

METHODOLOGY: ALICE HOUSEHOLD SURVIVAL AND SENIOR BUDGETS

Overview

ALICE, an acronym for **A**sset **L**imited, **I**ncome **C**onstrained, **E**mployed, represents the growing number of individuals and families who are working, but are unable to afford the household basics of housing, child care, food, transportation, health care, and technology. The Household Survival Budget is one of a suite of measures from [United For ALICE](#) to quantify the basic cost of living, identify and assess financial hardship, identify gaps in assistance and community resources, and track change over time.

For the rationale for developing ALICE, an alternative to the Federal Poverty Level (FPL), as well as the guiding parameters for ALICE measures; details of all the ALICE measures; and the methodology and data sources used for each measure, see the Methodology page on our website: UnitedForALICE.org/Methodology

The ALICE Household Survival Budget

The Household Survival Budget is comprised of conservative estimates of the cost of household essentials — housing, child care, food, transportation, health care, and technology, plus taxes and a 10% contingency (miscellaneous expenses) — in each county in the U.S. The budget is the bare-minimum cost to live and work in the modern economy. It is not sustainable over time, and it is not meant to be a recommended budget. There are many short- and long-term consequences of living on a budget at or below this level, and they are highlighted in our 2019 Report, [*The Consequences of Insufficient Household Income*](#).

Survival Budget for Households Headed by Someone Under 65 Years Old

The Household Survival Budget is calculated for different household combinations of adults, infants, preschoolers, and school-age children (6–17). The data definitions and sources follow, along with notes about the practical applications of these sources.

- **Housing:** The housing budget is composed of rent and utilities.

Rent: Rent is based on HUD's Fair Market Rent (HUD FMR — generally the 40th percentile of gross rents, but in some locations HUD reports the 50th percentile) for an efficiency apartment for a single person; a one-bedroom apartment for a head of household with a child or a household with two adults; a two-bedroom apartment for a family of three or four people; and an additional bedroom for each additional two people. Since FMRs are not published for apartments with over four bedrooms, the HUD adjustment factor rule from the [Federal Register](#) is used to create FMRs for larger units.

Gross rent, as reported by the FMR, includes the sum of the rent paid to the owner plus any utility costs incurred by the tenant. To report just the rent, we subtract the cost of utilities as estimated by the CEX, described further below.

Since HUD uses the same FMR for all counties within a metropolitan area, the Household Survival Budget adjusts the rent in these areas using the standard deviation from the lowest of the American Community

Survey's Median Gross Rent 5-year estimates (which includes the cost of utilities). Specifically, counties at or below the median value within the metropolitan area will be assigned the FMR as their housing cost, and counties for which the American Community Survey housing cost is higher will be adjusted upward based on the deviation from the metropolitan median.

Practical Application: Housing at the 40th rent percentile is often not available. From the data on housing burden, it is clear that housing units are not always allocated by income, making it even harder for ALICE and poverty-level households to find housing at or below HUD's FMR. Alternative measures or data sources, such as rent reasonableness, may be more accurate in some contexts but are not possible to calculate for all counties in the U.S., and are therefore not included in the ALICE measures.

Utilities: The annual cost of utilities is based on the CEX's estimate of natural gas, electricity, fuel oil and other fuels, and water and other public services. The cost is adjusted by the number of people in the household.

Practical Application: The cost of utilities is often higher for low-income households, many of which do not have resources to maintain or update furnaces, air conditioners, water heaters, etc. As a result, their units are less efficient and use larger – and costlier – amounts of energy. Research shows that 34% of households faced energy insecurity in 2020, and across all metro areas, low-income, Black, Hispanic, Native American, and older-adult households had disproportionally higher energy burdens than the average household.

Housing Data Sources

U.S. Department of Housing and Urban Development (HUD). (2021). *Fair Market Rents*. Retrieved from https://www.huduser.gov/portal/datasets/fmr.html#2021_data

American Community Survey. (2021). *5-year estimates* [Table B25064: Median gross rent (dollars)]. U.S. Census Bureau. Retrieved from <https://data.census.gov/cedsci/>

Utilities, fuels, and public services: Bureau of Labor Statistics. (2021). *Consumer Expenditure Surveys: Size of consumer unit by income before taxes* [Table 3404; Table 3424; Table 3434; Table 3444; Table 3454]. Retrieved from <https://www.bls.gov/cex/tables/cross-tab/mean.htm#cu-sizebyinc>

- **Child Care:** The child care budget is for registered Family Child Care Homes for infants (age 0–2 years), pre-school (age 3–4), and school-age children (age 5–12), using data provided by each state's governmental department in charge of child care regulations. States are required to survey market rate costs every three years. Some states, however, conduct their surveys more frequently. Data collection varies by state. When available, the costs presented are the 75th percentile; otherwise, the percentile is noted. Children under 5 years old are assumed to need full-time year-round care, where full-year care means 5 days per week for 50 weeks per year. Costs for school-age children are the least systematically reported, so are calculated at 3/8 the cost of full-time care for a 4-year-old; thus school-age children are assumed to need part-time care throughout the year. When data is missing, regional or state averages are used (although missing data may mean that child care facilities are not available in those counties, and residents may be forced to use facilities in neighboring counties). In a few instances, counties with missing data for family child care homes will have data for child care centers; in that case, if the county's center cost is lower than the regional or state average for family homes, the center costs are used for the Survival Budget. When early years of child care cost reports by county are no longer available from the state, the state averages recorded by Child Care Aware of America are used to back fill; county variation from the most recent reports is applied.
During the pandemic, data collection of child care costs was severely impacted due to COVID-19 shutdowns and stay-at-home orders, and many states filed waivers to extend their collection period. The Household Budgets use the latest market rate survey data available.

Practical Application: While Family Child Care Homes are the least expensive registered child care option, availability is limited in many communities, which means that households below the ALICE Threshold often pay more, travel farther, or sacrifice quality and safety. In addition, it is often a challenge to find care for children age 5–12 during the summer, and there are health and safety concerns if they are on their own.

Child Care Data Source

State governmental department in charge of child care regulation, such as:

Hawaii: State of Hawaii Department of Human Services. (2022, June). *Hawaii child care market rate study: Summary of results*. Retrieved from <https://humanservices.hawaii.gov/bessd/files/2022/06/2022-Hawaii-Child-Care-Market-Rate-Survey.pdf>

Illinois: Norton, J., Salrin, R., Lee, C., & Whitehead, J. (2021). *Market rate survey of licensed child care programs in Illinois fiscal year 2021*. Illinois Department of Human Services. Retrieved from <https://www.dhs.state.il.us/page.aspx?item=138558>

Maryland: Maryland Family Network. (2021, June). *Final report: Maryland child care market rate June 2021 market rate survey*. Retrieved from https://earlychildhood.marylandpublicschools.org/system/files/filedepot/19/09-15-2021_june_2021_mrs_report.pdf

Food: The food budget is based on the Thrifty Level (the lowest of four levels) of the USDA Food Plans. Traditionally, the Thrifty Food Plan has been required to be updated annually on a cost neutral basis. Following the 2018 Farm Bill, updates to the Thrifty Food Plan, starting in 2021, must be based instead on data and evidence on the cost for which resource-constrained households can purchase a healthy, practical diet. As a result, the costs for the Thrifty Food Plan increased substantially from prior years, and this increase will be reflected in the food costs in the 2021 Household Survival Budget.

The household food budget is adjusted for six select household compositions including: single adult (calculated as the average of the male and female cost), 20–50 years old; family of two adults, 20–50 years old; one adult and one child, 2–3 years old; one adult and one child, 9–11 years old; family of four with two adults and two children, 2–3 and 4–5 years old; and family of four with two adults and two children, 6–8 and 9–11 years old. Data is drawn from June, the basis for the following October’s SNAP benefit adjustment. The USDA publishes a U.S. average for the cost of food; like the FPL, the USDA also publishes costs specific to Alaska and Hawai‘i. The percent difference between reported costs for a Thrifty Food Plan for a reference family of four (two adults, 20–50 years old and two children, 6–8 and 9–11 years old) in Alaska and Hawai‘i and the U.S. average is used to adjust final costs for the two states separately.

Options for food for families with pregnant individuals, mothers of young children, or children: The amount of WIC and free school meals can be added to cover the cost to supplement the diets of mothers and children with specific nutrients from specific foods each month as prescribed by legislation.

- WIC amounts are based on reimbursement rates set in 2007 legislation and then adjusted for inflation as prescribed by subsequent legislation.
- Since school meal prices are set by local school districts, the Survival Budget uses the standardized reimbursement rates as published annually in the Federal Register, accessed through USDA.

Food budget numbers are adjusted to the county level using Feeding America’s Cost-of-Food Index, with a lag of one year, starting in 2009. This indicator is generated by Feeding America using data from Nielsen PLC on Universal Product Code (UPC) barcodes of Thrifty Level Food Plan items in grocery stores throughout the country, and it includes state and county sales tax on food where applicable. The calculations for Alaska and Hawai‘i are adjusted using county-level Feeding America’s Cost-of-Food Index within each respective state. Prior to 2009, prices are adjusted at the regional level using an adjustment factor from the USDA.

Practical Application: The Thrifty Food Plan was designed to meet the nutritional requirements of a healthy diet; however, it includes foods that need a lot of home preparation time with little waste, plus skill in both buying and preparing food. This means that even ALICE households trying to keep food costs at a minimum may not be able to feed their families on a Thrifty Food Plan Budget.

Food Data Sources

Food Costs: U.S. Department of Agriculture (USDA). (2021). Thrifty Food Plan, 2021 [June 2021 tables]. Retrieved from <https://fns-prod.azureedge.us/sites/default/files/resource-files/TFP2021.pdf>

Alaska and Hawai'i Food Costs: U.S. Department of Agriculture (USDA). (2022). Official USDA Alaska and Hawaii Thrifty Food Plans. Retrieved from https://fns-prod.azureedge.us/sites/default/files/media/file/AKHI_June%202022.pdf

County Variation After 2009: Gundersen, C., Strayer, M., Dewey, A., Hake, M., & Engelhard, E. (2022). Map the Meal Gap 2022: An Analysis of County and Congressional District Food Insecurity and County Food Cost in the United States in 2020. Feeding America. Retrieved from <https://map.feedingamerica.org/>

Regional Variation Before 2009: Economic Research Service (n.d.). Regional variation nearly double inflation rate for food prices. Retrieved from https://www.ers.usda.gov/webdocs/publications/44331/10609_page19.pdf?v=41055

- **Transportation:** The transportation budget is calculated using average annual expenditures for transportation by car and by public transportation. Because public transportation is generally less expensive than owning a car, low-income households are more likely to use transit for work where it is available. The Household Survival Budget uses the cost of public transportation when it is deemed a viable option, which is defined as 8% or more of the metropolitan statistical area and county population using public transportation to commute to work (in counties where the working population is over 25,000), as reported by the American Community Survey. This threshold suggests there is sufficient infrastructure to make transit a viable means to commute to work. The budget includes the average annual expenditures for public transportation from the CEX. CEX data is reported by metropolitan statistical areas and U.S. regions; the budget matches counties to these jurisdictions. Costs are adjusted for household size. Public transportation includes bus, trolley, subway, elevated train, railroad, and ferryboat. The drastic reduction in ridership on public transportation during the pandemic largely excluded on-site ALICE workers who still had to commute, and transit fares did not decrease during this period. Therefore, to best reflect the actual cost of public transportation in 2021, the budget uses the average annual expenditures for public transportation in 2019.

For transportation by car, the budget is tailored to household size and composition. State-level annual costs for minimum-liability car insurance from The Zebra are used, which due to differing minimum requirements and insurance marketplaces show the largest variation of all car-related costs (ranging from \$255 in South Dakota to \$1,191 in Michigan in 2021). For many low-income households, car insurance rates are higher for those with a low credit score.

Car maintenance expense data comes from AAA and includes gas, oil, and other vehicle maintenance expenses, but not major repairs. Because AAA estimates costs for a new car, maintenance costs are likely higher for ALICE families who, for this budget, we assume drive a 10-year-old car. The costs include depreciation (though minimal on a 10-year-old car), but not capital costs such as lease payments or car loan payments.

The calculation is the sum of household members' average daily miles of travel, from the Federal Highway Association, per person by age, times the cost per mile by car type times 300 days (50 work weeks, 6 days per week), plus license and fees by type of car, plus depreciation, plus minimum liability insurance by state.

$$[(\text{Average daily miles} * \text{cost per mile}) * 300] + \text{license and fees} + \text{depreciation} + \text{insurance}$$

The budget assumes one car per family, though the size of the car increases from a small sedan to a medium sedan when more than two people live in the household. When estimating miles driven, adults are assumed to be between 36 and 65 years old and children are assumed to be under 16. The budget assumes each additional adult is an additional driver. s

The budget also assumes that each driver has a clean driving record and that those who are high-risk drivers do not drive.

Practical Application: Since ALICE families often drive older cars, the cost of vehicle maintenance is likely higher than the budget allots. [Consumer Reports 2020 Auto Survey](#) found that maintenance costs for a 10-year-old car were almost double the costs for a 5-year-old car. And for many households, there are [additional costs](#) for young drivers or those with a recent accident.

For public transportation, even within metro areas, coverage varies. In some cities, public transportation is efficient in and out of suburbs but not across town. In others, there are large areas with no coverage. In most places, however, public transportation often does not go the full distance that most workers need, [leaving gaps](#) getting to and from work. Transportation costs are also likely underestimated for rural areas. With almost no public transportation, rural residents rely more on cars, and with greater distances to travel, they drive more than urban residents ([as much as 33% more](#)). As a result, their gas and maintenance costs are higher as well.

Transportation Data Sources

Transportation by Car: AAA. (2021). *Your driving costs*. Retrieved from <https://newsroom.aaa.com/wp-content/uploads/2021/08/2021-YDC-Fact-Sheet-FINAL-8-9-21.pdf>

Federal Highway Administration. (2017). *2017 National Household Travel Survey*. U.S. Department of Transportation. Retrieved from https://nhts.ornl.gov/assets/2017_nhts_summary_travel_trends.pdf

Car Insurance: The Zebra. (2022). *Average premiums by coverage 2022* [Unpublished raw data].

Public Transportation: Bureau of Labor Statistics. (2021). *Consumer Expenditure Surveys [2020–21 MSA tables]*. Retrieved from <https://www.bls.gov/cex/tables.htm#geo>

American Community Survey. (2021). *5-year estimates* [Table B08301: Means of transportation to work]. U.S. Census Bureau. Retrieved from <https://data.census.gov/cedsci/>

- **Health Care:** The health care budget is the hardest to estimate because [needs vary greatly](#) based on a person's health status, age, and resources. The Household Survival Budget focuses on average health care spending but recognizes that this greatly underestimates the needs of many households. The health care estimate is made up of two separate components: 1) health insurance premiums, and 2) out-of-pocket costs, including copayments and medical services, prescription drugs, and medical supplies not covered by health insurance. According to a [Peterson Center/Kaiser Family Foundation study](#), low-income households are more likely to have someone in fair or poor health, which then adds 30% to 60% to family health care spending, even for people with employer-based coverage. To account for this, the Household Survival Budget includes a conservative 30% increase to out-of-pocket costs.

Health insurance premiums: Employer-sponsored health insurance is still the [most common form of coverage](#) (57% of the population under 65 years old is covered under employer plans, compared to 26% through Medicaid and other government programs, and 7% through non-group plans such as the Affordable Care Act (ACA) Marketplace, leaving 10% uninsured). Employee contributions to employer-sponsored health care plans are used as reported at the state level by the Agency for Healthcare Research and Quality (AHRQ) from their annual Medical Expenditure Panel Survey (MEPS).

Out-of-pocket costs: The biggest variation in health care spending is by age; therefore, to estimate the out-of-pocket costs for each household, the Household Survival Budget uses average out-of-pocket costs for families headed by someone 35–54 years old, by income, as reported by the CEX. Because people with lower incomes often spend less because they have limited funds, the cost estimate is based on an annual household income of \$40,000–\$69,000.

Options for Health Insurance Premiums: Not all families obtain health insurance through their employer. In fact, many low-income jobs do not offer health-insurance. Households might instead purchase health insurance on the private market or obtain it through Medicaid eligibility.

- *Private health insurance:* The monthly cost of private health insurance is estimated using state-level Health Insurance Marketplace data provided by the Kaiser Family Foundation (KFF). KFF provides the average premium for the second-lowest-cost Silver Plan (benchmark plan) purchased for a 40-year-old on each state’s health insurance exchange. Premiums for other ages can be determined using either the age curve set by federal law or state-specific age curves which describe price discrimination by age permitted by the state using data from the Centers for Medicare & Medicaid Services (CMS). Also included are tax credits which reduce the cost of purchasing health insurance on the exchange for eligible Americans with income between 100% and 400% of the FPL. See the Federal Reserve Bank of Atlanta’s Policy Rules Database to determine the subsidized cost of private health insurance, after the tax-credit is taken into account.
- *Medicaid/CHIP:* Monthly premiums for Medicaid or CHIP enrollees are typically \$0. However, some states have premiums, and these premiums sometimes vary by income level and household composition. The annual cost of Medicaid/CHIP can be added to the budget by using the Federal Reserve Bank of Atlanta’s Policy Rules Database, which outlines Medicaid premiums by state, family composition, and income level using data from the Kaiser Family Foundation (KFF).

Practical Application: Health care is the budget item with the largest variation by household. Those who are healthy incur fewer costs, while households with a member with a serious health condition have significantly higher costs. In 2019 the 5% of people who spent the most on health care spent on average \$61,000 annually; people in the top 1% spent over \$130,000. Conversely, the 50% of the population with the lowest costs spent \$374 per year.

Recent surveys have also noted that the greatest growth in people who are underinsured (lacking adequate insurance coverage) is occurring among those with employer-sponsored health care.

Employees at private-sector businesses with more than 50% low-wage workers pay more for their health insurance than those at firms with less than 50% low-wage workers. This suggests that private sector low-wage workers pay a larger share of health insurance costs than higher-wage workers.

Health Care Data Sources

Health Insurance Premiums: Agency for Healthcare Research and Quality. (2021). Medical Expenditure Panel Survey (MEPS) Insurance Component (IC) [Premiums/Contributions/Enrollments tables]. U.S. Department of Health and Human Services. Retrieved from <https://datatools.ahrq.gov/meps-ic?type=tab&tab=mepsich3ps>

Note: 2007 data not available; average of 2006 and 2008 used instead

Out-of-Pocket Costs: Bureau of Labor Statistics. (2021). Consumer Expenditure Surveys: *Cross-tabulated Tables* [Table 3224; Table 3234]. Retrieved from <https://www.bls.gov/cex/tables/cross-tab/mean/reference-person-age-by-income-35-44-2021.pdf>; <https://www.bls.gov/cex/tables/cross-tab/mean/reference-person-age-by-income-45-54-2021.pdf>

- **Technology:** Smartphones have become an essential part of life for people of all ages and incomes, with 97% of Americans owning a cellphone of some kind and 85% owning a smartphone in 2021. This data does not vary greatly between urban and rural areas or across income brackets, and the only significant variation by age is for those 65 or older (who have lower rates of use). Because cellphones have become essential to work in the U.S., the cost of a smartphone plan is included in the Household Survival Budget for each adult. The cost is based on the cheapest available plan as reported by Consumer Reports. This cost does not include the added expense of the phone itself.

With COVID-19 lockdowns starting in the first quarter of 2020, broadband internet usage increased 47%. New and essential uses of the internet became widespread, including working from home, online learning, telemedicine, digital banking, and online social connection when in-person connection was not possible. Analysis of the U.S. Census Bureau's Household Pulse Survey in United For ALICE's 2021 Report, *The Pandemic Divide*, showed that households below the ALICE Threshold were more likely than those above to face technology barriers in securing employment and online learning.

Despite the increase in broadband usage, many ALICE households did not become connected. In early 2021, only 57% of adults in households with income below \$30,000 had a broadband connection; for adults in households with income between \$30,000 and \$50,000, the rate was 74%. Of those who are not connected, many live in rural counties where broadband access is not readily available. In October 2020, more than 900 counties in the U.S. reported fewer than 15% of households using a strong broadband signal (25 Mbps download). Other barriers to internet connectivity include high monthly subscription costs as well as the cost of equipment.

A common alternative for many low-income households is to use their smartphone for connection to the internet. In fact, one in four lower income families (27%) depended on their smartphones for internet access in 2021. Therefore, to reflect the increased need for internet access starting in 2020, the Household Survival Budget will expand the technology budget to upgrade the basic smartphone plan to a 10GB monthly data plan for each adult in the household.

Practical Application: Because low-cost smartphone plans have limited functionality and accessibility, ALICE workers who need higher performance have to pay more. While there are government subsidies for low-income residents, the income eligibility threshold is significantly less than the ALICE Threshold, so these subsidies are generally not available to ALICE households.

In 2021, the lowest-cost cell phone plan according to Consumer Reports was a 4GB monthly plan at \$60. The upgrade to the larger data allowance, 10GB, was an additional \$15 per month. At-home broadband would offer ALICE households a much more comfortable option to connect to the internet. According to USTelecom, in 2021, the average most-popular internet connection was \$48 per month. However, the Household Survival Budget reflects bare minimum costs, which do not include at-home broadband. The Pew Research Center found that in 2019, the most important reason respondents did not have broadband was cost (27%); respondents also cited "Other options for internet outside of home" (11%) or "Service not available or sufficient" (7%).

An alternative to purchasing the larger smartphone plan is to access free Wi-Fi services available in the community. Yet as we saw during the pandemic, free Wi-Fi services are not always easily available, and don't offer reliable speed or workspace. For example, some [public libraries](#) that provide internet access for many students and adults were closed to visitors during the pandemic, and [commercial sites](#) like McDonald's parking lots do not always have strong signals and were never designed to be online workspaces.

In addition, as the pandemic has highlighted, there are many [limitations to using only a cellular phone](#) for working and learning remotely or connecting to necessary services such as job searches and telehealth. For more details, see United For ALICE's 2021 Report, [The Pandemic Divide](#), and 2019 Report, [The Consequences of Insufficient Household Income](#).

Technology Data Source

Smartphone Plan Cost: Fowler, B. (2021, July 14). Best low-cost cell phone plans. *Consumer Reports* (2021 prices). Retrieved from <https://www.consumerreports.org/cell-phone-service-providers/best-low-cost-cell-phone-plans-a8977819742/>

- **Miscellaneous:** The Miscellaneous category includes 10% of the budget total as a provision for unforeseen cost increases in these budget items.

Practical Application: This category provides some recognition of the conservative nature of the budget. Including a miscellaneous expense category has been [standard practice](#) in estimating basic household expenses. It is important to note that this category is used to cover cost overruns on basic budget items, with few or no funds ever left over for dinner at a restaurant, tickets to the movies, or travel, let alone a financial indulgence such as holiday gifts or a new television — expenses that many financially secure households take for granted. It also does not allow for any savings, leaving a family vulnerable to any unexpected expense, such as a costly car repair, natural disaster, or health issue.

- **Taxes:** Taxes are calculated by assuming income is the same as total expenses, except for taxes. The tax budget includes federal and [state income taxes](#), payroll taxes, and federal and state tax credits. State sales taxes are not included in the taxes section but are included in the calculations of expenditures on food and miscellaneous expenses. Real estate taxes are not included because they are included instead in the cost of rental housing. Income taxes are calculated using the Federal Reserve Bank of Atlanta's [Policy Rules Database](#).
 - Federal and state tax credits include the federal and state Child Tax Credit (CTC) and the federal and state Child and Dependent Care Tax Credit (CDCTC) as defined in the Internal Revenue Service *1040: Individual Income Tax, Forms and Instructions*. The Earned Income Tax Credit is not relevant for ALICE households (see practical application below).
 - Payroll taxes — also known as Federal Insurance Contributions Act (FICA) taxes — cover the employee's contribution required to fund Social Security and Medicare.

Practical Application: Taxes are a legal requirement of earning income in the U.S., even for low-income households. The Earned Income Tax Credit (EITC), a benefit for working individuals with low to moderate incomes, is not included in the tax calculation because the [eligibility cut-off](#) is well below the Household Survival Budget and the credit is not available to most households without children. However, the [EITC helps a large number of families](#) living near or below the FPL: [In 2021](#), 25 million workers and families received, on average, \$2,411.

While the federal income tax system is progressive, in every state in the U.S., at least some low- or middle-income groups pay a higher share of their income in state and local taxes than wealthy families, especially in states where there is a sales tax.

Tax Data Sources

Federal Income Taxes: Internal Revenue Service. (2021, December 21). *1040 and 1040-SR: Instructions*. Retrieved from <https://www.irs.gov/pub/irs-pdf/i1040gi.pdf>

State Income Taxes: Vermeer, T., & Loughhead, K. (2022, February 15). *State individual income tax rates and brackets for 2022*. Tax Foundation. Retrieved from <https://taxfoundation.org/publications/state-individual-income-tax-rates-and-brackets/>

Federal Insurance Contributions Act (FICA) taxes: Internal Revenue Service. (2020, January 3). Topic no. 751 Social Security and Medicare withholding rates. Retrieved from <https://www.irs.gov/taxtopics/tc751>

The ALICE Senior Survival Budget

As people age, their household needs change. With more data available by age, the Household Survival Budget includes a budget for those 65 years and older. The Senior Survival Budget reflects the fact that seniors typically spend less on food than younger and family households, travel fewer miles for work and family responsibilities, and have increasing health needs, though these additional health care expenses are often offset through Medicare. Social Security provides a valuable safety net ensuring that most seniors stay out of poverty, but it is not enough to afford even the basic Survival Budget costs faced by most seniors.

- **Housing, Technology, and Taxes:** Housing, technology, and tax budget calculations are the same as in the under-65 Household Survival Budget.
- **Food and Transportation:** The food and transportation budget items use the same sources as the under-65 Household Survival Budget but reflect more specific costs by age (65+).
- **Health Care:** The health care costs reflect two important differences for older Americans: the universal provision of Medicare, and increasing health care needs. The Senior Survival Budget uses the cost for Medicare Part A and B: It assumes that when seniors turn 65, they are enrolled in Medicare Part A, which is free, and elect to purchase Part B. While Part B is not required, most seniors enroll because the cost for the premium is significantly less than the out-of-pocket costs for those with only Part A. The Senior Survival Budget therefore includes average out-of-pocket costs, such as copayments, coinsurance, and deductibles for seniors with Medicare Part B. Out-of-pocket costs also include prescription drugs.

Because 85% of older adults have at least one chronic disease and over 60% have at least two, the Senior Survival Budget assumes that each senior has one chronic condition. The costs for seniors with two or more conditions are significantly higher than the costs included in this budget, and because poor health is significantly correlated with low income, this is likely the case for a disproportionate number of ALICE households. The Senior Survival Budget uses the average cost of the top five chronic diseases: hypertension, arthritis, heart disease, cancer, and diabetes. The budget assumes the out-of-pocket portion of chronic disease cost is the same as the average percentage of all health care costs paid out-of-pocket as reported annually in the Medicare Current Beneficiary Survey; in 2019 (the latest year available), it was 17.6%. Cost for chronic disease is reported at the county level, allowing the Senior Survival Budget to reflect important local variation.

Data from CMS' Chronic Conditions Data Warehouse is only available from 2008 to 2018, and there is a three-year lag in data with the budget year (i.e., the 2021 Household Survival Budget uses 2018 CMS data). Data prior to 2008 were deflated using the non-seasonally adjusted CPI-All Urban Consumers for all items.

Seniors may face additional costs depending on their disability status. One-third of seniors have a disability related to hearing, vision, cognitive ability, ambulation, self-care, or independent living. These add to basic needs, ranging from assistive devices and special transport to personal assistance and housing adaptation, and can add 30% to the cost of daily living.

Practical Applications: Out-of-pocket costs for prescription drugs are included in the budget because 89% of people 65 and older take one or more medications daily. Yet seniors often skimp or forgo prescriptions altogether; 21% of seniors do not take their prescriptions due to cost.

Health Care Data Sources (Senior Survival Budget)

Medicare Premiums: Medicare.gov. (n.d). *Part B costs*. U.S. Centers for Medicare & Medicaid Services. Retrieved from <https://www.medicare.gov/your-medicare-costs/part-b-costs>

Average Out of Pocket Costs: Centers for Medicare & Medicaid Services. (2022, August 31). CMS program statistics – Medicare part A & part B – All types of services [MDCR Summary AB 2]. Retrieved from <https://data.cms.gov/summary-statistics-on-use-and-payments/medicare-service-type-reports/cms-program-statistics-medicare-part-a-part-b-all-types-of-service>
Note: Data is only available up to 2020, therefore there is a lag of one year; for example, 2021 ALICE data uses the 2020 data

Additional Chronic Disease Costs: Centers for Medicare & Medicaid Services. (2021, January 15). Chronic Conditions [Spending County Level: All Beneficiaries, 2007-2018]. Retrieved from https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/Chronic-Conditions/CC_Main.html

Chronic disease average percent out-of-pocket costs at 17.6% from Centers for Medicare & Medicaid Services. (2019). *2019 Medicare Current Beneficiary Survey annual chartbook and slides* [Table 5.1.a - Total Health Care Service Expenditures Among All Medicare Beneficiaries by Source of Payment, 2019]. Retrieved from <https://www.cms.gov/research-statistics-data-and-systemsresearchmcbsdata-tables/2019-medicare-current-beneficiary-survey-annual-chartbook-and-slides>