Anyone remember the TV episode of “West Wing” where the White House staff of President Bartlet debate the political fallout of developing a new, better poverty definition?

Today, the U.S. Census Bureau released national data using a new formula based on recommendations of a National Academy of Sciences expert panel.

The Supplemental Poverty Measure (SPM) takes into account the cash value of government benefits available to low-income individuals and families, geographic differences in costs of living, and non-discretionary expenses such as taxes, child support, child care and medical out of pocket expenditures. The official poverty measure was developed in the 1960s based on a rough calculation of three times the cost of a sufficient diet and has been criticized almost ever since.

The bottom line: 16 percent of Americans (49.1 million) are poor according to the new measure compared to 15.2 percent according to the old measure, which will continue to be the official poverty measure for the time being. The new measure also documented a rise in poverty between 2009 and 2010, from 15.3 to 16 percent, as was also reported under the official definition.

There are some interesting differences between the SPM and the official definitions of poverty. While children’s poverty rates are the highest of any age group under both measures, the difference was much less dramatic under the SPM definition since many government benefit programs are designed to assist families with children.

The surprise may have been the considerable increase in the percentage of persons 65 years and older who met the poverty threshold – 15.9 percent of seniors under the SPM definition compared to 9 percent under the official definition. The difference, according to the Census Bureau, is the impact of medical out of pocket expenditures, which dramatically decrease discretionary incomes for many seniors.

The graph below shows how cash benefits and non-discretionary spending changes the SPM rates for the overall population (all ages) in 2010. The impact of medical out of pocket (MOOP) expenses varies dramatically by age – making a difference of 7.3 percentage points for those 65 and older. Conversely, the EITC much more dramatically affects children’s poverty rate, reducing the SPM rate by 4.2 percentage point for those under 18 years. The earned income tax credit reduces the income tax bill, and in some cases may provide a refund, primarily to low-income working individuals with children.

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