



## 2016 Annual Survey of Senior Costs May 2016

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### **Summary:**

The Social Security Cost of Living Adjustment (COLA) is intended to protect the purchasing power of benefits received by older and disabled Americans. In recent years, inflation and COLAs have been at record low levels— averaging just 1.2 percent per year since 2010 — with no COLA payable at all in 2016. On the other hand, according to annual surveys of older Americans conducted by The Senior Citizens League, as well as annual research of inflation data, typical senior costs have continued to increase over the past sixteen years, often several times faster than COLAs. As a result, in 2016, average Social Security benefits have just 77 percent of the buying power that they did in 2000, making it more difficult for retirees and other beneficiaries to afford basic necessities such as medical care, food, and housing.

### **Methodology:**

This study examined the increase in costs of 38 key goods and services between 2000 and 2016. The items were chosen not only because they are typical of the costs that seniors must bear, but because they include common expenditures that the government doesn't track under the consumer price index used to adjust Social Security benefits, such as Medicare Part B and D premiums. In 2016 the two expenditure items with the biggest increase, Medicare Part B premiums, and prescription drug costs, were the two fastest growing expenditures at 168% and 167%, respectively, since 2000.

In order to track how the purchasing power of Social Security benefits is affected from year to year, we examined the average benefit in January of 2000, and tracked it through January 2016. The average Social Security benefit was \$816 in 2000. COLAs rose 43 percent over the 16 - year period, increasing that benefit to \$1,166.30 in 2016.

However, our study found that costs have increased over the same period by more than 75.3 percent for 38 essential items. That means the \$816 average benefit in 2000 would have needed to increase to \$1,430.50 per month *just to maintain the 2000 level of buying*

*power.* That amount can be calculated by multiplying the 2000 benefit of \$816 by 1.753 rounded to the next tenth of a dollar, as is Social Security protocol.

The loss of buying power was then determined by dividing the difference in the amount that beneficiaries would need to keep up, \$264.20, by the amount actually received in 2016, \$1,166.30. That represents a 23 - percent loss of buying power since 2000.

The 38 items analyzed fall within the eight major expenditure categories: housing, transportation, medical, food, recreation, communication, apparel, and other. The categories were weighted to ensure that each represented the portion of income that people 65 and older spend on each category. For example, housing costs were weighted higher than food or recreation costs, since housing costs account for a much greater share of retirees' budgets.

The chart below illustrates the changes in costs. Where no average prices are available, numeric values from the U.S. Bureau of Labor Statistics CPI-U are used.

**How Retiree Costs Have Changed Over The Past 16 Years**

Category	Expense	Average cost or numeric value* in Jan 2000	Average cost or numeric value* in Jan 2016	Percent Increase, 2000-2016
Housing	Own	195.700	290.133	48% <sup>1</sup>
Housing	Apartment rental	180.800	292.004	62% <sup>2</sup>
Housing	Homeowner's insurance (annual)	\$508.00	\$1,256.00	147% <sup>3</sup>
Housing	Real estate tax (annual)	\$690.00	\$1,579.06	129% <sup>4</sup>
Housing	Heating oil (gallon)	\$1.15	\$2.18	91% <sup>5</sup>
Housing	Propane gas (dollars per gallon)	\$1.01	\$2.00	98% <sup>6</sup>
Housing	Electricity per kilowatt hr	\$.08	\$.13	68% <sup>7</sup>
Transportation	New vehicles	143.300	147.456	3% <sup>8</sup>
	Used vehicles	153.900	142.668	(-7%) <sup>9</sup>
Transportation	All grades gas (gallon)	\$1.31	\$2.14	63% <sup>10</sup>
Transportation	Maintenance/repair	174.600	273.097	56% <sup>11</sup>
Transportation	Services including	193.000	294.420	53% <sup>12</sup>

	motor vehicle insurance, airline fare			
Medical	Total out-of-pocket medical expenses, not including premiums	\$6,140.00	\$11,163.00	82% <sup>13</sup>
Medical	Prescription drugs, generic, brand, special.	\$1,102.00	\$2,938.23	167% <sup>14</sup>
Medical	dental, general visits	\$492.00	\$734.00	49% <sup>15</sup>
Medical	Medicare Part B premiums (monthly)	\$45.50	\$121.80	168% <sup>16</sup>
Medical	Medicare Part D premiums average weighted for enrollment	\$25.93	\$41.46.00	60% <sup>17*</sup> since 2006
Medical	Medigap average premium, all plans	\$119.00	\$250.90	111% <sup>18</sup>
Food	10 lbs. potatoes	\$2.98	\$5.34	79% <sup>19</sup>
Food	1 lb. cheddar cheese	\$3.84	\$5.41	41% <sup>20</sup>
Food	Milk (gal.)	\$2.79	\$3.31	19% <sup>21</sup>
Food	Eggs (dz.)	\$0.93	\$2.33	139% <sup>22</sup>
Food	Ground chuck (lb.)	\$1.90	\$4.02	112% <sup>23</sup>
Food	Chicken (lb.)	\$1.06	\$1.43	35% <sup>24</sup>
Food	coffee (lb.)	\$3.54	\$4.50	27% <sup>25</sup>
Food	Bread, white (loaf)	\$.91	\$1.43	57% <sup>26</sup>
Food	Apples (lb.)	\$.95	\$1.45	52% <sup>27</sup>
Food	Oranges (lb.)	\$.61	\$1.20	97% <sup>28</sup>
Food	Tomatoes	\$1.44	\$2.53	75% <sup>29</sup>
Recreation	(all items in category)	102.300	116.062	13% <sup>30</sup>
Recreation	Movie ticket	\$5.39	\$8.72	62% <sup>31</sup>
Recreation	Pets and pet products	144.300	197.980	37% <sup>32</sup>
Recreation	Pet services including veterinary	109.300	229.717	110% <sup>33</sup>
Communication	Basic phone service, 2 land lines, local	\$55.37	\$94.05	70% <sup>34</sup>

Communication	First class postage	\$0.33	\$0.49	48%
Apparel	Clothing	126.800	121.878	(-3%) <sup>35</sup>
Other	Personal care products	152.800	162.416	6% <sup>36</sup>
Other	Personal care services	174.900	222.770	27% <sup>37</sup>

\* Where no average prices are available, numeric values from the U.S. Bureau of Labor Statistics CPI-U are used.

#### Weighting:

We used the published weights of the Consumer Price Index for the Elderly (CPI-E)<sup>38</sup> to suggest many of our weighting guidelines.

Expenditure Group	CPI-E	TSCL Survey
Housing	44.5	45.3
Transportation	14.5	14.1
Medical	11.3	14.7 <sup>39</sup>
Food	12.8	12.8
Recreation	5.3	4.2
Communication	3.8	3.2
Apparel	2.4	2.4
Other	5.4	3.3

<sup>1</sup> Home Owners, CPI-U, January 2000 through January 2016 Bureau of Labor Statistics, February 19, 2016.

<sup>2</sup> Rental of Primary Residence CPI-U, January 2000 through January 2016, Bureau of Labor Statistics, February 19, 2016.

<sup>3</sup> Average Premiums For Homeowners and Renters Insurance, Insurance Information Institute, April 28, 2016. <http://www.iii.org/media/facts/statsbyissue/homeowners/>

Methodology: Rate of increase extended from 2013 through 2016 based on historic average rate of increase. To be adjusted year to year.

<sup>4</sup> Real estate tax, Orange County Virginia, files of Mary Johnson, 2000 through December 2016. Virginia ranks approximately 34 for highest state real estate tax rates.

<sup>5</sup> Retail prices of residential heating oil 2000- through January 4, 2016, Energy Information Administration, April 29, 2016.

[http://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=PET&s=W\\_EPD2F\\_PRS\\_NUS\\_DPG&f=W](http://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=PET&s=W_EPD2F_PRS_NUS_DPG&f=W).

<sup>6</sup> Residential prices natural gas 2000 –through January 4, 2016, Energy Information Administration, April 29, 2016.

[http://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=PET&s=W\\_EPLLPA\\_PRS\\_NUS\\_DPG&f=W](http://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=PET&s=W_EPLLPA_PRS_NUS_DPG&f=W)

<sup>7</sup> Average retail price of electricity to customers, 2000-2016, Bureau of Labor Statistics Average Price Data through January 2016.

<sup>8</sup> New motor vehicle costs, CPI-U, January 2000 through January 2016, Bureau of Labor Statistics, February 19, 2016.

<sup>9</sup> Used motor vehicle costs, CPI-U January 2000 through January 2016, Bureau of Labor Statistics, February 19, 2016.

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<sup>10</sup> Retail prices of gasoline, all grades 2000- through January 4, 2016, Energy Information Administration, April 29, 2016.

[http://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=PET&s=EMM\\_EPM0\\_PTE\\_NUS\\_DPG&f=W](http://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=PET&s=EMM_EPM0_PTE_NUS_DPG&f=W) .

<sup>11</sup> Maintenance and repair data, CPI-U, January 2000 through January 2016, Bureau of Labor Statistics, February 19, 2016.

<sup>12</sup> Transportation services, CPI-U, January 2000 through January 2016, Bureau of Labor Statistics, February 19, 2016.

<sup>13</sup> Medical Expenditure Panel Survey, Total Health Services Table 1, Agency for Healthcare Research and Quality, May 3, 2016.

[http://www.meps.ahrq.gov/mepsweb/data\\_stats/quick\\_tables\\_results.jsp?component=1&subcomponent=0&year=-1&tableSeries=1&searchText=&searchMethod=1&Action=Search](http://www.meps.ahrq.gov/mepsweb/data_stats/quick_tables_results.jsp?component=1&subcomponent=0&year=-1&tableSeries=1&searchText=&searchMethod=1&Action=Search)

Methodology: Data through 2013 used to project spending through December 2015. Adjusted using historical rate of change since 2000.

<sup>14</sup> Medical Expenditure Panel Survey, Prescription Medicines Table 2, Agency for Healthcare Research and Quality, May 3, 2016.

[http://www.meps.ahrq.gov/mepsweb/data\\_stats/quick\\_tables\\_results.jsp?component=1&subcomponent=0&year=-1&tableSeries=1&searchText=&searchMethod=1&Action=Search](http://www.meps.ahrq.gov/mepsweb/data_stats/quick_tables_results.jsp?component=1&subcomponent=0&year=-1&tableSeries=1&searchText=&searchMethod=1&Action=Search)

Methodology: Data through 2013 used to project spending through December 2015. Adjusted using historical rate of change since 2000.

<sup>15</sup> Ibid. Medical Expenditure Panel Survey, Table 3.1.a. General Dental Visits, Agency for Healthcare Research and Quality, May 3, 2016.

[http://www.meps.ahrq.gov/mepsweb/data\\_stats/quick\\_tables\\_results.jsp?component=1&subcomponent=0&year=-1&tableSeries=1&searchText=&searchMethod=1&Action=Search](http://www.meps.ahrq.gov/mepsweb/data_stats/quick_tables_results.jsp?component=1&subcomponent=0&year=-1&tableSeries=1&searchText=&searchMethod=1&Action=Search)

Methodology: Data through 2013 used to project spending through December 2015. Adjusted using historical rate of change since 2000.

<sup>16</sup> Medicare Premiums for 2016, CMS, November 10, 2015.

<sup>17</sup> "Medicare Part D: A First Look at Plan Offerings in 2016," Kaiser Family Foundation, October 2015.

<sup>18</sup> Starting premium: "Estimation of Hedonic Pricing Model For Medigap Insurance, Table 2 Average Premiums by Plan — Year 2000," John Robst, Health Services Research, National Institute of Health, 2006. <http://www.ncbi.nlm.nih.gov/pmc/articles/PMC1955311/pdf/hesr0041-2097.pdf> "Medigap Spotlight on Enrollment, Premiums, and Recent Trends, Kaiser Family Foundation, April 2013.

<http://kff.org/medicare/report/medigap-enrollment-premiums-and-recent-trends/> Data through 2016 estimated based on historical rate of increase, to be adjusted annually.

<sup>19</sup> Sam's Club Charlottesville Virginia, 2000 through 2016, 10 pound Gold potatoes, [www.sams.com](http://www.sams.com).

<sup>20</sup> Retail Dairy Prices, Cheddar/lb. Agricultural and Applied Economics, University of Wisconsin, May 4, 2016. [http://future.aae.wisc.edu/data/monthly\\_values/by\\_area/303?area=US](http://future.aae.wisc.edu/data/monthly_values/by_area/303?area=US).

<sup>21</sup> Retail Dairy Prices Fresh Whole Milk Retail (GAL), Agricultural and Applied Economics, University of Wisconsin, May 4, 2016, <http://future.aae.wisc.edu/tab/prices.html#15> .

<sup>22</sup> Food data 2000 through January 2016, Bureau of Labor Statistics, May 4, 2016.

<sup>23</sup> Ibid.

<sup>24</sup> Ibid.

<sup>25</sup> Ibid.

<sup>26</sup> Ibid.

<sup>27</sup> Ibid.

<sup>28</sup> Ibid.

<sup>29</sup> Ibid.

<sup>30</sup> Recreation, CPI-U data January 2000-January 2016, Bureau of Labor Statistics, February 19, 2016.

<sup>31</sup> Movie ticket: Average Ticket Prices, The National Association of Theater Owners, May 4, 2016.

<http://natoonline.org/data/ticket-price/>. Rate of increase through January 2016 uses data through 2015 and extended based on historic rate of increase.

<sup>32</sup> CPI-U data January 2000-January 2016, February 29, 2016.

<sup>33</sup> Ibid.

<sup>34</sup> Basic local residential phone service (2 lines), Verizon, 2000 through 2016.

<sup>35</sup> Apparel data from CPI-U, January 2000 through January 2016, Bureau of Labor Statistics, February 19, 2016.

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<sup>36</sup> Personal care data from CPI-U, January 2000 through January 2016, Bureau of Labor Statistics, February 19, 2016.

<sup>37</sup> Ibid.

<sup>38</sup> 2011-2012 Weights for CPI-E, Bureau of Labor Statistics, March 2013.

<sup>39</sup> "Health Care On a Budget," Kaiser Family Foundation, March 2012.