Census’s new Supplemental Poverty Measure (SPM) nearly doubles the elderly poverty rate compared to the Official Poverty Measure (OPM), fueling calls to protect or expand assistance for the elderly. Can the elderly, despite massive Medicare, Medicaid and Social Security transfers, remain among the most impoverished Americans? The much higher SPM elderly poverty rate is due to the subtraction of medical out-of-pocket (MOOP) expenditures from income. Moreover, neither the SPM nor OPM counts health benefits as resources.

We review empirical validity studies, including new analyses conducted at our request, which assess various poverty measures’ prediction of indicators of material hardship and which gauge the sensitivity of hardship measures to health shocks. Subtracting MOOP expenditures from resources worsens a poverty measure’s predictive validity and excluding assets exacerbates this bias, since assets fund MOOP expenditures. Health shocks do not result in reported material hardship for the elderly but do for the near-elderly.

We analyze the inter-related reasons that MOOP expenditures were excluded and health benefits not counted as resources for the SPM—a health exclusive poverty measure—even though that approach was explicitly considered “second best.” We determine conditions sufficient to make a Health Inclusive Poverty Measure (HIPM) feasible: conceptualizing the need as health insurance, rather than health care, and the universal availability of health insurance plans with non-risk-rated premiums and caps on MOOP. We illustrate how recent changes to Medicare Advantage Plans and the full implementation of the Affordable Care Act will make HIPM implementation possible.