



# Elder RecoverE-News

A series of e-briefs to examine the Recovery Act's impact on elders and their families

OCTOBER 19, 2011

ISSUE #7

## Wider Opportunities for Women

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## Elder RecoverE-news Wrap Up

Wider Opportunities for Women produced six RecoverE-News reports, which highlighted important programs funded through the American Recovery and Reinvestment Act (Recovery Act) and their economic impact on elders and their families. The briefs highlighted the benefits to individuals' economic well-being. The topics were:

- [Medicaid Federal Medical Assistance Percentages](#) (FMAP)
- [Unemployment Insurance Benefits](#) (UI)
- [Consolidated Omnibus Budget Reconciliation Act](#) (COBRA)
- [Recovery Act Tax Credits](#)
- [\\$250 one-time payment for Social Security Beneficiaries](#)
- [Weatherization Assistance Program](#) (WAP)

Since those briefs were written, most of the funding and programming has closed or will soon close. This brief will summarize how the programs impacted the economic security of seniors and their families. The Center on Budget and Policy Priorities (CBPP) also recently released their [analysis of the impact](#) of the Recovery Act.

### Background

The Recovery Act provided a needed influx of aid to individuals, states and communities during the recession. According to a White House report "*as of the end of December 2010, about 80% of the original \$787 billion included in the Act was outlayed or has gone to American households and businesses in the form of tax reductions.*"

Job creation data varies; however, the Congressional Budget Office (CBO) stated that the effects of the Recovery Act peaked in the first half of 2010 and have since diminished. The CBO estimated that the employment effects began to wane at the end of 2010 along with funding, and continued to do so in the first quarter of 2011. More specifically, according to the CBO, the Recovery Act funded more than 571,000 full-time-equivalent jobs during the first quarter of 2011. The Blue Green Alliance and Economic Policy Institute found that the stimulus invested \$93 billion in economic activities and saved almost one million jobs.

Government agencies were expected to keep track of their own employment data. For example, the Department of Energy oversaw programs that were big job-producers, accounting for between 8,000 and 15,000 stimulus-funded jobs each quarter. Most of these projects, however, will be completed by 2012. Data is not kept on how many of these jobs are temporary, and once the funding runs out for specific programs, those jobs may be eliminated.

More generally, reports CBPP show that the Recovery Act kept more than 4.5 million people above the federal poverty level in 2009: "*1.3 million people through extensions and expansions of federal unemployment benefits, 1.5 million people through improvements in the Child Tax Credit and Earned Income Tax Credit,*

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*nearly 1 million people through the Making Work Pay tax credit, and another 700,000 people through an increase in benefit levels for the Supplemental Nutrition Program (SNAP/food stamps)."*

It is worth noting that the Recovery Act provided an additional \$120 million to the Senior Community Service Employment Program (SCSEP) to supplement its funding. The Recovery Act subsidized over six million hours of paid employment in 2009 for nearly 20,000 low-income older adults. Funding through the Recovery Act has now expired and SCSEP funding has been severely cut through other legislation in 2011.

**Sources:** [The Economic Impact Of The American Recovery And Reinvestment Act Of 2009 Sixth Quarterly Report](#) (The White House); [Estimated Impact of the American Recovery and Reinvestment Act on Employment and Economic Output from January 2011 through March 2011](#) (Congressional Budget Office); [As Stimulus Funding Ends, Experts Weigh Law's Impact on 'Green Economy](#) (The New York Times); [Rebuilding Green. The American Recovery and Reinvestment Act and the Green Economy](#) (Blue Green Alliance); [Despite Deep Recession and High Unemployment, Government Efforts – Including the Recovery Act – Prevented Poverty from Rising in 2009, New Census Data Show](#) (Center on Budget and Policy Priorities); [Letter to the Editor](#) (National Association of State Units on Aging); [Not Just a Numbers Game: Budget Cuts Threaten Those Already Struggling](#) (Atlantic Philanthropies)

### **Issue Update #1: Medicaid Federal Medical Assistance Percentages (FMAP)**

All states used Recovery Act funds to address Medicaid and state budget funding shortfalls, to support Medicaid enrollment growth and to help avoid or mitigate program restrictions. The Centers for Medicare & Medicaid Services estimated that more than \$4.3 billion in fiscal relief to states has been provided through application of the Recovery Act FMAP increase through the end of December 2010.

Due to the Recovery Act requirements, virtually all states were prohibited from implementing any eligibility cuts. Even in the face of significant economic stress, 32 states expanded Medicaid eligibility standards in fiscal year 2010 and 17 states planned expansions for fiscal year 2011. Though these expansions vary widely in scope, these Recovery Act funds avoided or ameliorated what inevitably would have been significant cuts in all aspects of the program. However, even with the Recovery Act's enhanced FMAP, nearly all states found it necessary to make Medicaid cuts in both fiscal years 2010 and 2011, particularly in the areas of provider rates and benefits.

States began fiscal year 2011 with the Recovery Act's enhanced FMAP scheduled to expire midway through the fiscal year (December 31, 2010). In adopting state budgets, 26 states and the District of Columbia assumed that Congress would extend the enhanced FMAP through the end of the 2011 fiscal year. After much debate over the funding source, Congress passed a partial extension in August that stepped down the Recovery Act enhanced FMAP. The August 2010 legislation providing states with scaled back extension of this fiscal relief was enacted through June 2011, but this was after most states had already adopted their fiscal year 2011 budgets. Thus, because the FMAP extension occurred more than a month after the fiscal year had begun for all but three states and the District of Columbia, states were forced to make tough budget decisions months earlier or to assume the extension of relief in developing their fiscal year 2011 budgets. Given the late passage and phased down funding, many states needed to reexamine their fiscal year 2011 budgets.

Kaiser Family Foundation research found that while many states mentioned that Recovery Act funds helped to avoid or mitigate provider rate cuts in fiscal year 2010, 39 states implemented a provider rate cut or freeze compared to 33 states in fiscal year 2009. For example, several states eliminated all or some adult dental services including Arizona, California, Hawaii and Massachusetts. A number of

states also imposed limits on benefits such as imaging services, medical supplies or durable medical equipment, therapies or personal care services.

**Status:** Heading into fiscal year 2012 (beginning on July 1, 2012), states will see declines in federal match rates and increases in their state share of Medicaid. States with the highest FMAPs are expected to see the largest increases in their state shares as the Recovery Act enhanced FMAP expires. All states had to account for this decline in federal revenues when adopting their budgets for state fiscal year 2012, but the challenges are much greater for those where unemployment remains high. In these states, the loss of federal fiscal relief makes economic recovery more difficult and increases the pressure to reduce Medicaid spending despite large caseloads driven by high unemployment.

**Sources:** [Improving Responsiveness of Federal Assistance to States during Economic Downturns](#) (GAO); [Health and Human Services Recovery Act pages](#) (HHS); [Hoping for Economic Recovery, Preparing for Health Reform: A Look at Medicaid Spending, Coverage and Policy Trends](#) and [Enhanced Medicaid Match Rates Expire in June 2011](#) (Kaiser Commission on Medicaid and the Uninsured)

### **Issue Update #2: [Unemployment Insurance Benefits](#) (UI)**

The White House Council of Economic Advisors reported on the Recovery Act's expansions to unemployment benefits, stating that:

- The expansions helped 14 million unemployed workers as of October 2010.
- Almost 5 million unemployed workers benefited from unemployment benefits each week as of October 2010.
- In total, these programs have benefited about 40 million people who have received benefits or lived with a recipient of the Recovery Act's UI expansions.
- The UI expansions made up a substantial portion of household income without which the typical household receiving these benefits would have seen their income fall by one third. In the 42% of households where a UI recipient is the sole wage earner, 90% of income would have been lost.

The Recovery Act funded incentives to help states update their unemployment laws. These changes in eligibility helped an estimated additional 200,000 workers receive UI benefits, including those seeking part-time work or workers who left jobs to care for a sick or disabled loved one.

**Status:** Incentive funds not distributed to states before October 1, 2011 will no longer be available for UI modernization incentive payments; they will only be available for loans to states to pay UI benefits. In addition, Congress can rescind unobligated funds at any time.

Facing insolvent state trust funds, the National Employment Law Project reports that state lawmakers amended their UI programs in 2011; notably, six states passed unprecedented cuts in the duration of benefits, for the first time reducing benefit weeks to less than the decades-long accepted standard of 26 weeks. In a number of states, legislators enacted permanent state UI program cuts.

**Sources:** [Economic Impact Of Recent Temporary Unemployment Insurance Extensions](#) (Council of Economic Advisors); [Women's Employment During the Recovery](#) (Department of Labor Women's Bureau); [Taking Advantage of the Last Chance to Modernize Unemployment Insurance with Recovery Act Incentive Funds](#) and [Unraveling the Unemployment Insurance Lifeline: Responding to Insolvency, States Begin Reducing Benefits and Restricting Eligibility in 2011](#) (National Employment Law Project); [Unemployment Insurance: Legislative Issues in the 112th Congress](#) (Congressional Research Service)

### **Issue Update #3: [Consolidated Omnibus Budget Reconciliation Act](#) (COBRA)**

A report from the US Treasury Department indicates that the Recovery Act COBRA subsidy reduced the number of Americans who would otherwise have gone

uninsured during the recession. A conservative estimate is that between one-quarter and one-third of workers eligible for the Recovery subsidy enrolled in COBRA. This Treasury report found that roughly 15% of UI beneficiaries received health insurance coverage via COBRA and around 80% of individuals who made use of the Recovery Act COBRA subsidy are from households with annual incomes between \$30,000 and \$134,000.

A study conducted in 2010 by Hewitt Associates Inc. found that the COBRA [take-up](#) rate among terminated employees working for large employers roughly doubled after the subsidy was available and that enrollment rates for laid-off employees averaged 38% among 200 large employers.

According to the IRS June 2010 report as many as two million households benefitted from the COBRA premium assistance program in 2009 at a cost of slightly over \$2 billion.

**Status:** Due to the statutory sunset, the COBRA premium reduction under the Recovery Act is not available for individuals who experience involuntary terminations after May 31, 2010. Those individuals who qualified on or before May 31, 2010 may continue to pay reduced premiums for up to 15 months, as long as they are not eligible for another group health plan or Medicare. Thus, many individuals will have reached their 15 months of COBRA premium subsidies by the end of August 2011. The COBRA premium deduction was not otherwise extended.

**Sources:** [COBRA insurance coverage since the Recovery Act: results from new survey data](#) and [Interim Report to The Congress on COBRA Premium Assistance](#) (US Treasury Department); [COBRA Program Subsidies to Expire at End of August](#) and [COBRA Premium Subsidy Doubled Enrollment Analysis](#) (Business Insurance); [Tax Benefits Under The Recovery Act](#) (Recovery.gov)

#### **Issue Update #4: [Recovery Act Tax Credits](#)**

WOW's August 2010 Elder Recovery E-News covered a number of tax programs targeted at individuals including:

- Making Work Pay Tax Credit (MWPC), 116.3 million taxpayers
- Additional Child Tax Credit (ACTC), 15.6 million taxpayers
- Earned Income Tax Credit (EITC), 18.2 million taxpayers
- American Opportunity Tax Credit (AOTC), 10.2 million taxpayers

A report from the Council of Economic Advisors stated that *"as of the end of December 2010, about 80% of the original \$787 billion included in the Act has been outlayed or has gone to American households and businesses in the form of tax reductions."*

**Status:** Families will continue to be eligible to claim key Recovery Act tax cuts in 2011 and 2012. These tax cuts include the AOTC, which will help over 9 million students and their families afford college, as well as expansions of the ACTC and the EITC that will provide larger tax cuts to 15.7 million families with about 29.1 million children.

The tax compromise passed in December 2010 will offset these credits in the following manner:

- **Making Work Pay Tax Credit:** The budget deal included replacing the MWPC in 2010 with a 2% reduction in the payroll tax rate in 2011, resulting in a tax hike for most low-income workers. An Urban-Brookings Tax Policy Center report states, *"some 51 million taxpayers will see their taxes go up in 2011. The vast majority of them—40 million tax units—are low-wage workers with incomes below \$35,000. Low-income workers are the only income group that will lose income this year compared to 2010"*

*under the deal. Other groups, including most middle-income families and nearly all high-income ones, will receive a bigger tax cut in 2011 than in 2010.”*

- **American Opportunity Tax Credit:** According to the Treasury Department, 9.4 million families across the country received \$18.2 billion from the AOTC – an average of \$1,900 per family – to help pay for college. AOTC was extended through the end of 2012 as part of the tax compromise.
- **Additional Child Tax Credit:** The compromise extended the \$1,000 ACTC through 2012, and continued Recovery Act provisions that made it available to more families. In total, extending the Recovery Act expansions of ACTC will increase tax credits for 11.8 million families, with one-child families receiving up to \$1,000 more and some families with two or more children receiving nearly \$1,500 more.
- **Earned Income Tax Credit:** The compromise extended expansions of the EITC for married couples and families with three or more children. In total, the Recovery Act provisions will benefit 5.8 million working families with 12.5 million children.

The Center on Budget and Policy Priorities found that failure to extend the Recovery Act tax provisions would have the largest affect on aspiring middle-class families, including working parents earning between \$12,850 and \$16,333 who will suffer the largest monetary losses.

Advocacy continues in an effort to make the tax credits permanent. Rep. Danny Davis (D-IL) and 13 other Democrats have introduced a bill (H.R. 2193) which would, among other things, increase the EITC for individuals with no eligible children. Another bill (H.R. 1728/S. 160), introduced by Rep. Dutch Ruppersberger (D-MD), would increase the Child and Dependent Care Tax Credit (CDCTC) and make it refundable. Sen. Wyden has introduced legislation to make permanent the recent expansions of the EITC, ACTC and CDCTC.

**Sources:** [The Economic Impact Of The American Recovery And Reinvestment Act Of 2009 Sixth Quarterly Report](#) (Executive Office Of The President Council Of Economic Advisers); [Tax Benefits Under The Recovery Act](#) (Recovery.gov); [From Recovery to Reinvestment: The Impact of the Recovery Act on America's Cities](#) (Recovery.gov); [Try the New White House Tax Cut Calculator](#) (White House Blog); [The Tax Deal's Biggest Losers: 40 Million Low-Wage Workers Who Will See their Taxes Go Up This Year](#) (Center for Economic and Policy Research); [The American Opportunity Tax Credit: Making College More Affordable for Students and Their Families](#) (US Department of Treasury); [Failure To Extend Improvements In The Child Tax Credit Would Harm Millions Of Low-Income Working Families](#) (Center on Budget and Policy Priorities); [Impact of Federal Debt Ceiling Discussions on Family Tax Credits Unpredictable](#) (Tax Credits for Working Families); [Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010](#) (Tax Policy Center)

#### **Issue Update #5: [\\$250 one-time payment for Social Security Beneficiaries](#)**

The initial round of \$250 one-time payments went to 52 million recipients eligible for Social Security benefits when the Recovery Act went into effect in February 2009. In addition, 620,000 people who became eligible after that date also received the \$250 payment, referred to as “catch-up payments.”

An Economic Policy Institute brief argues that the \$250 lump sum payment was a clear success because it went directly to recipients of Social Security and Supplemental Security Income benefits and the payments were quickly spent. As a result, they stimulated local economies and likely boosted GDP by roughly 0.5% in the second quarter of 2009. The one-time payment translated to about 125,000 jobs created or saved. Other research by the Center on Budget and Policy Priorities showed that the \$250 payment was a part of the seven temporary components of the Recovery Act that had poverty-reducing impact.

To examine the impact of the \$250 payments, the Bureau of Labor Statistics included special questions in the interview component of the Consumer Expenditure Survey from July through September 2009. These questions were designed to collect information on what recipients did with the payment. The report found that about 40% of recipients used the payment mostly for spending, about 25% mostly saved the payment and about 33% used the payment to pay off debt (the remaining 2% either did not know or refused to report how they mostly used the payment).

At the time of the interview, most recipients (70%) were at least 66 years old and about 11% were between the ages of 62 and 65. The oldest group was the least likely to spend the payment (33%), followed by recipients age 75 to 84 years and under age 62 (39% each). The remaining two groups (62 to 65 and 66 to 74 years old) were similar to each other: 43-44% reported mostly spending the payment.

**Status:** All payments were issued. Additional payments were considered and rejected in later legislation. Currently similar one-time payments are not being considered as part of future economic stimulus.

**Sources:** [Economic Recovery Payments – Catch-Up Payments](#) (Office of Inspector General Social Security); [Inspector General Reports on SSA's \\$250 Payments](#) (Recovery.gov); [Down-Payment on Economic Recovery](#) and [EPI applauds Speaker Pelosi and Sen. Reid's support of Social Security supplement](#) (Economic Policy Institute); [Despite Deep Recession and High Unemployment, Government Efforts – Including the Recovery Act – Prevented Poverty from Rising in 2009, New Census Data Shows](#) (Center on Budget and Policy Priorities); [How Consumers Used the 2009 Economic Recovery Payments of \\$250](#) (US Bureau of Labor Statistics)

#### **Issue Update #6: [Weatherization Assistance Program](#) (WAP)**

The WAP program is continuing to weatherize homes to reach the goals articulated through the Recovery Act. Data from the Department of Energy, which administers WAP, show that 513,444 homes have been weatherized as of February 2011.

A March 2011 HUD report states that approximately \$4.79 billion of the Recovery Act's Department of Energy WAP funding went to cities, and according to recipient-reported data, the weatherization funds supported more than 15,000 jobs nationwide during just the fourth quarter of 2010. As reported by Economic Opportunities Inc., the units weatherized through 2010 breakdown into the following categories: 66% site built/single-family, 19% multi-family and 15% mobile homes.

**Status:** As of June 2011, all WAP funds have been awarded and 55% have been outlaid. All Recovery Act WAP funding must be spent by March 2012. In June 2011, the Department of Energy published a 30-day notice for WAP – Recovery Act Period Evaluation. Information will be collected and reported from 74 grantees, 34 weatherization training centers, approximately 1,000 local weatherization agencies, approximately 1,200 utilities, approximately 1,240 occupants/clients of weatherization, and approximately 3,056 individuals working in the weatherization field.

**Sources:** [Program Homes Weatherized By Grantee in February 2011](#) (US Department of Energy Weatherization Assistance); [From Recovery to Reinvestment: The Impact of the Recovery Act on American Cities](#) (Recover.gov); [Newsletter: March 1, 2011](#) (Economic Opportunities Studies); [The American Recovery and Reinvestment Act \(ARRA\) Weatherization Assistance Program Success Stories](#) and [Weatherization Success Story Beulah Sisk CASEWV Job Number 4282](#) (Weatherization Program Assistance Program Technical Assistance Center); [U.S. Department of Energy's Recovery Act Spending](#) (Pew Center on Global Climate Change); [Federal Register /Vol. 76, No. 116 /Thursday, June 16, 2011 /Notices](#) (Department Of Energy)