual incomes of only $22,000 or less. These seniors have to decide each day whether to pay for medicine or food, rent or utilities. Despite their struggles, they regularly suffer in silence, their voices unheard. The courageous few that reach out for help often find themselves attempting to navigate a system ill-equipped to respond to their full range of economic needs. Of course, family members, caregivers, and friends play an essential role in helping older adults remain in their home and maintain their independence, but often the needs of vulnerable older adults exceed the expertise of friends and family.

As Marcus in Eugene, OR puts it,

> "My 83-year-old mother is so pressed economically to the extent that she has taken a part-time job to make ends meet."

Catholic Charities in Schenectady, New York, shares,

> "An emerging trend is foreclosure and family members that are unemployed that need assistance from seniors."

With the population of older individuals expected to grow exponentially in the coming years, the Aging Services Network (ASN) faces incredible challenges associated with the influx of older individuals. Organizations from across the country are experiencing large increases in the demand for core services, such as job training and assistance, help with applying for benefits, and subsidized meals. These aging service organizations also find themselves stretched to try and assist clients with hard-to-solve financial problems that they feel ill-equipped to handle, such as threats of foreclosure or eviction, high credit card debts, and a pervasive and growing sense of economic insecurity.

According to a professional at the Area Agency on Aging in Raleigh, NC,

> "I am regularly dealing with [seniors who have] credit card debt that has often snowballed into thousands of dollars, with no way possible to get out from under the debt, and credit card payments not leaving enough income to cover basics like food and utilities."

In order to measure impact and best structure programming to meet the economic needs of older adults, the network first must adopt and define a measurable goal as a benchmark. The term "economic security" should mean access to the assets, income, and community-based supports necessary to provide for basic human needs. At a minimum, the measure must be geographically based, take into account an individual's life circumstances (health status, household composition, and housing scenario), and ensure that an economically secure individual can afford all of the following in a manner that is adequate and unsubsidized:

- Housing,
- Health care,
- Nutrition,
- Transportation,
- Basic household essentials,
- Financial services, and
- Long-term care, if necessary.

In 2006, Wider Opportunities for Women (WOW) and the Gerontology Institute at the University of Massachusetts-Boston created a nationally vetted methodology to measure economic security, known as the Elder Economic Security Standard Index (Elder Index).

The Elder Index stands in stark contrast to traditional measures of economic need, most notably the Federal poverty level (FPL). For single older adults, the 2011 FPL amounts to $10,890. In contrast, annual national averages of the Elder Index total $16,415 to $20,326 depending on housing status.

The FPL is a measure of absolute deprivation as opposed to a measure of economic security. Its calculation is based on the cost of food multiplied by three. Further, the FPL does not account for geographic differences in cost. As an outdated, one-size-fits-all measure, the FPL does not reflect the true cost of living; yet, it drives nearly all Federal, State, and local policy design and program delivery. While measures of deprivation are necessary, ensuring that elders are able to age in place with dignity requires the use of a more aspirational goal and a complementary benchmark of economic need. Below you will find the Elder Index national averages for a senior living alone and an elderly couple.

Table 1.—The Elder Economic Security Standard Index, U.S. Average Monthly Expenses for Selected Household Types, 2010

Monthly expenses/Monthly and yearly totals	Elder person		Elder couple	
	Owner w/o mortgage	Renter	Owner w/o mortgage	Renter
Housing	$372	$698	$372	$698
Food	$231	$231	$424	$424
Transportation (Private Auto)	$283	$283	$346	$346
Health Care	$254	$254	$508	$508
Miscellaneous	$228	$228	$330	$330
Elder Index Per Month	$1,368	$1,694	$1,979	$2,305
Elder Index Per Year	**$16,415**	**$20,326**	**$23,751**	**$27,663**

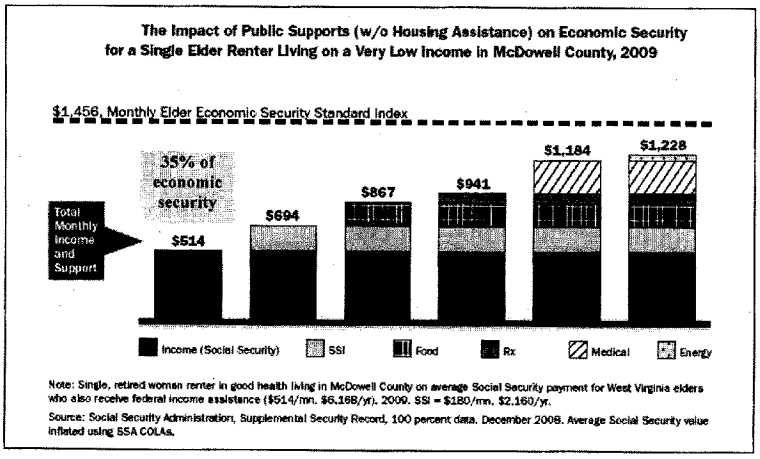
Source: Conahan, Judith, Ellen A Bruce, Laura H Russell, and Wider Opportunities for Women. ***The WOW-GI National Elder Economic Security Standard: A Methodology to Determine Economic Security for Elders.*** Washington, DC: Wider Opportunities for Women, 2006. Values inflated to 2010 using the Consumer Price Index.

There is a national, State, and local groundswell in regard to reframing the issue using an economic security lens. For example, just last week Governor Brown of

California signed bill *AB 138*, the Elder Economic Planning Act of 2011. This law now requires the California Department of Aging and the local Area Agencies on Aging to use the Elder Index as a guide in making resource allocation decisions and in crafting statewide and local area plans. In addition, over the past 18 months, NCOA has been working with 12 community organizations to use the Elder Index to benchmark client outcomes as a part of our work under the national Economic Security Initiative. From our experience, it is clear that use of the Elder Index in this way will help the aging network, seniors, and their caregivers better measure the impact of the various public and private supports brought to bear on their circumstances. For that reason, NCOA recommends that the tenets of the California law be adopted nationally.

Figure 1 provides an example of the power of benchmarking benefits access against a measure of economic security. According to the Social Security Administration, the average Social Security payment for an older West Virginian ($514/month) provides about 35 percent of a single renter's economic security as defined by WOW's Elder Index. Drawing upon critical benefits such as Supplemental Security Income (SSI), Supplemental Nutrition Assistance Program (SNAP, formerly known as Food Stamps), prescription drug assistance, Medicaid, and utility assistance can free up this older adult's limited income, effectively doubling her economic security. Setting goals and benchmarking outcomes using this framework can be a powerful tool in empowering seniors to explore their options and motivating staff in the network to ensure that all possible supports are brought to bear on an individual's circumstances.

Figure 1: Measuring Impact: Benchmarking against a Goal of Economic Security



This chart demonstrates the role public and private supports can play in increasing the economic security of an older adult in McDowell County, WV. For more on benchmarking the economic security of older adults using the Elder Index, visit www.wowonline.org.

With the retirement of over 78 million baby boomers ahead of us and the current, but long-lasting, implications of present economic challenges, it is time for renewed energy and innovation to make important, lasting strategic changes that will result in systems change and ensure that older adults are able to access the coordinated public and private resources they need to be financially secure and remain independent.

NCOA believes that the Older Americans Act (OAA) is a critical vehicle in this process. We will share with you today recommendations for the pending reauthorization of the OAA that are grounded in our experience and discussions with ASN partners.

1. **Better coordinate existing resources and empower older adults to access and navigate the range of public and private supports that are critical to increasing the economic security of all.** OAA reauthorization should remove barriers and strengthen opportunities for the aging network to take a leadership role in broadening and deepening coordination of existing Federal, State, local, and

private resources through the implementation of a comprehensive, person-centered approach. In order to ensure the most streamlined, cost-effective strategy, a comprehensive, person-centered approach must:

- Address a senior's immediate crisis/need.
- Take all of a senior's financial, housing, health, employment, and transportation needs into account.
- Inform and empower older adults to draw upon the range of public and private benefits and assistance for which they may be eligible.
- Provide help navigating supports when needed.
- Offer one-on-one assistance that is culturally appropriate and provided by a trusted source.
- Include followup to ensure that individuals receive the support they need to navigate and follow through in pursing options.

2. **Define economic security and explicitly state it as an objective of the OAA and evaluate and replicate comprehensive, person-centered approaches to economic casework and assistance.** Although economic security has long been an implied goal of the OAA, the recent economic downturn and its negative impact on the housing, employment, and financial markets have made it an even more pressing matter for those concerned with the well-being of older adults.

3. **Modernize, expand, and protect training and employment assistance services for mature workers under the OAA, including the Senior Community Service Employment Program (SCSEP).** Training and job placement assistance is essential to individual and community economic stability.

4. **Protect and strengthen the foundational role that Social Security, Medicare, and Medicaid play in ensuring the economic security of older adults.** In light of the stories we have shared today, NCOA supports the Leadership Council of Aging Organization's (LCAO) OAA recommendation to provide resources for the Bureau of Labor Statistics to take a closer look at the methodology of the Consumer Price Index for the Elderly (CPI–E), developed in 1987 via reauthorization of the OAA, laying the groundwork to use CPI–E to calculate annual Social Security cost-of-living adjustments.

In addition, NCOA recommends the following changes in other programs crucial to elder economic security:

1. **Streamline access to critical, lifeline supportive services and public benefits,** such as SNAP, Medicare Part D Extra Help, and the Low-Income Home Energy Assistance Program (LIHEAP). Benefits are a critical instrument to provide economic support to seniors in need, offering food, medical, home energy, and other assistance that not only alleviates their poverty, but also allows them to live with dignity.

But benefits do more than help individuals. They are a genuine source of economic development in the community, supporting local hospitals, pharmacies, and grocery stores. Research from the USDA, for example, found a "multiplier effect" for the expansion of SNAP benefits in a community: Every $5 in new SNAP benefits generates as much as $9 in local economic activity.[1]

2. **Strengthen housing counseling and assistance for renters and homeowners,** including ensuring access to trusted, independent counseling regarding reverse mortgage options.

3. **Expand financial literacy, budgeting, and money management services for seniors,** as well as protections against financial abuse, scams, and exploitation.

A more detailed overview of NCOA's policy recommendations can be found in the following two documents: *"A Blueprint for Increasing the Economic Security of Older Americans: Recommendations for the Older Americans Act"* and *"Strengthening the Voice of Older Adults and the Aging Network: A Vision for the Reauthorized Older Americans Act."*

I would like to close today with a story from Baltimore, MD. Ms. Perry worked hard, played by the rules, paid into the system, and thought she was on her way to enjoying a peaceful retirement at age 70. But when her daughter encountered mental health issues, Ms. Perry found herself raising her two teenage grandchildren. When her pension and Social Security were not enough, Ms. Perry got a part-time job. This worked well until she landed in the hospital. Without sick pay, Ms. Perry's expenses quickly began to mount—mortgage, utility, and credit card

[1] See K. Hanson, The Food Assistance National Input-Output Multiplier Model and Stimulus Effects of SNAP, Economic Research Service, USDA, October 2010, *http://www.ers.usda.gov/Publications/ERR103/ERR103.pdf.*

bills piled up. Unsure how to navigate the complex maze of social services, Ms. Perry sought help from the Baltimore CASH Campaign (Creating Assets, Savings, and Hope), an NCOA Economic Security Service Center. With their assistance, Ms. Perry established personal goals and action steps. Coordination of local public and private supports helped her receive housing counseling, apply for assistance to pay her prescription and utility bills, and get budgeting education and tools. Today, Ms. Perry is back on the path to economic security because she was able to:

- Prevent a shut-off of her utilities and receive energy assistance to help pay her bill.
- Receive a free cell phone and monthly minutes.
- Adjust the terms of her mortgage to more affordable payments.
- Find a Medicare Part D plan best suited to her prescription needs.
- Free up limited income thanks to the help of SNAP.

And perhaps most important of all, Ms. Perry has set a positive example for her grandchildren. Today, the oldest child is working part-time to contribute to the household expenses.

Needless to say, the multiple, complex challenges facing today's older Americans with limited resources often do not lend themselves to a one-size-fits-all quick fix, and they frequently require coordinated public, private, and nonprofit sector solutions. We urge you to remember Ms. Perry and the others we have brought voice to today as you consider the role government should play in ensuring the economic stability of our older adults.

Thank you again for this opportunity to share our views. We look forward to working with you and other members of the committee to develop more specific recommendations to help ensure all older adults have the opportunity to age with economic security and independence.

Senator SANDERS. Thank you very much, Dr. Nathan.

I want to divide my questioning up and we're going to have plenty. The good news for us is that we have you in front of us and Senator Franken and I can ask you a number of questions and get into some depth on some of these issues.

One area I want to focus on is, in fact, the Social Security COLA and I want to start with Dr. Kingson on that. Doctor, when I'm back in Vermont, many seniors come up to me or they telephone our office and they say, we don't understand how the Government concludes that there has been no inflation in the last 2 years, that we're not getting any COLA—that we haven't gotten any COLA in the last 2 years when we are paying more for health care costs, we're paying more for prescription drugs, more money is coming out of our pockets.

Are those seniors in Vermont and around the country wrong or are their perceptions correct—that, in fact, if you are a senior in America today you are paying more out of pocket than you used to?

Mr. KINGSON. Those perceptions are correct. The COLA was not given, as you know, Senator, in the last 2 years as a matter of law. It wasn't a decision by the President or Congress. It was a function of a spike in the cost-of-living around 2008 when the oil prices spiked.

It resulted in a very large COLA of 5.8 percent, and since then prices went down, COLA was not given and for many seniors that's very problematic, and the reality for people on the ground is yes, prices are increasing.

They know their health care costs are going up. They know out-of-pocket costs are increasing. They know their fuel costs have gone up. So correct. Yes.

Senator SANDERS. Now, as you mentioned in your testimony, there are some folks here in Congress who are saying, in fact, that the current formulation for COLAs is too generous.

Mr. KINGSON. Yes. Evidently—I'm sorry.

Senator SANDERS. It's too generous. It overstates what seniors should be getting and that we have to move in a new direction to a so-called chained-CPI which, as you indicated in your testimony, would mean significantly lower COLAs for seniors in years to come. Would you comment on that please?

Mr. KINGSON. Yes. Evidently, some Members of Congress, some members of the press seem to believe that giving seniors 2 years of no COLAs was giving them too much. And so they now see a need for reducing cost-of-living adjustments through this technical change.

I can go into the technical aspects of it but the bottom line is there's a fancy technical econometric measure that they would put in which would change the way we measure the consumer price index.

Nobody can say, I believe, with a straight face that that's being done to really improve the accuracy of the COLA for seniors and people with disabilities. If it's done, it's being done to cut Social Security, pure and simple. A $112 billion would come out of the pockets of seniors—another $24 billion out of the pockets of veterans because veterans benefits are attached—another $9 billion out of others.

It would also increase payroll—it would also increase general revenue slightly but it would place the burden mostly on middle-income and lower-income people by the changes that would take place in the tax——

Senator SANDERS. Let me just go right down the line from Ms. Ruggles to Dr. Hartmann and Dr. Nathan. What do you think a reduction in Social Security benefits would mean for seniors in this country?

Ms. Ruggles.

Ms. RUGGLES. The seniors that I deal with and especially the ones that I talk to at Vermont Training and Associates they were all terrified, plain and simple—terrified to expect to live on the dollars and cents that was in their earnings statement which, unfortunately, we no longer get.

But, you know, their standard of living is they were working adults, and all of them that I was at these meetings with were working adults. These weren't bums just standing around waiting for handouts.

These were hardworking people that wanted to keep working. They knew they couldn't survive on Social Security. Neither can I.

Senator SANDERS. Dr. Hartmann.

Ms. HARTMANN. Well, in the survey that we took, we asked retirees and near retirees of the four challenges that they would face.

One would be not having enough savings, going to a nursing home, not being able to pay for health care. But the single thing they were the most afraid of was the possibility that Social Security benefits would be cut.

That's in our full report, which I can send you. I think that it is, as you can see from that poverty data and from the data on how many people rely on it for such a large part of their income, it is simply their anchor and cutting that anchor would, I think, be devastating.

Senator SANDERS. Dr. Nathan.

Ms. NATHAN. Yes. I concur with the other panelists. Seventy-seven percent of older adults 65 and older rely on Social Security and so cuts to Social Security benefits would just be devastating. Their out-of-pocket medical costs are increasing and as it is now seniors are just in dire straits. So the impact would be just tremendously devastating.

Senator SANDERS. Thanks.

Senator Franken.

Senator FRANKEN. Thank you, Mr. Chairman.

This question is for pretty much anyone on the panel. Because of the Affordable Care Act, seniors who purchase brand-name drugs in the donut hole now this year are receiving a 50 percent discount on those drugs and this has already saved Minnesota seniors over $3.5 million in drug costs this year.

Since medicine is such a huge expense for seniors, it seems to me that this provision in the Affordable Care Act is critical to seniors' economic security, and as the Affordable Care Act continues to be implemented by 2020, the donut hole will be eliminated.

What do you think the effect on seniors would be if health care reform were repealed and seniors had to go back to paying the full costs of their prescription drugs, in the donut hole?

Mr. KINGSON. Problematic. Very problematic, because it would be an increase. It's interesting. Even the 23 percent that was mentioned of seniors who are—20 percent are in reasonable situations initially. Many of them, as they age, are not. And so that closing of the donut hole would in fact pull money out of their pockets in the future.

Senator FRANKEN. The closing of the donut hole——

Mr. KINGSON. The unclosing.

Senator FRANKEN. Right.

Mr. KINGSON. Sorry. And, yes. No, and one—I can't resist this, Senator Franken. You have a marvelous chapter in your book on Social Security that everyone should read.

Senator FRANKEN. Thank you.

Mr. KINGSON. And I just thought I'd have to add that and it is my most—is really—I've assigned it to students, and it's insightful and it's very correct.

Senator FRANKEN. Do you assign them to buy the book?

[Laughter.]

Mr. KINGSON. I'm sorry. I haven't helped your—no, I copy it and then I hand it out. I'm sorry.

Senator FRANKEN. I'd just like to followup on this in terms of Mr. Kingson.

As, you know, we saw in the chart there—and I apologize I had to leave. I had an Energy Committee hearing going on at the same time. As you get older, you get more and more reliant on Social Security.

Is that because your savings run out? If you had income because you were working earlier in your retirement that goes away? As you get older, your medical costs tend to go up. So this change in the COLA to a chained COLA would sort of exacerbate that problem. Am I correct?

I mean, there we see the chart again. I mean, it seems to me that that COLA becomes more and more significant as you get older and as you rely more and more upon your Social Security.

Mr. KINGSON. That's correct, sir. And getting the COLA right becomes more important too for just those reasons. As people age, those who are able to work oftentimes leave work. They have higher health care costs often, as you said, and we see transitions by losses of spouses—those who were married—and we also see that the assets of people are not protected against inflation or against fluctuations in interest rates.

The one mechanism—the one thing we have that's largely protected against inflation is Social Security.

It's so critical to keep that and it was so correct for the Congress back in 1972 to implement it and say national policy should be that no matter how long someone lives the Social Security benefit maintains its purchasing power.

Senator FRANKEN. Because as, obviously, the older you get, in a way, the harder things get in the sense of more medical costs, loss of income, the draw down of your assets. Many people who are now living well into their 90s or into their 100s probably didn't expect to live that long.

Ms. Ruggles, thank you for being here today and for your story. In your testimony, you said that when you went to your appointment at Vermont Associates the staff made you feel comfortable.

Ms. RUGGLES. They were amazing. They really were. It was a very small office. It was subtly furnished. One of the things that amazed me was when I went in I was the only one with that appointment. Usually, when you go to a public aid office you're told to be there at 11 o'clock and there's 20 other people there at 11 o'clock and, you know, 5, 6 hours later you might get seen and you might not.

But my appointment with Vermont Associates was for me only. They were very efficient in what they did, placed me where they knew that I'd get the skills to match what I would like to do and it was really good. They were very wonderful.

Senator FRANKEN. And they explained at SCSEP that it wasn't a handout—that it was a hand up, and—you're aware that SCSEP is part of a law called the Older Americans Act?

Ms. RUGGLES. Yes, I am very aware.

Senator FRANKEN. It's full of similar programs that give seniors a so-called hand up. So, I just can't underscore the importance of the reauthorization of the Older Americans Act and is there anything that anyone here would like to say about the Older Americans Act in terms of what we need to do in the reauthorization?

Ms. RUGGLES. I have a simple comment, and that is in my observation an ounce of prevention is worth a pound of cure. If you can make a senior citizen self-sufficient they're not going to be on the dole. I was a poster child for her "One Away" program.

I really was, one away from everything: one away from having my lights shut off, one away from losing my house. The fact is if all those things had happened—if I had dropped off that one-away cliff I would have been totally dependent on a system for food stamps, shelter, whatever. My kids would have been with me on

my coat tails. I would have been raising another generation of welfare kids.

Instead, I'm showing them what you can do and I'm proud to say one of them has now graduated college and the other one's on his way.

Senator FRANKEN. Mr. Chairman, thank you.

Senator SANDERS. Thank you very much.

Let me start with Dr. Nathan and we'll head west, I guess. We talked a little bit about COLAs and CPI but I think the more basic question—and some of you have touched upon it—is the issue of economic security for seniors and what that means.

When I read that on average people in the bottom 20 percent quintile are living on $7,500 a year, that is almost beyond comprehension. I just don't know how people do that. So I want you to say a word about that—how does somebody survive on that kind of minimal income—and second of all, a more broad comment, and I know it varies depending on the location of the country that you live in.

In Vermont, in Minnesota, it gets cold in the winter. People spend a lot of money on heat. In other parts of the country that may not be so. Food prices vary. But Dr. Nathan, talk a little bit about the issue of economic security and what is happening to people who are living on $7,000 or $8,000 a year.

Ms. NATHAN. Well, Chairman Sanders, anyone living on $7,000 or less a year, as I stated previously, is living in a state of economic deprivation. No one can provide for their basic needs. Less, you know, may achieve a certain level of economic security on that income. Part of the problem is, as I stated earlier, is the way that we have such an outmoded measure for poverty.

The Federal poverty level in 2011 for a single person was a little over $10,000 a year and that is extremely low. So we're talking about income that's $3,000 less than that. From the standpoint of economic security, it would be impossible for someone to achieve that on that income and when you look at the geographic differences, $7,000 a year in San Francisco is even worse.

Senator SANDERS. Thank you very much.

Dr. Hartmann, we're talking about millions of people living on really minimal income so these are the most vulnerable people in our country who have health care needs, can't get around. How do they survive and what are we talking about when we talk about economic security?

Ms. HARTMANN. Well, I think that for very low-income people I would hope that they have found subsidized elder housing. What many older people do with very low incomes is live with other family members. They cannot afford to live in their own household. Public housing is extremely important at such low incomes. So any programs that can increase housing assistance for elders are very, very important.

About 8 percent of our seniors are on food stamps so they are receiving help through food stamps. As you know, they may also be receiving help through SSI if their Social Security was inadequate and would have been below that level.

So we do, fortunately, have programs to assist people and not all of these assistance programs are shown in the income data. The

poverty data is outmoded for many reasons. But among the poorest elders are those who live alone and who are the longest lived which, of course, is many women. At older ages, most men are actually still married.

But at older ages most women are not married. They are not able to remarry. There are fewer men around and they're living alone, and among the most deprived are older women.

Senator SANDERS. Dr. Hartmann, what you are saying is that many of the lowest income seniors are dependent on one or another Federal program whether it's affordable housing or food stamps. Let me ask you the simple question. What happens if those programs are cut?

Ms. HARTMANN. Well, obviously, a complete disaster. People can try to go to food pantries, rely on charity from friends and neighbors and, of course, people at churches, friends and neighbors are going to try to do as much as they can. But most of those groups are actually relying on the Federal programs to give assistance.

If you drive Meals on Wheels, you're volunteering your time but the meal is coming from a Federal program. So I think as much as we would call upon our volunteers to help, if those Federal programs disappear it would be very, very difficult.

Senator SANDERS. Ms. Ruggles, you live in the northeast, Canaan, which is a very rural low-income area in the State of Vermont. What is your observation about seniors in their struggles economically?

Ms. RUGGLES. I've seen seniors give away or put down their pets because they can't afford to feed them. I've seen seniors close off all but their living room and use the oven to heat—or kitchen—to heat the house and turn off one utility in favor of the other. They don't use lights. They go to bed when it's dark and they get up when it's light. If it's gray outside too bad. They don't have the money for electricity.

I've known a lot of seniors in my area who have gotten together. One will give up their house and go live with another. You just start giving things up. You just peel things away that you've gotten used to all your life.

You don't shop for new clothes. You don't get your glasses fixed. You're supposed to take a medication 7 days a week so you take it four so you can stretch it out. You decide which is the most important medicine and you don't get the others refilled.

I know one lady who's supposed to have an inhaler with her all the time and she doesn't. Then I've seen her go to the hospital twice in the last 3 years. It gets worse.

Senator SANDERS. Well, the point of this hearing is to raise consciousness just on those issues because I think the stories that you and others have told are really, to a significant degree, being pushed underneath the rug.

We have a lot of seniors in urban areas, in rural areas, who are desperately, desperately trying to maintain their dignity and hang on, and I don't think we know that as a Nation. We haven't heard enough about that. And I think until we know that it just becomes too easy for folks to stand up and say, "well, we're going to cut Social Security" and yes, raising the lower eligibility level for Medicare a few years—what's the big problem with that and cut back

on Medicaid and the Meals on Wheels program—we can tighten that up a little bit. I think they don't know what the human cost is of that. So I thank you very much——

Ms. RUGGLES. Thank you.

Senator SANDERS [continuing]. Ms. Ruggles, for your general testimony and for your point.

Dr. Kingson.

Mr. KINGSON. I just think you're so right, Senator. I think we don't see people. There's an amnesia that's so problematic today. We don't remember things. We don't remember the poorhouse.

We don't remember what the world was like before we had Social Security and Medicare, and I'm extremely concerned about the bottom 20 percent but I'm also concerned that we have a crisis coming down the road among Baby Boom cohorts and people who follow.

In many ways, that's what we're fighting for too—to make sure we have a retirement system that works for them. And we have people who've lost housing, lost equity, lost pension protection, lost jobs or not seen their wages increase, moving into retirement and they don't have a lot of time to make up that. And part of what's happening, I think, being middle class—implies a sense of security—a sense that you can deal with the difficult times that might happen but still be basically OK.

We are squeezing the middle class and we are shrinking the middle class, pulling that security away not only from the very poor who never had it but from the hardworking people and even the upper middle class.

It's a world that we have to deal with and it's for that reason I'm just pleased to be here and proud to be here, because I know you're asking the right questions.

Senator SANDERS. Thank you very much.

Senator Franken.

Senator FRANKEN. I'm glad that, Ms. Hartmann, you brought up the fact that very often it's these churches who are doing the work for Meals on Wheels or programs like it. But a lot of people don't realize that that is coming—that it is part of the Older Americans Act. That is the funding that's coming through.

It enables the churches to do that work and to do a wonderful job as they do with many volunteers. So it's really leveraging—the Older Americans Act in many ways is such a good use of funds because it enables seniors to stay in their homes and not have to go to a nursing home and which is much more expensive to everybody concerned and not what seniors want to do.

So I thank you for bringing that up and I know that, Ms. Nathan, that the National Council on Aging has just launched an Older Americans Act support drive to encourage Members of Congress to commit to strengthening the Older Americans Act during this year's reauthorization.

How many Members of Congress have joined the support drive?

Ms. NATHAN. So far, Senator, Chairman Sanders and Aging Committee Chairman Kohl have provided statements of support and so will——

Senator FRANKEN. Well, add me to that list, would you please?

Ms. NATHAN. We're delighted to do that. Thank you very much.

Senator FRANKEN. This has been a big part of what I've been doing in Minnesota in terms of listening sessions, et cetera, and I'm committed to strengthening the Older Americans Act.

I plan to introduce legislation called the Home Care Consumer Bill of Rights that would put in place additional protections for seniors who receive home and community-based services. My bill would expand the long-term care ombudsman program to serve seniors in their homes as well as guarantee that every senior who receives home and community-based services is protected by the Home Care Bill of Rights as they are in Minnesota. Does that sound good to you?

Ms. NATHAN. That sounds wonderful.

Senator FRANKEN. OK.

Ms. NATHAN. We're well aware of the work that you've done with your constituents and your recommendations to strengthen and improve the Older Americans Act and we deeply appreciate your commitment and support.

Senator FRANKEN. Thank you.

Mr. Kingson, I think one of the parts—and it's been touched on a couple times thus far—but the collapse of the real estate market has had a real effect on seniors because traditionally seniors have had this sort of nest egg, in a sense, in their home and were push come to shove they could sell their home. The housing market today is such that that nest egg has disappeared in many ways, and some seniors are even under water in their mortgage. So that option is gone.

So we are really talking about the most vulnerable Americans now at a very vulnerable age as they get older and older, and as we talk about this chained-CPI how much did you say that would take a year from someone who is 65 and then 20 years later? How much do you lose in 20 years?

Mr. KINGSON. In the testimony, I used an example of a hypothetical woman who turns 65 today and she's worked all her life. She's a legal secretary. You move forward in time. Ten years out—say she has a benefit of around $15,000. Ten years out, she loses about $600 that year.

Twenty years out she loses about a $1,000 that year—$900 or a $1,000, and further out she loses about $1,400 a year. That's in real dollars adjusted for inflation.

Now, Social Security benefits are very modest. The average older person—the average retiree receives, as you know, about $14,000 a year in Social Security.

Senator FRANKEN. And as you said, as you get older your assets disappear and you're less likely to be earning. You're more likely to be using health care services that have some out-of-pocket.

So we are really asking, if we do this for the most vulnerable Americans to be sort of the ones that are absorbing the hits toward reducing our deficits and creating long——

Mr. KINGSON. We would be asking many vulnerable people including middle-class people and yes, that we would be doing that. Now, they propose a birthday bump, perhaps increasing the benefit by 1 percent. The Bowles-Simpson proposal included a 1, 2, 3, 5 percent increase over several years at age 80 to 85 or so. It doesn't do the job. The cumulative impact on the woman that I put for-

ward, or a typical beneficiary, if they live to 95 they're losing about $24,000 in real income in that period total.

Senator FRANKEN. This is something that we're doing at a time when there just is a refusal to ask people who, in our economy, are doing extraordinarily well. And there's an absolute refusal on the part of some, to ask those people themselves to make any kind of contribution toward the sustainability of our debt even while we're really setting up a construct where the most vulnerable people in our country will be asked to give.

They'll be asked to contribute to our fiscal sustainability and not those who are wildly, wildly successful and wildly successful because they've lived in this country that has provided them opportunity and provided the infrastructure for them and provided the legal apparatus and all the stuff that those of us who have done well in our society have benefited from.

Mr. KINGSON. We seem to forget that we've moved forward on the shoulders of others and other generations, and that part of those shoulders involves having good education, having a good Social Security system and health care, and the pulling apart of that is almost—it's mindless in the sense that we have more and more insecurity in our society. The last thing we want to do is undermine these systems and, particularly, ask the most vulnerable to pay for it.

Senator FRANKEN. I thank the panel for all of your testimony. I thank the chairman for calling this very important hearing. Thank you.

Senator SANDERS. Thank you, Senator Franken, for all the work you're doing for seniors and for your contributions today.

Let me just conclude, picking up on a point that Senator Franken made. A number of wonderful people have pointed out that how you judge a society is how you respond to the needs of the weakest, the most vulnerable, and the population that we're talking about today, when people get 70, 80, 90, they are vulnerable.

It seems to me that at a time when the wealthiest people in this country are doing very, very well—at a time when our deficit was caused by unpaid wars and tax breaks for folks who didn't need the money, and a Wall Street bailout and so forth, I think we have to take a very hard look at the morality and the economics of balancing the budget on elderly people and some of the most vulnerable people in our society. And I think that's the point that many of you have made this morning and I thank you very much for your testimony.

What we are trying to do is raise consciousness on the issue—that in this recession many, many seniors are hurting and we cannot simply balance the budget on their backs. So I thank you very much for your contributions.

Thank you. The subcommittee meeting is adjourned.

[Additional material follows.]

ADDITIONAL MATERIAL

PREPARED STATEMENT OF JOHN TAYLOR, PRESIDENT AND CEO, NATIONAL COMMUNITY REINVESTMENT COALITION (NCRC)

As president and CEO of the 600 community-based organizations that make up the National Community Reinvestment Coalition, I thank the Subcommittee on Primary Health and Aging for the opportunity to submit written testimony on the economic security of older Americans in the aftermath of the Great Recession.

The National Community Reinvestment Coalition (NCRC) is committed to promoting fair lending and basic banking services for low- and middle-income communities. NCRC advances policies and programs designed to build and preserve wealth for economically vulnerable Americans. In 2010, NCRC launched National Neighbors Silver, a multi-year initiative to promote affordable, accessible and fair housing for older adults through organizing, advocacy, direct service and outreach.

NCRC urges the committee to examine current housing trends as it considers policy opportunities to enhance financial security for today's seniors and future retirees. The 2007 collapse of the housing market diminished economic stability for older Americans across the income spectrum, among both homeowners and renters.

We believe that housing is at the core of building and maintaining economic security for elders. Today more than 13 million older adults are living on the edge—with incomes less than $22,000 per year.[1] Research shows that increasing housing costs are one of the three primary contributors of rising economic insecurity among older adults.[2] As such, ensuring that today's seniors and future generations are able to age in place requires affordable, accessible and fair housing options. My testimony will shed light on the silent housing crisis that plagues our aging communities and undermines the economic security of low- and middle-income older Americans.

Older homeowners suffer from lost value, cost burden and risk of foreclosure. Due to diminished home value and increased cost burden, the era of home ownership as a hallmark of retirement security is no more. Lost home equity is a trademark of the recession, affecting many older Americans. In today's economic climate, regardless of mortgage status, seniors experience burdensome housing costs as a result of diminished incomes, utility expenses, property taxes, the need for home maintenance or all of these. Among the most vulnerable are older adults at risk for delinquency or foreclosure. In sum, the recession disturbed both the wealth of older homeowners and their ability to afford basic needs.

Prior to the Great Recession, older adults and their families could depend on home equity in the event of catastrophic costs or to supplement fixed incomes in retirement. Americans of all ages counted on the conventional wisdom that the home would be a source of income when necessary.[3] Recent analysis shows that 10.9 million homeowners (22.5 percent) with a mortgage have negative equity in their homes.[4] And older adults are among those most affected. In fact, according to a recent study by the Federal Reserve Board, this age group experienced more loss in wealth than their younger counterparts. Median loss of wealth among those ages 55–64 totaled $13,700 between 2007–9. The report states, "Declines in home equity were an important driver of decreases in wealth."[5]

Research further illustrates that housing costs are generally lower for those who own a home outright as opposed to renting or paying a mortgage, creating greater economic stability in retirement.[6] Yet, new research by AARP demonstrates that housing cost burden, defined as spending more than 30 percent of one's income on housing, persists among homeowners with no mortgage, particularly those who are

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[1] National Council on Aging (2011) "Economic Security: Fact Sheet." (NCOA: Washington, DC)

[2] Meschede, T., Sullivan, L., Shapiro, T. (2011) "From Bad to Worse: Senior Economic Insecurity on the Rise." (Institute for Assets and Social Policy: Boston, MA)

[3] Carr, J.H., Anacker, K.B. and M.L. Mulcahy (2011) "The Foreclosure Crisis and Its Impact on Communities of Color: Research and Solutions." (National Community Reinvestment Coalition: Washington, DC)

[4] CoreLogic (2011) "New CoreLogi® Data Reveals Q2 Negative Equity Declines in Hardest Hit Markets and 8 Million Negative Equity Borrowers Have Above Market Rates." (CoreLogic: Santa Ana, CA)

[5] Bricker, J., Bucks, B., Kennickell, A., Mach, T. and K. Moore (2011) "Surveying the Aftermath of the Storm: Changes in Family Finances from 2007 to 2009." (Board of Governors, Federal Reserve System: Washington, DC)

[6] Wider Opportunities for Women and the Gerontology Institute at the University of Massachusetts Boston (2006) "The WOW GI National Elder Economic Security Standard: A Methodology to Determine Economic Security for Elders." (Wider Opportunities for Women: Washington, DC)

low-income. In 2009, 49 percent of these owners (age 50+) with incomes just under $23,000 experienced housing cost burden.[7]

The trends are far worse for older homeowners still paying a mortgage. AARP states,

> "As of 2009 . . . For many, a higher rate reset in an adjustable-rate mortgage, an increase in energy costs, or a reduction in income became triggers that made a once affordable home unaffordable."

Among adults age 65 and older, 67 percent of those still paying a mortgage were housing burdened. This reality is far more disturbing for older Americans with low-incomes. For those with annual incomes under about $23,000 who were still paying a mortgage, 96 percent experienced housing cost burden.[8] And for this population the risk of foreclosure looms large.

A recent white paper released by NCRC reports that 10.5 million properties went into foreclosure between January 2007 and May 2011. The total equity lost to families as a result of this foreclosure crisis is estimated at $5.6 trillion.[9] Limited data is currently available on how foreclosure directly affects the older population. We know that close to 50,000 homeowners age 50+ were in foreclosure at the end of 2007 and nearly 636,000 were under water in their homes.[10]

We anticipate that the number of older adults affected by foreclosure increased during the recession's slump. Loss of the home is detrimental to the economic security of older adults. For those unable to afford housing, homelessness, nursing home placement or reliance on community networks are the only remaining options—further stretching American families and available resources.

Housing costs and lack of affordable options lead to economic insecurity for older renters. Older renters also suffered as a result of the Great Recession. High housing costs coupled with lack of affordable housing contribute to a difficult market for senior renters. Like older homeowners, those who rent face significant housing cost burden. According to AARP, "As of 2009, 28 percent of renters age 50+ *use at least half* of their income for housing."[11] For older adults living on fixed incomes, high housing costs means little income remains for covering the cost of basic needs—including food, health care, transportation and other essentials.

Analysis by Wider Opportunities for Women (WOW) demonstrates that low-income older adults who lack access to subsidized housing assistance struggle to meet a level of basic economic security—despite receipt of benefits to cover health care, food and other costs.[12] Today, over 2 million low- and middle-income seniors rely on subsidized housing. Yet, the need for affordable senior housing far exceeds what is available.[13]

The Section 202 Housing for the Elderly (Section 202) operated by the Department of Housing and Urban Development (HUD) offers a clear example of this trend. Section 202 is one of five assisted housing programs designated for older adults and provides the largest share of HUD housing available to this population. A 2006 study suggests that about 10 older adults are on waiting lists for every single unit of subsidized housing that becomes available through the Section 202.[14] Nearly 263,000 Section 202 units are currently available to older adults.[15] As a result of available funding, Section 202 has produced less than 4,000 units per year—far less than the 10,000 per year suggested by HUD each year for the next 10–15 years to meet the growing need.[16]

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[7] Harrell, R. (2011) "Housing for Older Adults: The Impacts of the Recession." (AARP: Washington, DC)

[8] Harrell, R. (2011) "Housing for Older Adults: The Impacts of the Recession." (AARP: Washington, DC)

[9] Carr, J.H., Anacker, K.B. and M.L. Mulcahy (2011) "The Foreclosure Crisis and Its Impact on Communities of Color: Research and Solutions." (National Community Reinvestment Coalition: Washington, DC)

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[11] Harrell, R. (2011) "Housing for Older Adults: The Impacts of the Recession." (AARP: Washington, DC)

[12] Wider Opportunities for Women (2008; 2009; 2010; 2011) "Elders Living on the Edge" Series for CA, PA, IL, WI, MN, CT, NJ, MI, NY, WV, NM, CO and IA. (Wider Opportunities for Women: Washington, DC)

[13] Minnix, L. (2011) "Written Testimony for the Record to the Senate Special Committee on Aging on the Older Americans Act Reauthorization." (LeadingAge: Washington, DC)

[14] National Low-Income Housing Coalition (2011) "2011 Advocates' Guide." (NLIHC: Washington, DC)

[15] Perl, L. (2010) "Section 202 and Other HUD Rental Housing Programs for Low-Income Elderly Residents." (Congressional Research Service: Washington, DC)

[16] National Low-Income Housing Coalition, "2011 Advocates' Guide." (NLIHC: Washington, DC)

Older adults are disproportionately vulnerable to lending and housing discrimination. In times of economic stress and financial hardship, the threat of fraud and discrimination becomes more pronounced. Older consumers are often targeted with predatory and toxic financial services tied to refinancing, reverse mortgages and other housing products. Seniors are at increased risk for financial abuse due to the perception that they are more likely to have access to home equity or other forms of wealth. In addition, older adults are more vulnerable as a result of social isolation and lack of knowledge on the prevalence of scams and targeted discrimination.

A 2003 NCRC report illustrates that older adults and communities of color were direct targets of abusive lending and pricing disparities in an analysis of subprime lending in 10 metropolitan areas. After accounting for creditworthiness and housing market characteristics, neighborhoods with large percentages of older adults were more likely than communities with a lower proportion of older adults to receive high cost loans. The reality that we reported then remains true in today's economy: "The disproportionate amount of subprime refinance lending in predominantly elderly neighborhoods imperils the stability of long-term wealth in communities and the possibilities of the elderly passing their wealth to the next generation." [17]

To prepare for an aging population, we must prioritize housing needs. We expect that the housing trends shared in this testimony will worsen, particularly given the expected growth of the aging population. By 2030, the number of older Americans is expected to grow from 35 million to 72 million, comprising nearly 20 percent of the total U.S. population.[18] Increasing reliance on Social Security benefits, the shrinking availability of private pensions and recent losses to individual retirement accounts resulting from the recession will likely lead to mounting economic vulnerability among the growing generation of older Americans. In light of this stark reality, solutions that increase the availability of affordable, accessible and fair housing for older adults must be pursued. **To this end, NCRC recommends the following:**

- **Restore Housing Counseling Funding in the fiscal year 2012 Budget.** Supported by HUD, housing counseling services help individuals navigate a complicated market on topics ranging from mortgage delinquency and default resolution to accessing safe reverse mortgages. Housing counseling has proved a critical resource during the foreclosure crisis and must be maintained. The $88 million devoted to these services must be restored in the fiscal year 2012 budget.
- **Protect Affordable Housing for Older Americans.** Seniors' access to affordable housing units is at risk in ongoing debt negotiations. Housing programs operated by HUD and other Federal agencies are further threatened in the event of sequestration should the Joint Committee on Deficit Reduction fail to meet its established goals. Affordable housing programs should be funded at no less than fiscal year 2010 levels to ensure an appropriate stock of affordable housing is available for today and for future generations of older adults.
- **Expedite Database Development on Foreclosure Trends and HMDA Enhancements.** One charge of the newly developed Consumer Financial Protection Bureau (CFPB) and HUD involves the development of a database allowing the public to track foreclosure trends by census tract. Database development should be accelerated to better understand the affects of foreclosure in census tracts with concentrations of older adults in the aftermath of the Great Recession. In addition, the CFPB is responsible for enhancing the Home Mortgage Disclosure Act (HMDA) to include the age of the borrower as well as more information on loan terms and conditions. The CFPB should expeditiously propose changes to HMDA so that researchers, agencies, stakeholders and the general public can track whether older Americans continue to receive loans with onerous terms and conditions.
- **Establish "elderliness" or "older Americans" a Protected Class of the Fair Housing Act (Title VIII).** To date, no Federal protections against discrimination on the basis of age exist in the fair housing or fair lending arena. Federal acknowledgement of older adults as a protected class will strengthen the ability of local advocates and service providers to protect seniors from financial abuses tied to housing.
- **Reconvene a Bi-Partisan Commission to Explore Senior Housing Trends.** In 2002, the Commission on Affordable Housing and Health Facility Needs for Seniors in the 21st Century released a summative analysis on the Nation's grow-

[17] National Community Reinvestment Coalition (2003) "The Broken Credit System: Discrimination and Unequal Access to Affordable Loans by Race and Age." (NCRC: Washington, DC).

[18] Federal Interagency Forum on Aging-Related Statistics (2011) "Older Americans 2010: Key Indicators of Well-Being." (Federal Interagency Forum on Aging-Related Statistics: Washington, DC)

ing aging population and the lack of affordable housing, *A Quiet Crisis in America.* The affect of the Great Recession on housing for older adults has likely worsened this quiet crisis. We recommend establishing a bi-partisan commission to re-examine senior housing trends to both increase the visibility of this crisis and to devise cost-effective solutions for the long-term. This bi-partisan commission should assess how cost burdens for older renters and homeowners can be most effectively addressed with either demand-side interventions (more Section 8 vouchers) and/or supply side interventions (increasing the supply of affordable renter housing, for example through construction of Section 202 units).

The policy recommendations shared above represent critical steps forward for the short-term. In partnership with national allies and community partners—in both the private and public sectors—NCRC will develop a comprehensive national agenda to promote affordable, accessible and fair housing for older adults today and into the future.

America in the 21st century must show that it is committed to preserving the quality of life of those citizens who have fought our wars, built our economy and paved the way for future generations of Americans to enjoy this great country. One measure of a great country is in how it protects and insures the safety, security and quality of life of those who have sacrificed their lives to do the same for the rest of their fellow citizens. Our seniors should be referred, respected and cherished.

In closing, I thank you for the opportunity to provide written testimony and look forward to working with you to build economic security and opportunity for our Nation's elders.

NCOA—A Blueprint for Increasing the Economic Security of Older Adults: Reauthorization of the Older Americans Act

13 MILLION SENIORS ON THE EDGE OF POVERTY

The recent recession had a devastating impact on millions of older Americans. Lost jobs, savings, and income have pushed millions to the brink of poverty—with little time to rebound.

Today, over 13 million older Americans are economically insecure, living on only $22,000 or less each year. Too often, this means choosing between paying for food, housing, utilities, or medicine.

The Older Americans Act (OAA) is the primary vehicle for delivering social, nutrition, and home and community-based services to seniors and their caregivers. It authorizes a wide array of services through a national network of 56 State units on aging, 629 area agencies on aging, and nearly 20,000 service providers. Although most OAA services are available to all older adults, providers are required to target those in greatest social and economic need.

The OAA is due for reauthorization in 2011. This reauthorization presents a timely opportunity to address elder economic security concerns and make lasting, strategic changes to ensure that all older adults are able to access the resources they need to be economically secure.

With funding from the Atlantic Philanthropies, the National Council on Aging (NCOA) has developed a set of recommendations to strengthen the OAA to ensure that the aging network is operating squarely within a framework of economic security. The blueprint advances many innovative practices and uses of an economic security framework already adopted by the network, such as through NCOA's Economic Security Service Centers and Wider Opportunities for Women's (WOW) Elder Economic Security Initiative.

RECOMMENDATIONS TO STRENGTHEN THE OAA

1. Establish a goal of economic security by explicitly stating economic security as an objective of the OAA, defining what economic security means for older adults, and allowing State and local agencies to use local measures to target older adults most in need, plan effectively, and evaluate impact.

- Declare economic security to be a goal of the OAA and define what this means for the aging services network and the older adults it serves.
- Allow States, area agencies on aging, and other aging service providers to use a local measure of economic security in planning efforts and provide training and technical assistance to enable area agencies and other local aging service providers to use such measures to target those most in economic need and assess older adults' progress toward achieving economic security.

2. Better coordinate existing resources at the Federal, State, and local levels, including implementing a holistic, person-centered approach to economic casework; empowering older adults to improve their economic status; and forging new local

partnerships with organizations such as certified nonprofit debt management, home equity, bankruptcy, and foreclosure mitigation providers.

- Authorize the Assistant Secretary for Aging to provide training, technical assistance, and funding to support the local adoption of person-centered economic casework approaches to provide assistance to older adults experiencing economic distress, and fund an evaluation to assess the efficacy of this approach in moving older adults closer to a goal of economic security.
- Strengthen the aging network's role as a leader and convener of community resources to ensure that a full range of partners are engaged in the collaborative development, implementation, and oversight of economic security efforts. Aging partnerships should place additional emphasis on the engagement of trusted, certified leaders in the field of financial services.
- Charge the Interagency Coordinating Committee on Aging with:
  - Creating an inventory of all Federal programs aimed at reducing poverty and increasing the economic security of older adults.
  - Analyzing program effectiveness against a goal of economic security that draws on a concrete measure, using a methodology such as WOW's Elder Economic Security Standard Index.
  - Recommending and drafting the necessary regulatory and legislative changes to increase economic security of vulnerable and economically disadvantaged older adults.
  - Issuing interim and final reports to the Administration and Congress documenting and presenting the results of this work.

3. Evaluate and replicate economic casework strategies by funding a national demonstration.

- Authorize the Assistant Secretary, in cooperation with related Federal agency partners administering relevant Federal programs (Department of Labor, Housing & Urban Development, Health & Human Services, Social Security Administration, Department of Agriculture, Neighbor-Works, Treasury, Consumer Financial Protection Bureau, Federal Reserve, CNS) to make a grant to or enter into a contract with a qualified, experienced entity to establish a National Economic Security Center Demonstration, which shall:
  - Maintain and update web-based decision support and assessment tools and integrated, person-centered systems designed to inform and assist older individuals experiencing economic distress.
  - Utilize cost-effective strategies to find older individuals with greatest economic need.
  - Create and support efforts for Aging and Disability Resource Centers, Area Agencies on Aging, Senior Community Service Employment Programs, and other public and private State and community-based organizations, including faith-based organizations and coalitions, to serve as economic security centers.
  - Develop and maintain an information clearinghouse on best practices and cost-effective methods for providing person-centered economic casework.
  - Provide, in collaboration with related Federal agency partners administering the Federal programs, training and technical assistance to local aging network providers on effective economic casework strategies.
  - Evaluate the systems change required to implement the approach and return on investment.

TIME TO ACT

Achieving economic security is essential to aging in place with dignity. With the baby boom generation now entering retirement, the time to solve this problem is now. The aging services and programs authorized under the OAA should be designed, supported, delivered, and evaluated in relation to the goal of economic security. Accomplishing this necessitates that economic security be appropriately defined and realistically measured. NCOA is committed to playing a leadership role as we collectively move these critical provisions forward.

NATIONAL COUNCIL ON AGING (NCOA)*—ECONOMIC SECURITY (FACT SHEET)

Retirement is not "golden" for all older adults. Nearly one-third of Americans aged 60+ is economically insecure—living at or below 200 percent of the Federal

*The National Council on Aging is a nonprofit service and advocacy organization headquartered in Washington, DC. NCOA is a national voice for older Americans—especially those

Continued

poverty level ($21,660 per year for a single person). These older adults struggle each day with rising housing and health care bills, inadequate nutrition, lack access to transportation, diminished savings, and job loss. For older adults who are above the poverty level, one major adverse life event can change today's realities into tomorrow's troubles.

POVERTY MEASURES

• Seventy-seven percent of adults aged 65+ depend on Social Security for all or some of their monthly income, and almost 20 percent live at less than 150 percent of Federal poverty level (FPL), $16,245 annually for a single person.

• The FPL does not account for the rising cost of living seniors experience as they age, which can include illness, loss of a spouse, or care for a disabled spouse, adult dependent child, or grandchildren.

• More accurate measures—including Wider Opportunities for Women's Elder Economic Security Index and the Institute on Assets and Social Policy's Senior Financial Stability Index—show millions of older adults struggling to meet their monthly expenses, even though they're not considered "poor" because they live above FPL of $10,400 for a single elder.

INCOME & EMPLOYMENT

• Many seniors rely on fixed incomes, receiving on average $1,357 in Social Security benefits, $650 in Supplemental Security Income, and/or $297 in public assistance each month.

• Women fare worse than men, with 38 percent economically disadvantaged compared to 23 percent of men.

  • White women aged 65+ comprise 50 percent of those living below poverty.
  • 50 percent of African-American women aged 65+ have incomes at or below 200 percent of FPL.

• Even after decades of outreach efforts, large percentages of low-income seniors who are eligible for important public benefits are not receiving them. (National Center for Benefits Outreach and Enrollment) In fact, only 1.7 percent of seniors received public benefits in 2009. (American Community Survey, 9/28/10)

• In 2009, 27.l million Americans aged 55+ were employed, and 1.9 million were actively seeking work. In May 2010, 60 percent of unemployed older workers had been out of work for 6 months or longer, and 43 percent had been without a job for more than a year. (CNN, 7/2/10)

• Weekly earnings vary by age and gender. In the 55–64 age group, men have the highest weekly earnings at $953, while women earn $730. Median weekly earnings for men aged 65+ are $686 and $534 for women. (Bureau of Labor Statistics, 7/20/10)

DEBT & SAVINGS

• One-third of senior households has no money left over each month or is in debt . after meeting essential expenses. (Institute on Assets and Social Policy, 2009)

• More than half of all the senior households do not have sufficient financial resources to meet median projected expenses based on their current financial net worth, projected Social Security, and pension income.

• Ninety-six percent of Americans aged 65–69 with incomes below the poverty threshold possess retirement savings of less than $10,000. (Institute on Assets and Social Policy, 2009)

• More than half of people aged 50+ who carry debt spend most of their monthly income paying it down.

• In 2008, the average credit card debt among adults aged 65+ was $10,235. Commonly cited reasons for debt were to pay necessary living expenses and medical costs.

• Fourteen percent of adults aged 65+ face retirement with negative net worth, contributing to a rise in bankruptcies that has grown at the fastest pace ever. (Aging and Bankruptcy, U.S. Courts)

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who are vulnerable and disadvantaged—and the community organizations that serve them. It brings together nonprofit organizations and businesses, and government to develop creative solutions that improve the lives of all older adults. NCOA works with thousands of organizations across the country to help seniors find jobs and benefits, improve health, live independently and remain active in their communities. For more information, please visit *www.NCOA.org*.

HEALTH & NUTRITION

• Seventeen percent of U.S. households with an elderly member were categorized as food insecure in 2008. These households were uncertain of having, or were unable to acquire, enough food to meet the needs of all members due to insufficient money or other resources. (U.S. Department of Agriculture, 2008)

• More than one-third of African-American and Latino seniors pay out-of-pocket health expenses that consume 15 percent or more of their income.

HOUSING

• Americans aged 50+ represent 28 percent of all delinquencies and foreclosures in the current crisis. (AARP)

• Three out of five senior households of color use more than 30 percent of their income to pay housing costs, the U.S. Department of Housing & Urban Development's definition for unaffordable housing.

• Forty-four percent of African-American and thirty-seven percent of Latino seniors either rent or have no home equity.

NCOA'S ROLE

NCOA offers several programs that provide hope for economically insecure older adults.

Economic Security Initiative

We offer programs in 12 communities to help economically disadvantaged older adults cut through red tape and create a plan to build their own economic stability. Trained staff provide one-on-one assistance to help seniors find job training; help with health care, housing, and nutrition programs; and financial planning.

National Center for Benefits Outreach and Enrollment

The center helps organizations enroll seniors with limited means and younger adults with disabilities in a wide range of benefits programs. NCOA's online screening tool BenefitsCheckUp.org has helped more than 2.6 million people discover eligibility for more than $9 billion in annual benefits.

Senior Community Service Employment Program (SCSEP)

SCSEP offers valuable on-the-job training and job placement that helps older workers, particularly those who are low-income or disadvantaged, build job skills and confidence. NCOA currently operates 27 SCSEP projects in 11 States. SCSEP is funded by a grant from the U.S. Department of Labor.

ONE AWAY—STORIES OF STRUGGLE

GEORGIA

I worked 15 yrs. for AIG. Put my 401k in their stock. Lost it all. With gas prices & food going up I had to take a job at my age (73) to pay for my medicines alone. I cannot buy or go out because of a lack of money. No gardening, etc. Just have the necessities even though I had good jobs, (a college education also) since I was 16 yrs. old. Had to raise my 3 children my self so couldn't save until the last one finished college. Now I am living on Social Security only.—*Theadora,* Johns Creek, GA (July 6, 2011)

I had a house, but lost it to the bank, like millions of others. Now, I live on $802/month. I budget everything, even food. If an emergency arises, am I prepared? Hell no! I never expected to live like this and I'm scared.—*Cynthia,* Ellijay, GA (May 2, 2011)

IOWA

Healthcare costs have crippled my parents, and since my mother passed away a few months ago, without her social security check each month, the struggle is that much harder for my father.—*Pamela,* Des Moines, IA (October 5, 2011)

For myself and many of my friends it means having to choose whether to buy groceries for the family or the medicines we require for diabetes, high blood pressure, heart disease, chronic pain, etc. that we endure. My wife and I have even considered whether we may need to sell our home. We didn't live high, but we had money for the necessities of life. Now it mostly goes for food and medicine, and very little else.—*David,* Boone, IA (September 10, 2011)

KENTUCKY

Both my mother and my in-laws are living on fixed incomes from social security. They often have to let go of necessities like medicine and struggle to pay their light bills and rent and other necessary bills. They always run out of money before the end of the month because what they get isn't enough for their basic needs. I often have to let go of some of my own bills and take money that I need for my own family (three daughters) to help them so they can have their medicine and pay their rent and electric bills. This is wrong! These people have paid in money for decades and now they don't have enough to meet their basic needs.—*Rebecca,* Barbourville, KY (October 2, 2011)

I am a 72-yr-old female getting only $650.00 a month in Social Security. I'm living in a senior citizens subsidized apartment complex in rural Kentucky. I need my medical benefits and food stamps to make ends each month. Thank you for I'm someone's mother and grandmother.—*Verdella,* Warsaw, KY (May 26, 2011)

MARYLAND

Choosing heat or food in the winter. Choosing medicine or air conditioning in the summer. My mother is over 65 and these are the decisions she has to sometimes face. While we help as much as we can she sometimes is too ashamed to admit she is unable to fend for herself—so, I guess you can add embarrassment and loss of self-esteem to the list as well.—*Monica,* Millersville, MD (August 20, 2011)

My grandmother struggles monthly to pay for medicine, utilities, food, and rent. sometimes she curtails her food budget in order to pay for her rent and prescription medication. Our utility company's rates have basically skyrocketed and she has called me in tears, on more than one occasion, asking for financial help; which I gladly will do because she is my grandmother and it pains me to see her in such distress.—*Heather,* Halethorpe, MD (April 8, 2011)

NEW MEXICO

I am 77 and still working as I cannot afford to retire. The cost of medical insurance is overwhelming. Medicare just does not get the job done—it beats a zero, but only. With my husband having three major surgeries this year, we are exhausted and going down. I have paid Social Security taxes and Medicare all of my life. This is the worst I could have expected.—*Sally,* El Prado, NM (July 16, 2011)

I am 8 months away from a paltry SS check. I am also a 99er whose benefits have been exhausted. I go to a food pantry for food. A thrift store that sells items for 40 cents a lb. I am living off my savings that should be for retirement.—*Pat,* Albuquerque, NM (July 10, 2011)

NORTH CAROLINA

My grandma suffers from COPD and Heart Disease. Every month she struggles to pay her bills, and every month she is forced to make payment arrangements just to keep her power on. She has had the power turned off on her more than once and has spent more than one night cold and in the dark. She has to make daily decisions between paying her bills and paying for her medication. She is always one of the following: (a) hungry, (b) cold, or (c) in pain (without her meds). Enough is enough. Take care of our elderly, they paved the way for us!—*Jenna,* Durham, NC (July 6, 2011)

For me it looks like returning to work, not in the capacity I held before retirement (Head Admin. of a Rehab facility), but driving a bus for $10 an hour with no benefits. The new thing is for employers to hire on a "temporary" basis so they do not have to pay sick time, vacation time, lunch relief or unemployment benefits. I am now 74 years old and it looks like I will have to work until I die. If I become incapacitated, I do not know what will happen to me. I cry very easily now!—*Penne,* Asheville, NC (May 31, 2011)

OREGON

If I didn't live in HUD-assisted housing, I would be living on the street. I live on $674 a month and some food stamps. How is the economy affecting my life as a senior? It sucks!—*Bonnie,* Eugene, OR (September 15, 2011)

I am retired from the Federal Govt. with 32 years of service, The recent Blue Cross health care increases are now taking 50 percent of my retirement check. With the rising cost of food and fuel we have to get by without many things like dental and vision care not covered by Medicare or Blue Cross. I have Glaucoma and cata-

racts and limited access to the mainstream providers as we live in a rural community. The closest providers are 250 miles distance and are just not affordable due to the rising fuel costs.—*Gerald,* Coquille, OR (July 20, 2011)

PENNSYLVANIA

It has become a choice of medical care, medicine, and food. I have two very ill parents and if they did not have family they would be homeless.—*Shakeerah,* Penndel, PA (August 31, 2011)

I am 69 years old, disabled, living alone. I am on S.S. ($825 per month) and it stays the same while prices have literally doubled for many things. I don't go out, just sit home watching TV and sleeping as much as I can. I get food stamps but they don't buy enough for the month. I have cut down on meat because I can't afford it. I have had no heat since February 5th, and it is very cold. There is nowhere left to turn for help. If this is all that's left in life, I don't want to be here. Please don't take any more away from people like me.—*John,* Williamsport, PA (May 5, 2011)

RHODE ISLAND

I've been laid off after 15 years of faithful service to a nonprofit working with the developmentally disabled. My COBRA exceeds 1 week of unemployment compensation by $103.70. I'm too old (60) to get a job. Too young to retire. Too healthy to go on disability. Too experienced (companies hire younger, inexperienced workers because they can start them at lower salaries) to get hired and continue to contribute to the economy. Even minimally, I can't live on minimum wage. Even sharing expenses with a house mate leaves little for frills, like going to the movies, or a concert, or the theatre. I'm a senior. These are supposed to be my golden years. They are not!—*Theresa,* Cranston, RI (October 12, 2011)

I struggle to either pay my bill or get the prescriptions I need or groceries for food every single month. I have to try to balance my budget.—*Barry,* Providence, RI (October 7, 2011)

UTAH

When we can't afford to eat if we take care of our health with medication, or can't afford the medication if we eat, something is definitely wrong.—*Colleen,* Layton, UT (August 5, 2011)

KS is an elderly lady that has been an active member in her community all her life. She has always taken care of her two disabled sons. She is now disabled herself and they are trying to take care of her. The three of them live on less than $1,000.00 a month. Without the services provided for from these government programs she would die and her two sons would be living on the streets.—*Linda,* Oakley, UT (April 19, 2011)

VERMONT

For me I had to file chapter 7 and everything I worked for for 55 years is all gone and now I am renting and still having to work at 72 years old and I am having trouble with both of my knees and I am just keeping my head above water now.—*Earl,* Grand Isle, VT (October 7, 2011)

My husband (74) and I live off SS. We're paying 1,035 dollar a month for health insurance, plus $1,000 deductible EACH per year. We have to choose between food or medicine each and every day. Golden days? One big piece of rust, that's what they are.—*Mildred,* Leicester, VT (May 20, 2011)

WYOMING

Our food, gas, medicine and other necessary items of life, soap, clothing, shoes, etc. have all gone up recently. I haven't bought new shoes, new clothes or anything else for several years. In fact when I need anything new, I search out 2d hand stores and if I can't find what I want or need there, I do without—as do a great many of my friends and family.—*Janet,* Newcastle, WY (September 29, 2011)

My neighbor, who lost her husband last year, is now just scraping by on a decreased income. She has been able to stay in her home, but doesn't have the money to make needed repairs.—*Jennifer,* Casper, WY (April 18, 2011)

[Whereupon, at 11:35 a.m., the hearing was adjourned.]

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