

# REPORT ON THE ECONOMIC WELL-BEING OF ALASKA SENIORS



*The* **T**  
TRUST

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The *Report on the Economic Well-Being of Alaska Seniors* is a joint effort of the Department of Health and Social Services (DHSS), the Alaska Mental Health Trust Authority (Trust), Phoenix Associates, the Alaska Commission on Aging (ACoA), and the University of Alaska Institute of Social and Economic Research (ISER). Most of the data, data analysis, and interpretation were prepared by ISER. Funding was provided by the Trust, DHSS Facility Section, and ACoA. The report was edited by Phoenix and Associates, ACoA and DHSS. This report is unique in its focus on economic factors that affect the welfare of older Alaskans. There are a number of other studies that examine the social and health care implications of Alaska's aging population, including the *Long Term Forecast of Medicaid Enrollment and Spending in Alaska: 2005-2025* (Lewin Group 2006) and the *State of Alaska Long-Term Care and Cost Study* (Public Consulting Group 2006), among others. Due to the complexity of the subject, the Department, the Trust, and ACoA have been working on this report for some time, and we acknowledge that some of the data is not current. As new demographic information is released, ACoA will post those updates in the *State Plan for Senior Services 2007 – 2011* on our website: <http://www.alaskaaging.org>.

In any study concerning seniors, the contribution of seniors to our communities must be highlighted. Alaska seniors are our mentors, guardians, role models, history keepers, and teachers. This is quite evident in Alaska where the term Elder plays a culturally significant role. They are the pioneers who developed our state and communities and leave us a legacy of Alaska to pass onto our children. Their security and well-being are the responsibility of all Alaskans.

Financial security was rated as the priority concern by seniors not only today, but ten years into the future, according to the results of the 2005 Senior Survey compiled by ACoA. While many older Alaskans appear to be doing well, there are many who live precariously on the edge. Seniors' incomes generally decrease with age, as they are often forced to spend down their savings and assets in order to pay for health care in-home services, and specialized housing options such as assisted living homes and nursing homes. It is important to note that programs such as the Alaska Permanent Fund Dividend, Senior Care, and the Longevity Bonus help to equalize financial disparities among seniors and contribute positively to their health and well-being.

This report is a first step in understanding Alaska's socio-economically, ethnically, and culturally diversified senior population and the vital role older Alaskans play in the state's economy. While older Alaskans are often classified as a special needs group, they are more diverse than other special needs categories, reflecting the diverse lifestyles of Alaskans. As the number of older Alaskans climbs and aging "boomers" offer a new interpretation of what it means to grow old, Alaska seniors will exert an even greater presence in the state's future, challenging conventional notions of aging.

Sincerely,



Frank Appel  
Chair, Alaska Commission on Aging



Denise Daniello  
Executive Director, ACoA

Report on the  
Economic Well-Being  
of  
Alaska Seniors  
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Department of Health and Social Services  
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*“The only thing that comes to us without effort is old age”*

Gloria Pitzer, Reader’s Digest, 1979

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## EXECUTIVE SUMMARY

*“Old age is the most unexpected of all things that happen to a man.”*

Leon Trotsky (1879–1940)

Alaskans value their senior citizens. The state offers numerous senior services and programs, and in turn, Alaska seniors contribute their experience, wisdom, and considerable cash flow to benefit all Alaskans. This report describes the current and future economic status of seniors in Alaska considering national and state demographic trends, state program costs and economic benefits.

Demographic trends indicate a dramatic increase in the number of seniors as the baby boomer generation ages. In 2003, there were almost 36 million people aged 65+ in the United States comprising 12% of the total population. In 2003, 78 million baby boomers, the generation of Americans born between 1946 and 1964, represented 27% of the U.S. population. This large bulge in the population age distribution will begin to turn 65 in 2011. The number of seniors will continue to grow until the last baby boomers reach 65 by 2030. Compounding the expanding number of seniors due to aging is the increase in average life expectancy from age 80 in 1970 to age 83 by 2030. As a result, nationally the senior share of the population will increase from 12% to 20% by 2030.

The Alaska senior population is growing faster than all other states except Nevada. Growth in the population is determined by the characteristics of the existing population, life expectancy and migration patterns. In 2005 there were 45,000 Alaska seniors 65+ comprising 7% of the total Alaska population. In 2000, baby boomers represented 32% of the Alaska population, a larger share than any other state. This population cohort combined with increased life expectancy will likely be the source of a very large increase in the Alaska senior population over the next twenty years. Migration patterns into and out of Alaska currently show more seniors moving out than moving in although out-migration appears to be slowing. These demographic factors combine to indicate that by 2030, the estimated number of seniors 65+ will reach 115,000 or 13% of the Alaska population, almost double the 2005 percentage.

Often public policy focuses on potential future service costs for seniors and neglects to consider economic benefits of a retired senior population. Projected public program costs for seniors will rise as the senior population increases and ages. Per capita health care expenditures will to grow between 5% and 6% per year. Assuming no changes in program structure and adjustments for inflation, all program costs could increase from \$193 million in 2005 to \$593 million in 2030. Future Medicaid costs will increase from 39% of the total 2005 Alaska public expenditure cost for seniors or \$77 million, to 62% in 2030 or \$367 million.<sup>1</sup> The state share of Medicaid costs will grow the most rapidly because health care costs are expected to increase faster than the general rate of inflation.

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<sup>1</sup> These figures are adjusted for inflation.

On the benefit side, Alaska seniors bring significant cash flow into the state economy. Retired Alaska seniors contributed an estimated 1.4 billion dollars into the Alaskan economy in 2004. This equaled more than \$28,000 for the average retired senior. This money inflow came primarily from retirement income and health care spending. In 2004, retirement income brought over \$1.1 billion and senior health care spending brought an additional \$300 million into the state. In addition, Alaska seniors bring in money income through wage employment and provide valuable services through volunteering and family care-giving.

Currently, Alaska senior health care spending brings a large amount of money into Alaska from both public and private sources. In 2004, this totaled a conservative estimate of \$302 million, an average of \$5,821 for each retired senior. This estimate excludes spending from self-paid health insurance, retired seniors' out-of-pocket health expenditures and state government senior health care spending such as the state share of the cost of the Medicaid program.

If the current economic picture remains unchanged, this cash flow is likely to increase with increases in the number of retired seniors. In 1999, Alaska seniors were in better financial shape than seniors nationally with a per capita income between 17% and 19% higher than the national average. Alaska senior incomes were higher than the rest of the country even when Alaska's higher cost-of-living, elimination of the Longevity Bonus and the decline in the value Permanent Fund Dividend were considered. Alaska senior income was better distributed across the senior population in Alaska than in the nation with more Alaska senior incomes over \$40,000 (24%) than in the nation as a whole (11%). Alaska seniors had a lower poverty rate (7%) than U.S. seniors (10%) but Alaska rural poverty rates were higher.

The future income of retired Alaska seniors is anticipated to remain above the national average. Alaskans ages 55-64 enjoyed a relatively higher income than the national average. Union coverage of the employed workforce in Alaska indicates a larger-than-average share of the Alaska working population has pension coverage to provide them retirement income, the third highest share of union coverage in the nation.

Future retired Alaska senior spending for health care will increase with the increased number and the aging of the senior population. ISER determined Alaska senior health care spending, adjusted for the general level of inflation, may reach about \$1.3 billion in 2010 and \$4.3 billion by 2030. This figure assumes no dramatic changes in the share of the funding sources: Medicare (48%), Medicaid (14%), out-of-pocket (16%) and other (22%).

Despite generally positive economic predictions, Alaska seniors are concerned about their future. They worry about having adequate income, reasonable health and a comfortable place to live. These concerns are amplified by each individual's circumstances and by the life limitations that accompany each person's aging. We know the senior population increase will put pressure on current systems in place to help assure Alaskans a comfortable old age. Retirement pensions, Social Security, health care

systems and other services directed toward seniors may be threatened by ever expanding costs. Access to services may be limited by service and provider availability.

Some senior groups face particular challenges. There are low-income seniors who may not be eligible for Social Security because of limited SSI covered employment history, women in poverty due to the death of their spouses, and rural seniors who have limited access to long-term care options in their home communities. Middle-income and low-income seniors may be unable to access long-term care because of Medicaid ineligibility.

It appears, however, that the state of Alaska will economically benefit from a larger retired senior population. Examination of current retired Alaska senior costs and benefits indicates that retired seniors present a positive economic ratio of 10 to 1 for money in to cost out. While this analysis has many limitations, it does predict the senior population increases combined with cost increases accompanying an ever older population will alter this ratio. But the ratio may be wide enough to remain positive. Most importantly, it suggests that retired seniors are an economic asset to be cultivated.

Retired seniors bring other economic benefits. Senior spending increases the size of the state economy, fosters economies of scale and allows fixed costs of operations, particularly in health care delivery, to be spread over a larger customer base thus reducing unit costs. Additionally, seniors do not compete for limited resources such as fish or minerals and they spend their dollars locally throughout the year.

At present there are a number of State programs and policies designed to assist seniors to remain in Alaska after retirement and perhaps even attract seniors from other states. Alaska is currently ranked 7<sup>th</sup> in the country for “wealth-friendly” policies and 2<sup>nd</sup> for the “best-tax deal. Despite these policies, there are more Alaska seniors leaving the state than staying. A thoughtful review of current public policies and consideration of desired senior amenities could help reverse this trend.

There is still a need for socioeconomic studies to assess the importance of seniors to regional economies. Overall, however, local communities and the state should reap economic benefits by providing an environment where seniors can thrive and live out their lives in relative comfort and security.

# INTRODUCTION

*“The great thing about getting older is that you don’t lose all the other ages you’ve been.”*

Madeleine L’Engle (1918- )

The purpose of this report is to provide information to Alaskans to enhance their understanding of the opportunities and challenges we face as individuals and as a society as the population ages. Although Alaska seniors comprise a smaller share of Alaska’s population than any other state in the nation, this population is expanding faster than in most all other states. The rate of increase has been nothing short of explosive for the last 15 years and is expected to continue for at least the next 25.

Chapter I explores the future trends for American seniors. It looks at population, income, the health care system and at some of the strains that are beginning to surface as the growing senior population confronts the reality of limited resources. Chapter II compares Alaska seniors with U.S. Seniors using the 2000 census data. It discusses the economic characteristics of the Alaska senior population. Chapter III documents federal, state and local government retirement programs, health insurance, and other programs and services provided to seniors.

Chapter IV reviews the concerns regarding the future expressed by seniors themselves and brings attention to these issues. Chapter V presents some projections for the future regarding senior population growth, financial security, and public expenditures. The final chapter is an analysis of the real economic contribution of the retiree population to the state.

# I: NATIONAL SENIOR TRENDS

*“To me old age is always fifteen years older than I am.”*  
Bernard Baruch (1870 –1965)

A recent government report declared “most older people are healthier, wealthier, and better educated than previous generations...”<sup>2</sup> But the number of older people is expected to double by 2020. Trends indicate that the number of people entering their senior years from the baby boom generation will be greater than ever before. This is in sharp contrast to the decade of the 1990s when the senior population declined because the much smaller generation of depression era children entered the senior ranks.<sup>3</sup>

The rapid increase in the number of seniors could adversely impact Social Security Income and retirement pensions. Future projections indicate health care costs, particularly for prescription drugs, will continue to increase in addition to ever higher long-term care costs and continued shortages of caregivers. These increased costs and decreased services also threaten the financial security and health of future seniors.

The following discussion broadly reviews the future trends for the nation’s seniors including population, settlement patterns, income adequacy, health care and long-term care costs.<sup>4</sup> The issues raised by these trends must be addressed by today’s policy makers.

## *POPULATION TRENDS*

Demographic trends indicate a dramatic increase in the number of seniors as the baby boomer generation ages. There were almost 36 million people aged 65+ in the United States in 2003, comprising 12% of the total population.<sup>5</sup> The 78 million baby boomers, the generation of Americans born between 1946 and 1964, represent 27% of the U.S. population in 2003.<sup>6</sup> This large “bulge” in the age distribution will begin to turn 65 in 2011, swelling the ranks of seniors until the last baby boomers reach 65 by 2030.

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<sup>2</sup> “Older Americans 2004: Key Indicators of Well-Being”, Federal Interagency Forum on Aging. Other “snapshots” of the senior population are published by the Social Security Administration, the Administration on Aging, the U.S. Census, and others. Much of the information in those “snapshots” is contained in this report.

<sup>3</sup> The State of 50+ America in 2006, American Association of Retired Persons.

<sup>4</sup> A new report from the U.S. Census Bureau entitled “65+ in the United States:2005” was released in mid-March 2006, but too late for incorporation into this report. It is a comprehensive socioeconomic profile.

<sup>5</sup> For the purpose of this document, in most cases, a senior is a person aged 60 or older, the age of persons included in the federal Older Americans Act programs. In this national discussion, however, much of the information is centered around people aged 65 and older.

<sup>6</sup> One description of the baby-boomer generation reads like this: In 1946, 3.4 million babies were born in the U.S., a jump of 22% from the previous year. The surge of births continued, year after year, until 1964. By that time 78 million “baby boomers” had joined the population, creating a huge demographic bulge that flourished in America’s postwar prosperity. “Growing Old, Baby-Boomer Style,” CBS News, January 10, 2006.

Compounding the expanding number of seniors due to aging is the increase in the average life expectancy. In 1970, seniors aged 65 had a life expectancy of 80. In 2030, life expectancy will increase to age 83.<sup>7</sup>

The result is a projected increase in the number of seniors from 35 million in 2000 to 55 million by 2020 and 71 million by 2030. The senior share of the population will increase from 12% to 20%. After 2030 growth will slow and the senior share of the population will stabilize. But that is when the oldest baby boomers will reach age 85, and because of increased life expectancy, the numbers of seniors 85+ will continue to grow rapidly. The share of seniors 85+ in the population will increase from under 3% in 2030 to 5% in 2050. This population projection is summarized in Table I.1.

Number (thousands)								Percent of Total U.S. Population			
Age in Years								Age in Years			
Year	60-64	65-74	75-84	85+	60 and over	65 and over	U.S. Pop Total, All Ages	65-74	75-84	85+	65 and over
2000	10,805	18,391	12,361	4,240	45,797	34,992	281,422	6.5%	4.4%	1.5%	12.4%
2010	16,679	21,269	12,851	6,123	56,922	40,243	308,936	6.9%	4.2%	2.0%	13.0%
2020	20,856	31,779	15,584	7,268	75,487	54,631	335,805	9.5%	4.6%	2.2%	16.3%
2030	19,676	37,948	23,903	9,603	91,130	71,454	363,584	10.4%	6.6%	2.6%	19.7%
2040	19,719	35,470	29,170	15,409	99,768	80,049	391,946	9.0%	7.4%	3.9%	20.4%
2050	22,384	37,943	27,902	20,861	109,090	86,706	419,854	9.0%	6.6%	5.0%	20.7%

**Note:** Figures for 1900 to 1950 exclude Alaska and Hawaii. Figures for 1900 to 2000 and projections for 2010 to 2050 are for the resident population.  
**Source:** U.S. Bureau of the Census. Data for 1900 to 1940, 1960, and 1980 shown in 1980 Census of Population, PC80-B1, General Population Characteristics, Tables 42 and 45; Data for 1990 from 1990 Census of Population and Housing, Series CPH-L-74, Modified and Actual Age, Sex, Race, and Hispanic Origin Data. The 2000 data is from the 2000 Census. The figures for 2010 to 2050 are from Census Bureau International Data Base.

Table Source: ISER

## DEMOGRAPHIC CHARACTERISTICS

Characteristics of the baby boomer generation will largely determine the characteristics of the future senior population. When compared to current seniors the boomer generation is wealthier, healthier, better educated and more geographically mobile.<sup>8</sup> Baby boomers are more likely to remain single, to have no children, and to divorce. A higher share of

<sup>7</sup> The Social Security Administration projects an increase of 2 years in life expectancy for persons turning 65 between today and 2030, see 2005 OASDI Trustees Report. Some analysts suggest it could be higher, based on data from other countries. See Lee, Ronald and Skinner, Jonathan, "Will Aging Baby Boomers Bust the Federal Budget?", Journal of Economic Perspectives, Volume 13, No. 1, Winter 1999, p. 117-140. Others speculate that it may begin to fall as a result of the increasing incidence of obesity in the population.

<sup>8</sup> In general this is a better educated population than their parents' generation. In 1950, 17% of older Americans were high school graduates and 3% had a higher education degree. By 2003, 72% were high school graduates and 17% had a higher education degree. But only 52% of Blacks and 36% of Hispanics were high-school graduates.

women are in the workforce; and the population overall is more ethnically mixed.<sup>9</sup> These characteristics help to define the resources and needs of future seniors.

## SETTLEMENT PATTERNS

National demographic trends reflect changes in settlement patterns as the population ages. However, demographers have difficulty predicting which states will have a high concentration of seniors. States with the highest concentrations of seniors today are not necessarily the ones where the senior population is increasing rapidly.

Seniors seem to be attracted to places with warm climates, low taxes, cultural opportunities and other amenities. Information from the 2000 census suggests that the “hot spots” for seniors include not only much of the west and south but also university towns, such as Iowa City and Bloomington, Indiana. The fastest growing metropolitan areas for seniors are small-to-medium-sized communities, mostly in the south, in places like Naples, Florida, and Myrtle Beach, South Carolina. The number of seniors in the suburbs is also increasing, largely because of “aging in place” rather than migration.

States with a high concentration of seniors, such as Pennsylvania, typically have recently experienced population losses among their younger residents due to slow economic growth. The out-migration has often included “yuppie seniors,” leaving behind those less well off. Some states and communities have sought to attract these young, well-off seniors, who are likely to have considerable disposable income, good health, and be in married-couple households.<sup>10</sup>

## *FINANCIAL TRENDS*

The current senior generation appears better off financially than their predecessors. A recent AARP analysis of economic indicators shows positive changes for seniors: the incidence of poverty (down), the incidence of pension coverage (up), a positive growth of financial assets, and diversification of sources of income.<sup>11</sup> Median income of senior-headed households increased 37% between 1974 and 2002 in inflation-adjusted dollars.<sup>12</sup> The share of older people living below the poverty threshold declined from 35% in 1959 to 10% in 2002. Median net worth of senior-headed households increased 82% between 1984 and 2001 in inflation-adjusted dollars.<sup>13</sup> A large share of that net worth was the value of housing.

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<sup>9</sup> Smith, Karen E. and Toder, Eric, “Changing Demographics of the Retired Population,” The Urban Institute, November 2005.

<sup>10</sup> Frey, William, “Seniors in Suburbia”, American Demographics, November 1, 2001.

<sup>11</sup> The State of 50+ in America in 2006, American Association of Retired Persons.

<sup>12</sup> A household consists of all the people who occupy a housing unit. See Appendix A for further definitions.

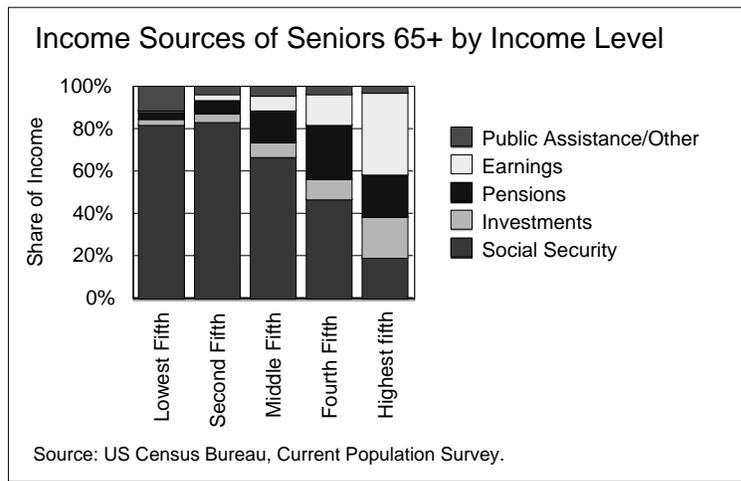
<sup>13</sup> “65+ in the United States:2005” U.S. Census Bureau, March 2006

Despite these positive trends, AARP reports that growth in median family income has stalled and the trend toward 401(k) type retirement plans (defined contribution rather than defined benefit) imposes greater financial risk for future retirees. As a result there are concerns about future income adequacy for aging baby boomers.<sup>14</sup>

The following discussion explores the current economic status of seniors, considers whether the usual retirement income sources will provide an adequate income and offers some predictions for the future. In 2002, overall senior income was composed of Social Security (39%), earnings (25%), pensions (19%) and asset or investment income (14%). For today’s seniors, wages often supplement retirement income.

The economic status of future seniors is less clear. Economic research has provided no conclusive predictions about the boomers’ future economic health. Research does indicate that the large number of future seniors will have an impact on future consumption patterns.

Figure 1



## SOCIAL SECURITY

When the Social Security system was established in the 1930s, the ratio of workers to recipients was 10 to 1 and life expectancy was 2 years below retirement age. A pay-as-you-go system could work under those conditions and, even in recent years, the system has generated more revenues than expenditures.<sup>15</sup> But as life expectancy has increased and the population has aged, it is becoming increasingly difficult to fund the system.

<sup>14</sup> “The Retirement Prospects of the Baby Boomers”, Economic and Budget Issue Brief, Congressional Budget Office, March 18, 2004.

<sup>15</sup> By law these revenues are invested in federal government securities. This reduces the current federal budget deficit, but in future years repayment of these loans will present a significant and growing challenge for the federal budget. Repayment of these loans would carry the Social Security system up to about 2029, but after that some action would be necessary as revenues at that time are projected to be only between 70 and 77 percent of expenditures. See “Retirement Income, Implications of Demographic Trends for Social Security and Pension Reform,” U.S. General Accounting Office, GAO/HEHS-97-81 July, 1997.

In the future, the increased number of seniors drawing Social Security retirement checks is predicted to surpass the number of active workers who are needed to contribute to the system. The ratio of workers to retirees is now 3.4 to 1 and is projected to fall to 2 to 1 by 2030. Therefore it seems some change in benefits is inevitable.<sup>16</sup>

The most commonly discussed reforms include: further increasing the retirement age, modifying cost-of-living adjustments, changing the benefits formula to reduce the monthly benefit amount, and privatizing a portion of each individual's account to permit self-managed investments. Of these reforms, a reduction in benefits has become a concern because although the Social Security system was never meant to provide for the entire retirement needs of workers, in reality it is the major source of income for a large share of seniors.

## PENSIONS

Pensions covered about 47% of workers in the early 1990s, and in the past these were primarily "defined benefit" plans.<sup>17</sup> This meant that employers guaranteed the benefits that workers received upon retirement. This system worked well as long as the number of retirees was relatively small, but as the number of retirees increased and retirees lived longer, the burden of paying for their benefits increased for employers.<sup>18</sup> In response, employers have tried to reduce or eliminate the burden that these "defined benefit" plans have put on their cost of doing business and their competitive position in an increasingly global economy.

One approach companies have adopted is to convert retirement benefit programs to "defined contribution" plans, such as 401(K) plans. In these plans the worker and employer contribute into a retirement fund for the employee, and at the time of retirement the fixed amount accumulated in the fund becomes the employee retirement benefit. The downside of this approach is that the retiree bears the risk of outliving their retirement income, whereas under a "defined benefit" plan the employer was obligated to provide benefits for the lifetime of the retiree.

A second company approach shifts the obligation for payment of retiree benefits to the Pension Benefit Guaranty Corporation (PBGC) through bankruptcies and other methods. The federal PBGC has established an insurance fund, paid for by employer contributions, to guarantee worker pension plans up to \$45,000 per year per retiree. Over time more companies have shifted their obligation to retirees over to the PBGC so that by 2004 it was responsible for the pensions of more than 1 million people, and began to suffer

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<sup>16</sup> The dependency ratio is sensitive to the birth rate and labor-force participation rates (including seniors) but not very dependent on immigration policy that might increase the number of foreign-born workers into the economy.

<sup>17</sup> Workers in larger firms were more likely to be covered by a pension. Only a small share of part-time workers were covered. Men are more likely to be covered by a pension than women.

<sup>18</sup> The difficulty in funding private pensions has been compounded by the fall in interest rates and stock prices that has adversely impacted retirement funds. A recent estimate suggested that private pension funds were under funded by \$450 billion and public employee retirement funds by over \$300 billion. See "The End of Pensions," The New York Times, October 30, 2005.

financially. According to the 2004 Annual Report, “Losses for the single-employer program continued, more than doubling the program’s deficit to a record \$23.3 billion.”<sup>19</sup>

As a result of these changes in pensions, the responsibility for funding retirement programs is shifting away from employers to workers and the federal government. In the future, workers could be responsible for determining how much they will need to save for retirement, and pensions administered by the federal government will pay less to retirees than had been guaranteed to them under their privately funded “defined benefit” plans. The loss of pension benefits imposes a particular burden on seniors who, because of age related limitations, are unable to return to the labor market to try to recoup some of this loss.

## INVESTMENT INCOME

Assets and investment income provide almost 15% of current retired senior income.<sup>20</sup> Because of possible changes in the traditional sources of retirement income such as Social Security and pensions, investment income may increase in importance. As with “defined contribution” retirement plans, a challenge for people saving for retirement is to know how much income will be necessary to meet their future needs since no one can predict how long they will live or what their future health care costs might be.

The current savings rate in the U.S. is extremely low and few retirees have chosen to purchase annuities. This suggests to some analysts that people may retire with insufficient savings necessary to supplement Social Security and pension income. There is also a concern that changing demographics will cause stock prices to fall, because seniors will have to sell off their assets to finance their retirement. This could negatively impact the value of investments, however, economists disagree on the potential significance of this possibility.<sup>21</sup>

## EARNINGS

A larger share of seniors work past age 65 than in past generations. For seniors who find themselves with insufficient income from other sources, staying in the labor market or returning to the labor market may be their only option for supplementing their income.

After a 30-year decline, a larger share of senior men worked over the last 10 years. The share of senior women in the workforce has increased for several decades. The motives for continuing to work past age 65 vary. Some individuals without pensions or investments continue to work to supplement Social Security income. For others the earnings from work are less important than the opportunity to keep active. Others

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<sup>19</sup> Pension Benefit Guaranty Corporation, 2004 Annual Report, p.4.

<sup>20</sup> “65+ in the United States: 2005” U.S. Census Bureau, March 2006

<sup>21</sup> “A Future Meltdown?” The Economist, September 2, 2004.

recognize that continuing to work for even one extra year can have a substantial impact on reducing the amount of savings required for retirement.

The average age of the labor force has increased since 1980 due to the aging of the baby boomer population. This trend is projected to continue so that by 2012 the average age of the labor force will be an all-time high of 40.5 years.<sup>22</sup> This is a reflection of an increase in the share of seniors in the population as well as the assumption that a larger share of seniors will choose to work.

The aging of the workforce will be accompanied by a change in the characteristics of workers. The increase in labor force participation is projected to be more pronounced for senior women although there will continue to be more senior men working than women. Senior workers will bring more experience to their jobs, but those with less education and fewer work skills will face additional challenges as they age. These changes will challenge employers to develop new strategies to maximize the potential contribution of senior workers.

## RESEARCH ON FUTURE SENIOR INCOME

The Congressional Budget Office recently reviewed research conducted over the past decade on the retirement prospects of aging Americans. Their review found the economic future forecasts for today's boomers to be very mixed.<sup>23</sup> Because there is no accepted standard of what constitutes an adequate or appropriate level of retirement income, a number of different measures have been used to assess the adequacy of retirement preparations. By applying different measures, researchers arrived at differing conclusions. In general, however, the news is optimistic for the majority of seniors. The news for minority groups and single women is less rosy.

The good news is that baby boomers are either better off or as well off financially as their parents' generation. Studies that compared boomers' finances or their poverty level with those of earlier generations concluded that, on the whole, boomers will almost certainly be better off in retirement than their parents and will be less likely to live in poverty. Other studies showed that boomer families have about the same wealth-to-income ratio as families of the same age 20 years earlier and concluded that boomer savings behavior is about the same as their parents. Consequently, they may have adequate assets to support themselves in retirement.

Studies also analyzed the boomer generation's savings to determine whether boomers are saving enough to maintain their same standard of income after they retire. This is sometimes characterized as the "replacement rate" or the ratio of post-retirement to pre-retirement income. These studies suggest that about half of boomer households are on track to accumulate enough wealth to maintain their current standard of living if the

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<sup>22</sup> Labor force Projections to 2012: the Graying of the U.S. Workforce, Monthly Labor Review, February, 2004.

<sup>23</sup> "The Retirement Prospects of the Baby Boomers," Economic and Budget Issue Brief, Congressional Budget Office, March 18, 2004.

householders retire as planned. About one-quarter of the households have accumulated very few assets and are likely to find themselves dependent on government benefits in retirement. For some of these low-income households, Social Security benefits will be sufficient to let them maintain their working age consumption. Nevertheless, other households in the low saving group could face a decline in their standard of living in retirement. For the remaining quarter of boomer households, the evidence is mixed, however, if optimistic assumptions prevail including a high return on investments, full funding of Social Security, and the ability to draw on accumulated equity in their homes, these boomers should have a secure retirement income.

Some groups of seniors will be more economically vulnerable in the future. These seniors include divorced women, never-married men, Blacks, Latinos, Native Americans, high school dropouts, Social Security non-beneficiaries, seniors with a limited work history, seniors with the lowest lifetime earnings, the oldest seniors, and widows. For example, since women have a greater life expectancy than men, many will spend some time living as widows. Many widows find themselves less well-off after their husbands die either because they lose their husband's pension, spent down their savings to pay for their husband's health care, or some other reason.

## CONSUMPTION PATTERNS

The increase in the senior population will impact commercial business and public services because of senior-specific patterns of purchasing. For example, the consumption patterns of seniors include large expenditures on health care, which has implications for the health care industry. In addition, senior preferences for transportation, entertainment, recreation, food, clothing, personal services, and education are all likely to result in significant changes in business activity.<sup>24</sup> One example is the housing market. With an increase in senior consumers more emphasis will be placed on house designs that allow seniors to "age in place."

## *HEALTH CARE SYSTEM*

Seniors live longer and remain in better health than their predecessors. Better health and improved medical treatments translate into far fewer deaths from acute causes. Today the most common causes of death are heart disease, cancer, stroke, chronic respiratory disease, injury, and diabetes. Life expectancy at age 65 increased from 77 years in 1900 to 83 years in 2002. This was accompanied by a decrease in the incidence of chronic disability from 25% in 1984 to 20% in 1999. The senior death rate fell 12% between 1981 and 2001, with rapid declines in the rates for heart disease and stroke, however, death rates for diabetes and lower respiratory diseases increased.

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<sup>24</sup> Paulin, Geoffrey D. and Duly, Abby L.", Planning Ahead: Consumer Expenditure Patterns in Retirement", Monthly Labor Review, July 2002.

A longer life, however, also means that a large share of the senior population will experience dementia and/or a prolonged period of frailty in their later years. The cost of their care may place seniors in an economically sensitive position. Most seniors can expect to be chronically ill for an extended period at the end of their lives.<sup>25</sup> But the health care system has been slow to adapt to the chronic illness and disability that elderly Americans are likely to face.

## HEALTH CARE COSTS

Even with higher income and wealth, seniors may remain financially vulnerable because of the potential for high out-of-pocket health care costs. The per capita cost of personal health care has increased at more than 6% each year,<sup>26</sup> about twice as fast as the overall rate of inflation. This rate is projected to continue into the future.<sup>27</sup> The rapid increase in health care expenditures, driven by increased prices, new technologies, and greater use of services, takes an ever larger share of the economy's resources. Given the projected increase in the senior population, it could be difficult to hold health care cost growth down to the rate projected by the federal government.

Currently, seniors account for 36% of total U.S. health care spending. As Table I.2 shows, in 1999 per capita health care expenditures for persons under age 65 averaged \$2,793. This average rapidly increases as seniors age. The average for seniors 65+ was \$11,089, four times as high, and the average for seniors 85+ was \$20,001, almost twice as high as for seniors ages 65+.<sup>28</sup>

Younger senior health care spending pays for hospitals, physicians, and prescription drugs. As seniors advance in age, health care spending pays for long-term nursing home care, and home-health care, the most expensive health services. Together they account for half of total personal medical care expenditures for seniors 85+.

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<sup>25</sup> Lynn, Joanne, and Adamson, David M. "Living Well at the End of Life: Adapting Health Care to Serious Chronic Illness in Old Age," Rand Health White Paper, 2003.

<sup>26</sup> Prescription drug costs per capita have been increasing between 10% and nearly 20% per year.

<sup>27</sup> National Health Care Expenditures Projections:2004-2014, Centers for Medicare and Medicaid Services, Office of the Actuary.

<sup>28</sup> Adjusting these figures for the increase in health care expenditures over time results in an estimate of per capita personal health care expenditures in the U.S. in 2005 for seniors, of about \$16,400; and for the oldest seniors, \$29,500.

<b>Table I.2</b>					
<b>Per capita Spending for Personal Health care Expenditures by Age and Component, 1999</b>					
	<b>Under 65</b>	<b>65+</b>	<b>65-74</b>	<b>75-84</b>	<b>85+</b>
<b>Total Personal Health Care</b>	\$2,793	\$11,089	\$8,167	\$12,244	\$20,001
<b>Total Excluding Nursing Home Care</b>	\$2,724	\$9,002	\$7,556	\$10,023	\$12,183
Hospital	\$1,027	\$4,132	\$3,298	\$4,786	\$5,791
Physician and Clinical Services	\$815	\$2,092	\$2,006	\$2,263	\$1,977
Prescription Drugs	\$301	\$900	\$895	\$922	\$858
Dental Care	\$199	\$229	\$283	\$203	\$77
Other Professional	\$121	\$209	\$79	\$222	\$296
Other Personal Health Care	\$92	\$328	\$146	\$337	\$1,056
Home Health Care	\$54	\$553	\$252	\$655	\$1,518
Non-durables	\$73	\$359	\$336	\$389	\$370
Durables	\$42	\$201	\$162	\$246	\$240
<b>NURSING HOME CARE</b>	\$69	\$2,087	\$611	\$2,221	\$7,818
Source: Centers for Medicare and Medicaid Services, Office of the Actuary, National Health Statistics Group.					
Table Source: ISER					

## HEALTH CARE PAYMENT SOURCES

The majority of health care expenditures in the U.S. are paid indirectly by “third-party payers” including public and private sources. Overall seniors pay about 17% of the cost of their health care expenditures “out-of pocket” or about the same share as persons under 65 as shown in Table I.3. Medicare and Medicaid, public insurance programs, together account for nearly 2 out of every 3 dollars spent on health care for seniors. Private programs pay for about 18%.

The source of health care payment is different depending upon the type of health service. For example, Medicare pays for the majority of hospital and physician services, but little for nursing homes and almost nothing for dental care. Before 2006 it paid very little for

prescription drugs. In contrast, the largest payer for nursing home care is Medicaid. Seniors pay out-of-pocket for most of their dental care and for a large share of nursing home care.

As seniors age, nursing home care expenditures become a larger part of total medical costs, and because Medicaid does not cover all the cost of this expensive service the out-of-pocket costs for seniors increase dramatically as shown in Table I.4. Whereas the out-of-pocket costs for health care averaged \$482 for the population under 65 in 1999, the oldest seniors 85+ paid \$4,180 on average out-of-pocket for health care, including long-term care.

Among third party payers, Medicaid payments increase the fastest with advancing age, due largely to the importance of Medicaid as a source of payment for nursing home care. Concern is increasing about the ability of the federal government to continue to fund Medicare, which provides medical care to seniors, and Medicaid, which serves low-income persons including seniors. Future program costs, assuming the continuation of current levels of coverage, depend not only on the number of eligible beneficiaries and the current cost of health care but also on the projected level of health among seniors.

Medicare is a federal health insurance program for the senior population funded by premiums people pay during their working years. However, expenditures are projected to grow from 2.7% of U.S. Gross Domestic Product (GDP) today to 7.5% in 2035, an increase that would be difficult to cover with increases in premiums on workers. The federal share of Medicaid<sup>29</sup> is projected to grow from 1.5% to 2.6 % of GDP by 2035.<sup>30</sup>

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<sup>29</sup> The federal share of Medicaid funding varies by state from 50% to 83% and is based on a state's per capita income in relation to the national average.

<sup>30</sup> Long-Term Care Financing, Growing Demand and Cost of Services Are Straining Federal and State Budgets, Testimony before the Subcommittee on Health, Committee on Energy and Commerce, House of Representatives, Kathryn G. Allen, Director, Health Care—Medicaid and Private Health Insurance Issues, April, 27, 2005.

<b>Table I.3</b>						
<b>Sources of Payments for Personal Health Care Expenditures for Persons 65+, 1999 (percent)</b>						
	<b>Out-of-Pocket</b>	<b>Private Insurance</b>	<b>Other Private</b>	<b>Medicare</b>	<b>Medicaid</b>	<b>Other Public</b>
<b>Total Personal Health Care</b>	17.4%	14.5%	3.1%	46.0%	15.4%	3.5%
Hospital	.8%	12.3%	2.4%	72.9%	7.9%	3.7%
Physician and Clinical Services	5.8%	19.4%	4.7%	64.6%	1.8%	3.7%
Prescription Drugs	40.7%	32.5%	0%	5.9%	18.1%	2.8%
Dental Care	72.7%	23.2%	.03%	1.0%	2.2%	.5%
Other Professional	20.2%	18.8%	4.6%	48.6%	2.1%	5.7%
Other Personal Health Care	0%	0%	1.0%	.1%	88.0%	11.0%
Home Health Care	23.3%	19.1%	5.0%	40.3%	7.5%	4.8%
Non-durables	92.8%	0%	0%	7.2%	0%	0%
Durables	33.1%	12.0%	0%	51.2%	0%	3.7%
<b>NURSING HOME CARE</b>	32.2%	8.9%	5.0%	11.3%	40.4%	2.3%
Source: Centers for Medicare and Medicaid Services, Office of the Actuary, National Health Statistics Group.						
Table Source: ISER						

<b>Table I.4</b>							
<b>Per Capita Payments for Total Personal Health Care Expenditures by Source by Age, 1999</b>							
	<b>Out-of-Pocket</b>	<b>Private Insurance</b>	<b>Other Private</b>	<b>Medicare</b>	<b>Medicaid</b>	<b>Other Public</b>	<b>Total</b>
<b>Under 65</b>	\$482	\$1,276	\$182	\$117	\$472	\$263	\$2,792
<b>65+</b>	\$1,930	\$1,608	\$344	\$5,101	\$1,708	\$388	\$11,079
<b>65-74</b>	\$1,323	\$1,535	\$221	\$3,953	\$800	\$327	\$8,159
<b>75-84</b>	\$2,020	\$1,579	\$380	\$6,110	\$1,763	\$380	\$12,232
<b>85+</b>	\$4,180	\$2,020	\$720	\$7,140	\$5,340	\$620	\$20,020
Source: Centers for Medicare and Medicaid Services, Office of the Actuary, National Health Statistics Group.							
Table Source: ISER							

Economists have reached no consensus regarding how the combination of increased life expectancy, improved health status, and advances in medical technology will combine to impact future health care costs per senior. The longer a person lives, other things being equal, the more years they will have to incur medical expenses, and this will increase a person's lifetime health costs. However, a longer life expectancy may also postpone the onset of the large health-related expenses typical of the last months of a person's life, and this postponement could reduce the rate of increase of costs in the near term. Variation in these factors will impact the rate of increase but will not lead to a decline in per capita health care expenditures for the senior population.<sup>31</sup>

Because of increased costs, public and governmental pressure to trim Medicaid and Medicare program costs through reductions in coverage will likely increase. These changes could have adverse effects on access to care for seniors and others because reductions will increase seniors' out-of-pocket costs and impact their financial security. The most expensive potential expense confronting seniors is the cost for long-term care services.

## LONG-TERM CARE

Long-term care is distinct from acute care, which focuses on curing an illness or restoring an individual to a previous state of better health. Long-term care encompasses a broad range of help with daily activities needed by chronically disabled individuals for a prolonged period of time. Long-term care includes health care along with a variety of services necessary to maintain quality of life, including housing, transportation, nutrition, and social support to help maintain independent living.

Long-term care is provided in a range of settings known as a "continuum of care" depending on the recipient's needs and preferences, the availability of informal support, and the source of reimbursement.<sup>32</sup> Seniors living at home or in community-based residential care settings are in the least intensive care end of the care continuum. Seniors in nursing homes receive the most intensive care. For example, 60% of seniors living at home have no significant limitations, but essentially all residents of nursing homes have at least one, and most have several.<sup>33</sup>

Most elderly with long-term care needs live at home.<sup>34</sup> Other types of residential care include a wide range of assisted living facilities, board and care, and adult foster homes. These facilities are licensed by state and local governments. Assisted-living facilities are viewed as an option for individuals who can no longer remain in their homes, but may

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<sup>31</sup> Goldman, Dana P. et al. "Health Status and Medical Treatment of the Future Elderly," prepared for Centers for Medicare and Medicaid Services by Rand Health, TR-169-CMS, August 2004.

<sup>32</sup> This description of long-term care is largely taken from, Stone, Robyn I. "Long-term Care for the Elderly with Disabilities: Current Policy, Emerging Trends, and Implications for the Twenty-First Century," The Milbank Memorial Fund, undated.

<sup>33</sup> Limitations are characterized by inability to accomplish Activities of Daily Living (ADL) such as bathing, dressing, eating, getting in/out of chair, walking or toileting.

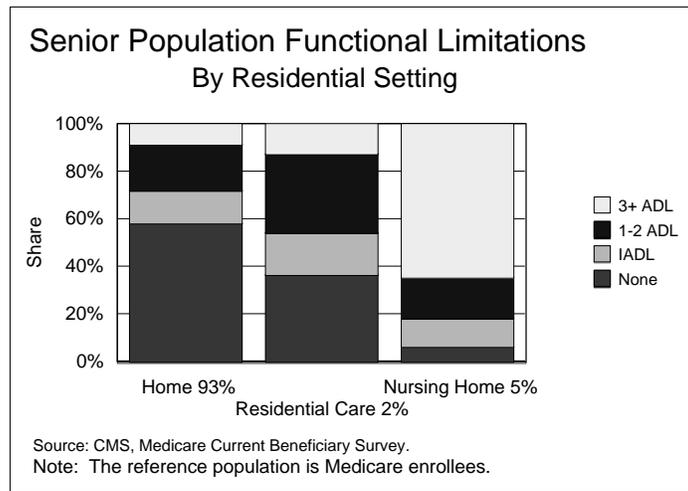
<sup>34</sup> Ibid.

not require nursing home services. Adult day care provides personal care and social integration for seniors with moderate disabilities, usually during the work week.

Nursing home care provides the most intensive services and is the most costly. The annual cost of nursing home care is several times that of home based care. Motivated both by cost and dissatisfaction with current methods, considerable effort is being directed at developing new alternatives to nursing home care.

Caregivers also change with the type of long-term care site and the functional limitation of the senior. Elderly with long-term care needs who live at home often receive assistance from family members. In this setting a person might also receive both “home-health care,” which includes some skilled nursing and supervised custodial care, and “home care,” which includes personal services or help with activities of daily living (ADL) and instrumental activities of daily living (IADL). These are both measures of functional health and include activities such as walking, bathing, dressing, and toileting as well as housework.<sup>35</sup> This assistance may be delivered either through a care coordination system or as consumer-directed care, where the consumer takes an active role in choosing and managing the care he or she receives.

Figure 2



Both informal and formal care providers take care of the needs of the elderly. The major long-term care provider is the family and, to a lesser extent, other unpaid informal caregivers. The cost of informal care provided by family members would exceed \$100 billion if these caregivers were paid. The average age of these caregivers is 60, and the majority do not hold paying jobs either because they have retired or because they are among the generation of stay-at-home women.

Among formal, paid care providers, nurses provide the majority of professional long-term care to the elderly. Most paid providers, however, are paraprofessionals, either certified

<sup>35</sup> See Appendix A for a more complete definition of ADL and IADL.

nursing assistants in nursing homes or home-care workers delivering the primarily low-tech personal care and assistance with managing daily life.

## LONG-TERM CARE COSTS

Long-term care is the most expensive health care cost for seniors. After age 65, almost half of all Americans will spend some time in a nursing home, and almost three out of four will require some home-care. Expenditures for long-term care for the elderly are projected to grow from about \$123 billion in 2000 to \$207 billion in 2020 and \$295 billion by 2030 (in constant \$).<sup>36</sup> The ability of society to continue to provide for seniors' long-term care needs will depend on a number of factors such as the ability of family members and others to provide unpaid care, the economic resources of seniors themselves, the ability of Medicaid and other public programs to provide additional funding, and possibly, the adoption of new programs and methods of service delivery.

The demand for long-term care by seniors will rise due to the increasing number of seniors aged 85+.<sup>37</sup> Only 12% of seniors aged 65-74 have a long-term care need, however, 70% of seniors aged 85+ require this level of care. And although the share of elderly in nursing home care has been trending downward, seniors in nursing homes today are on average more cognitively impaired than before.

## LONG-TERM CARE PAYMENT SOURCES

Seniors pay for long-term care using Medicaid, out-of-pocket and with private long-term care insurance. Medicaid, the joint federal/state health insurance program for the poor, is the major public program covering long-term care for the elderly as well as for disabled people of all ages. Most of its funding of long-term care had historically been directed toward nursing homes, which receive about 41% of their funds from Medicaid. About 20% of Medicaid funding for long-term care now goes to home and community-based care. But that share is growing rapidly as "Medicaid waivers" for non-institutional spending on home and community-based care become more widespread.<sup>38</sup>

About 33% of the cost of long-term care is paid out-of-pocket. This excludes unpaid care by family members and others that has an estimated value in excess of \$100 billion. Private long-term care insurance funds only a small part of the cost of long-term care, partly because of its high cost, which puts it beyond the reach of many older adults and seniors. This may be because of the perception by some seniors that Medicare will cover

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<sup>36</sup> "Projections of Expenditures for Long-Term Care Services for the Elderly, CBO Memorandum, Congressional Budget Office, March 1999.

<sup>37</sup> The decline in the rate of disability could also be partially offset by an increase in the length of time that the typical person is disabled.

<sup>38</sup> The burden for paying for long-term care has increasingly fallen on Medicaid as individuals requiring care "spend down" their assets, to become financially eligible for Medicaid. Since the income and assets of the family determine program financial eligibility, this can have the additional effect of placing the spouse in financial jeopardy.

their long-term care needs. But Medicare only covers long-term care when the care is for recovery from an acute condition.

In light of the projected growth in the cost of long-term care for public programs and the economy, policy makers are considering answers to a number of questions that could change how long-term care is provided and paid for in the U.S.<sup>39</sup>

These questions are:

- What is the proper balance between individual responsibility and the broader society for meeting the long-term-care needs of seniors?
- What is the appropriate role for social insurance programs?
- How can personal preparedness be encouraged?
- How can the benefits, burdens, and costs of informal (unpaid) caregiving be recognized?
- How can we balance federal and state responsibilities?
- How can we develop financially sustainable public commitments to seniors?
- How can we achieve efficient and effective implementation and administration of reforms?

## SUPPLY AND DEMAND FOR HEALTH CARE WORKERS

A growing demand for health care services will put upward pressure on the demand for both formal and informal caregivers. The growth of informal care depends upon the number of potential caregivers and the competing demands placed upon their time. There is concern that over time a larger share of seniors will not have either spouses or children to provide this assistance. In addition, adult women, currently the primary care providers, are now more likely than in the past to be working, leaving them with less time to care for elderly parents and other relatives.

The need for all types of health care workers, from doctors to nursing home service providers, will continue to grow. The aging population is projected to increase the demand for physicians from 2.8 per thousand population in 2000 to 3.1 in 2020. Demand for full-time-equivalent (FTE) registered nurses per thousand population would increase from 7 to 7.5 during the same period. Physicians would spend 39% of their time dealing with seniors, compared to 32% in 2000. This increase in demand would coincide with a period when large numbers of professionals are retiring and the share of the population in the 18-30 age group will be falling.<sup>40</sup>

Attracting enough people into these fields to meet demand will be a growing challenge. In 2000 there was an estimated shortage of 6%, or more than 100,000 registered nurses.

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<sup>39</sup> Ibid.

<sup>40</sup> "Changing Demographics: Implications for Physicians, Nurses, and Other Health Workers, U.S. Dept of Health and Human Services, National Center for Health Workforce Analysis, Spring 2003.

This shortage was projected to grow to 12% by 2010 and 20% by 2015.<sup>41</sup> In addition, few existing health care professionals are trained in geriatrics, and there are few financial incentives to obtain training or pursue careers in the care of older adults with chronic illness and disabilities.<sup>42</sup>

The situation is similar for nursing aides and home-health aides, two of the major occupations responsible for providing patient care of a paraprofessional nature to chronically ill, disabled, and elder persons in nursing homes, other institutional or community-based settings and at home. Furthermore, high turnover in these occupations, ranging from 45% to over 100%, is a growing concern due to factors including low pay and lack of benefits, lack of potential for career advancement, heavy workloads, disrespect, abuse, racial tension, and burnout. Women between the ages of 25 and 50 without a post-secondary education comprise the pool from which these workers have traditionally been drawn. This pool continues to shrink at the same time that demand continues to increase.<sup>43</sup> Some analysts have suggested liberalization of immigration laws as a means of increasing the supply of labor to fill projected occupational shortages.

## *FUTURE FORECAST*

There will be more and more seniors as baby boomers age. These seniors may be better off financially than the previous generation but the number of seniors who will draw down on Social Security, pensions and other retirement income sources could endanger this financial security. One solution to the anticipated economic crisis discussed at a national level is to convert defined benefit plans to defined contribution plans. Defined benefit plans assure a retiree lifetime payments whereas defined contribution plans have a set limit that can be used up before a retiree's lifetime ends. This change requires retirees to anticipate the savings they will need to see them through retirement to the end of their lives and to personally make sure they will be economically secure.

Seniors will live longer than the previous generation. Although seniors are in general healthier, the number of seniors living longer will significantly impact the health care system. Seniors rely on the publicly funded health care insurance programs: Medicare and Medicaid. As seniors age, health care requirements increase and cost more. Continued increasing health care costs coupled with possible changes in these benefits will increase out-of-pocket costs for seniors and increase their financial vulnerability. Long-term care needs and costs are the most expensive costs faced by the frail elderly. There are concerns about whether America's current health system can meet these future demands.

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<sup>41</sup> "Projected Supply, Demand, and Shortages of Registered Nurses: 2000-2020, U.S. Dept of Health and Human Services, National Center for Health Workforce Analysis, July 2002.

<sup>42</sup> Millbank Memorial Fund, *Ibid.*

<sup>43</sup> "Nursing Aides, Home Health Aides, and Related Health Care Occupations—National and Local Workforce Shortages and Associated Data Needs," U.S. Dept of Health and Human Services, National Center for Health Workforce Analyses, February 2004.

## II: ALASKA SENIOR STATUS

*“A person is always startled when he hears himself seriously called an old man for the first time.”*  
Oliver Wendell Holmes (1809-1894)

This chapter compares Alaska seniors to other American seniors using information primarily from the 2000 U.S. Census. Although the census is the most comprehensive source of information available, it has limitations. More than five years have passed since the census was taken, and conditions in Alaska are not the same today as in 2000. In answering census questions, people may give incorrect or inaccurate information.<sup>44</sup> Because much information from the census is based on a sample of the population, when the sample size is small, the margin of error in the responses to questions can be large. Nevertheless, the census data provides a useful description of the Alaska senior population and a baseline for discussion.

The magic age when a person transforms into a senior varies among organizations, government programs, and publications. Federal government programs provided under the Older Americans Act target the population aged 60 and above. Medicare, on the other hand, provides health benefits to the population aged 65 and above. Full Social Security benefits for retirees formerly commenced at age 65, but younger workers must now wait until 66 or older to become eligible for full benefits. In recognition of these differences, these descriptions include the population 60 and above, as well as the population 65 and above to the extent the data allow. Because the characteristics of the senior population change with age, for the purpose of discussion the population is sometimes divided into four groups: the near old (60-64), the young old (65-74), the old (75-84), and the old-old (85+).

The 2000 census data indicates that the senior share of the Alaska population was the smallest among all the states, currently at 6.3% for the 65+ population. It also noted that the senior population is increasing faster in Alaska than in any other state except Nevada.<sup>45</sup> While the senior population in the U.S. increased by 12% in the decade of the 1990s, it grew by 60% in Alaska. Average Alaska senior income is higher by almost 20% than seniors in the U.S. without consideration of cost-of-living differences. The poverty rate in Alaska for the entire population is 3% lower than in the U.S., however, the proportion of poverty level older seniors (over age 75) is higher in Alaska than in any other state except Utah. The same proportion of Alaska seniors as U.S. seniors own their own home, however, more Alaska seniors have housing debt.

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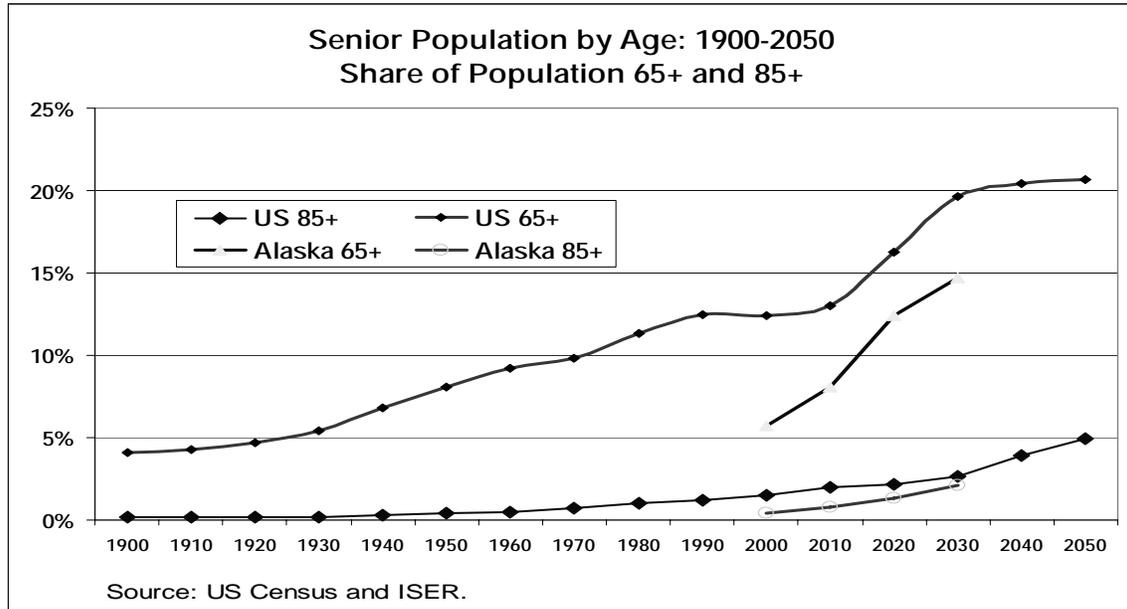
<sup>44</sup> See, for example, the 2000 Census: Counting under Adversity, The National Academy of Sciences, 2004.

<sup>45</sup> Appendix B, Table B.1

## ALASKA SENIOR POPULATION

Census data and population projections indicate the number of seniors in America will almost double between 2000 and 2020. In Alaska, the rate of increase is anticipated to be even greater because of the combination of aging-in-place and migration patterns.

Figure 3



In 2004, the Alaska population aged 60+ was 65,000, an increase of 22% from 2000. During the same period, the population 65+ increased to 41,600, an increase of 16%. Table II.1 illustrates the growth in the senior population since 1950. The expanding Alaska senior population is the result of both the aging of the population and changes in the senior migration pattern. In recent years an increasing number of Alaskans have reached aged 65, and an increasing number have chosen to remain in the state.

### MIGRATION AND SETTLEMENT PATTERNS

Despite the increase in Alaska senior population, the net migration rate for Alaska seniors continues to be negative (-39 per 1,000 per year) and the rate of net outflow is higher than any other state except New York.<sup>46</sup> Virtually every part of Alaska has lost seniors to the rest of the nation through net migration. This is in sharp contrast to the census region

<sup>46</sup> The net migration rate can be calculated from the census for the interval between 1995 and 2000. Net migration is defined as the number of people moving into a region minus the number moving out. The rate is the number of net migrants divided by the population in 1995.

containing the Mountain States with the highest positive net migration rate (+44 per 1,000) in the nation as seen in Table II.2.

<b>Year</b>	<b>Near Old (60-64)</b>	<b>Young Old (65-74)</b>	<b>Old (75-84)</b>	<b>Old-Old (85+)</b>	<b>Total 60+</b>	<b>Total 65+</b>
<b>1950</b>	2,735	3,414			7,477	4,742
<b>1960</b>	3,200	3,748	1,380	313	8,641	5,441
<b>1970</b>	5,157	4,775	1,441	499	11,872	6,715
<b>1980</b>	8,348	7,947	2,655	557	19,507	11,159
<b>1990</b>	12,897	15,548	5,570	1,251	35,266	22,369
<b>2000</b>	17,327	22,507	10,558	2,634	53,026	35,699
<b>2004</b>	23,365	25,262	12,723	3,597	64,947	41,582

Source: Alaska Department of Labor 2004, U.S. Census for earlier years  
Table Source: ISER

<b>State or Census Region</b>	<b>Total 65+</b>	<b>65-74</b>	<b>75-84</b>	<b>85+</b>
<b>Alaska</b>	-39.4	-59.3	-20.0	62.5
<b>Mountain States</b>	44.4	56.8	30.1	28
<b>Pacific States</b>	-6.0	-7.1	-1.9	-13.3
<b>Northeast</b>	-23.5	-31.5	-15.2	-13.6
<b>Midwest</b>	-13.0	-31.5	-6.5	-4.1
<b>South</b>	19.2	27.6	10.6	5.9

Source: U.S. Census, Internal Migration of the Older Population: 1995 to 2000, Census 2000 Special Reports, August 2003.  
Table Source: ISER

The seniors (65+) who move out-of-state have different characteristics than non-movers or “stayers.” As one would expect, senior movers (65+) are less likely to be working. Both persons who leave the state and those who move into the state tend to have lower household incomes than those who stay. They also tend to receive a larger share of retirement income from Social Security.<sup>47</sup> These characteristics are summarized in Table II.3.

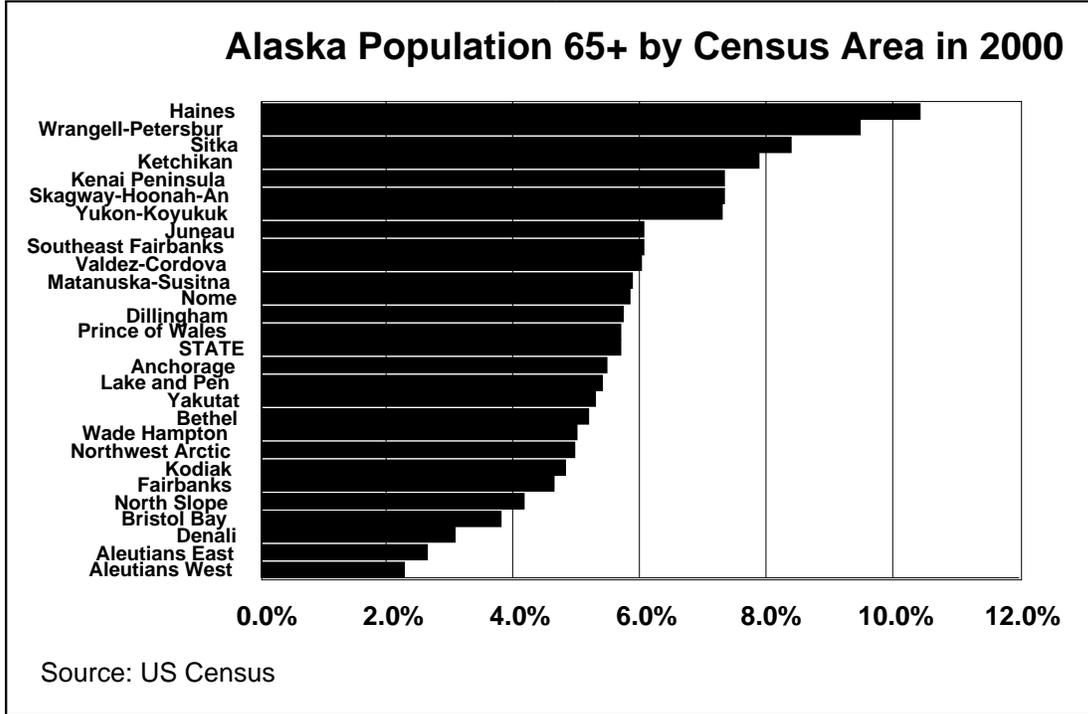
	<b>In-Migrant</b>	<b>Out-Migrant</b>	<b>International In-Migrant</b>	<b>Stayer</b>
Number of Households headed by a person 65+	1,290	2,402	120	21,469
Median Income for Households headed by a person 65+	\$25,400	\$29,600	\$12,200	\$39,400
Mean Income for Households headed by a person 65+	\$36,970	\$44,707	\$14,743	\$53,137
Wage and business (share of total)	29.8%	17.6%	23.7%	31.2%
Social Security (share of total)	26.6%	24.3%	25.9%	18.4%
Welfare (share of total)	3.0%	0.0%	14.0%	1.3%
Investment (share of total)	8.3%	0.0%	27.4%	19.0%
Retirement (share of total)	25.7%	36.2%	0.5%	22.7%
Supplemental security (share of total)	0.2%	0.9%	8.5%	1.0%
Other (share of total)	6.3%	7.1%	0.0%	6.5%
Source: U.S. Census. Within each household one person is identified by the Census as the head of the household—or householder. This is most often, but not always, the person in whose name the home is owned or rented.				
Table Source: ISER				

Locations with highest concentrations of seniors differ from those with the greatest numbers of seniors. The highest concentrations of seniors 65+ are in several of the communities in Southeast Alaska. For example, in 2000 10.5% of the population of Haines was aged 65+. The lowest concentration of seniors 65+ is to be found in the Aleutians.<sup>48</sup> As expected in the largest city in the state, Anchorage has the largest number of seniors 65+.

<sup>47</sup> The small size of the census sample prevented us from comparing the characteristics of only retired movers and stayers among the senior population.

<sup>48</sup> Appendix B, Table B.2

Figure 4



The population growth rate of seniors also varies across the state. Anchorage had the largest population increase in the decade of the 1990s, but the fastest rate of increase was in the Matanuska-Susitna Borough, an increase of 88% in the 65+ population. In general, population growth was more rapid in the Railbelt (Anchorage, Kenai, Matsu, Southeast Fairbanks, and Fairbanks census areas) as compared to the rest of the state. There were only six more seniors 65+ in the Bristol Bay census area in 2000 than in 1990. Nonetheless there were more seniors 65+ in every part of the state at the end of the decade as compared to the start.

One of the contributors to the relatively rapid growth rate of the senior population in the Railbelt is the movement of seniors from rural to urban Alaska. The Matanuska-Susitna Borough had the largest net migration of seniors from other parts of Alaska in the late 1990s, gaining 144 seniors 65+. <sup>49</sup> The rest of the Southern Railbelt and a few communities in Southeast Alaska also had positive net migration from other parts of the state during this period. But for the remainder of the state, the number of seniors moving in was less than the number moving out. In Valdez, for example, 66 seniors left for other parts of the state while only four moved in. <sup>50</sup>

<sup>49</sup> Appendix B, Table B.3

<sup>50</sup> Appendix B, Table B.4

## GENDER AND RACE

The Alaska population 60+ is evenly divided between men and women. Table II.4 shows a larger male share in the 60-64 age group and a larger female share among those 65+. The female share continues to increase with advancing age. Among seniors aged 85 to 94, women outnumber men 2 to 1, and among those 95+, there are more than 3 women for each man.

<b>Table II.4</b>				
<b>The Alaska Senior Population in 2004 by Sex and Age</b>				
	<b>Male</b>	<b>Female</b>	<b>Male Share</b>	<b>Female Share</b>
<b>60-64</b>	<b>12,431</b>	<b>10,934</b>	<b>53.2%</b>	<b>46.8%</b>
<b>65-74</b>	<b>12,771</b>	<b>12,491</b>	<b>50.6%</b>	<b>49.4%</b>
<b>75-84</b>	<b>5,732</b>	<b>6,991</b>	<b>45.1%</b>	<b>54.9%</b>
<b>85-94</b>	<b>1,201</b>	<b>2,072</b>	<b>36.7%</b>	<b>63.3%</b>
<b>95+</b>	<b>73</b>	<b>251</b>	<b>22.5%</b>	<b>77.5%</b>
<b>Total 60+</b>	<b>32,208</b>	<b>32,739</b>	<b>49.6%</b>	<b>50.4%</b>
<b>Total 65+</b>	<b>19,777</b>	<b>21,805</b>	<b>47.6%</b>	<b>52.4%</b>
Source: Alaska Department of Labor				
Table Source: ISER				

Racially, Whites and Asians are slightly overrepresented among seniors, compared to the total population, while other ethnic groups are slightly underrepresented as described in Table II.5. For example, 76% of Alaska seniors 60+ are White, while only 71% of the total Alaska population is White.<sup>51</sup>

<b>Table II.5</b>					
<b>Alaska Senior Population in 2004 by Race</b>					
	<b>60+</b>		<b>65+</b>		
	<b>Number</b>	<b>Share</b>	<b>Number</b>	<b>Share</b>	<b>Share of Alaska Population</b>
<b>White</b>	49,618	76.4%	31,191	75.0%	71.4%
<b>Native</b>	9,307	14.3%	6,385	15.4%	15.8%
<b>Asian</b>	3,300	5.1%	2,234	5.4%	4.1%
<b>Black</b>	1,404	2.2%	926	2.2%	3.4%
<b>Pacific Islander</b>	168	.3%	106	.3%	.5%
<b>2 or More Races</b>	1,150	1.8%	740	1.8%	4.7%
<b>Total</b>	<b>64,947</b>		<b>41,582</b>		
Source: Alaska Department of Labor					
Table Source: ISER					

<sup>51</sup> In 2000 the census for the first time allowed people to indicate that they were of more than one race. This distinction has been followed in subsequent Alaska Department of Labor population reports.

## LIVING ARRANGEMENTS

The share of households with a senior in Alaska is much smaller than in the nation as a whole, where at least one senior could be found in 23.4% of all households. However, most Alaska seniors live in households as opposed to other residential settings.<sup>52</sup> Of the 221,600 households in Alaska in 2000, seniors 65+ could be found in 11.9% (26,704). Table II.6 depicts the number of households including seniors. In 10.1% of households (22,879), a senior was the householder. Households containing seniors are more likely to contain more than one person in Alaska as compared to the U.S. (66% vs. 61%).<sup>53</sup>

<b>Table II.6</b>			
<b>Alaska Households Containing Seniors 65+ in 2000</b>			
	Households	Seniors 65+	Seniors per Household
Householder 65+	22,879	30,238	1.32
Householder Under 65	3,825	4,059	1.06
Total	26,704	34,297	1.28
Share Under 65	14.3%	11.8%	
Source: IPUMS, based on sample data.			
Table Source: ISER			

Compared to the U.S., Alaska seniors 65+ are somewhat more likely to be living with a spouse or others.<sup>54</sup> Alaska senior living arrangements are described in Table II.7. Half of all Alaska seniors 65+ lived with a spouse or partner who may or may not have been a senior. One in four lived alone; one in five lived with other relatives or non-relatives. The remainder did not live in a household but rather in group quarters. Of these seniors about 60% were institutionalized, mostly in nursing homes, while the rest were in other group quarters, mostly assisted living.<sup>55</sup>

The likelihood of living alone or in an institutionalized setting or group quarters increases with age for both men and women.<sup>56</sup> Senior women in Alaska are much more likely than men to live alone (31.5% compared to 17.6%). Women are also more likely to live with someone other than spouses (25.5% versus 14%). They are also more likely to live in an institutional setting or in group quarters. They are much less likely to be living with a

<sup>52</sup> In the U.S. Census most individuals are assigned to a household which is a living unit composed of one or more people. If any two or more individuals in a household are related, that is a family household. If no two people are related, it is a non-family household. Within each household one person is identified by the Census as the householder. This person is often, but not always, the person in whose name the home is owned or rented. A small share of the population does not live in households. They live either in group quarters or institutions. Among seniors living in households, some are householders; others are not.

<sup>53</sup> Appendix B, Table B.5

<sup>54</sup> Appendix B, Table B.6, B.7

<sup>55</sup> Appendix B, Table B.8

<sup>56</sup> Appendix B, Table B.9, B.10

spouse than are males (37.3% versus 64.4%). The proportion of seniors living alone who are widowed increased with age. Among women 85+, 91% of those living alone were widowed.

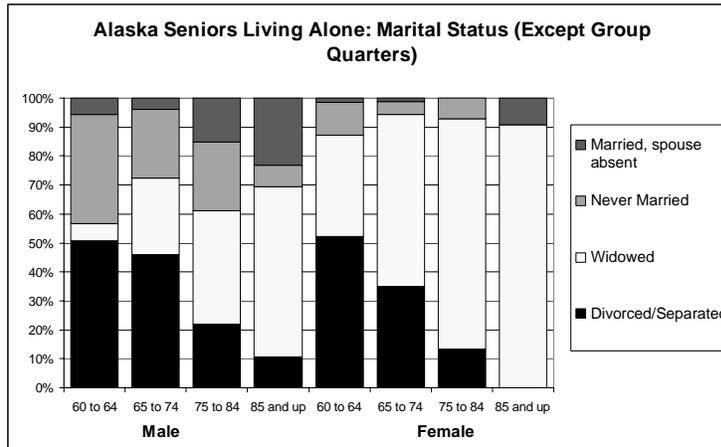
Because women on average live longer than men, they increasingly dominate the share of the senior population living alone and living without a spouse.<sup>57</sup> Among the 2,900 old-old seniors (85+), 37% were living alone; 72% of seniors 65+ who were living alone were women.<sup>58</sup>

Table II.7 Alaska Senior Living Arrangements by Age and Sex in 2000								
	Male				Female			
NUMBER	60-64	65-74	75-84	85+	60-64	65-74	75-84	85+
Living with spouse/partner	5,857	7,339	2,746	345	5,071	5,180	1,490	263
Living alone	1,307	1,689	893	268	1,772	3,044	2,107	698
Householder, no spouse	730	796	274	56	928	1,458	834	163
Not householder, no spouse	319	683	300	169	535	902	901	485
Institutionalized*	205	119	130	76	103	62	313	213
Other group quarters**	39	186	101	35	35	105	224	129
Total	8,457	10,812	4,444	949	8,444	10,751	5,869	1,951
SHARE								
Living with spouse/partner	69%	68%	62%	36%	60%	48%	25%	13%
Living alone	15%	16%	20%	28%	21%	28%	36%	36%
Householder, no spouse	9%	7%	6%	6%	11%	14%	14%	8%
Not householder, no spouse	4%	6%	7%	18%	6%	8%	15%	25%
Institutionalized*	2%	1%	3%	8%	1%	1%	5%	11%
Other group quarters**	0%	2%	2%	4%	0%	1%	4%	7%
*mostly nursing homes								
**mostly assisted living								
Source: U.S. Census, IPUMS Table Source: ISER								

<sup>57</sup> Appendix B, Table B.10; Figure B.1

<sup>58</sup> More information on living arrangements by region please see Appendix B.

Figure 5



Urban seniors 65+ are more likely to be living with their spouse, living alone, or not in households (institutionalized or in group quarters) than rural seniors. As shown in Table II.8, rural seniors are more than twice as likely as their urban counterparts to be a householder without a spouse.<sup>59</sup> Many of these rural households are multi-generational.

	Anchorage	Kenai-Mat-Su	Other Urban*	Rural**
<b>Living with spouse</b>	50%	55%	46%	44%
<b>Living alone</b>	26%	26%	25%	22%
<b>Householder, no spouse</b>	7%	6%	11%	21%
<b>Not householder, no spouse</b>	12%	8%	11%	11%
<b>Institutionalized</b>	2%	2%	4%	1%
<b>Other group quarters</b>	4%	2%	3%	1%
<b>Total</b>	100%	100%	100%	100%
*Other urban consists of the following census areas: Denali, Fairbanks, Haines, Juneau, Ketchikan, Sitka, Southeast Fairbanks, and Valdez-Cordova.				
**Rural consists of all census areas not included in the other three categories.				
Source: IPUMS Table Source: ISER				

<sup>59</sup> Beginning in 1980, the Bureau of Census discontinued use of the term “head of household.” The term “householder” is now used to refer to the person(s) in whose name the housing unit is owned or rented or any adult household member excluding roomers, boarders or paid employees. If the house is owned or rented jointly by a married couple, the household may be either the husband or the wife.

## FINANCIAL SECURITY

Alaska seniors appear more financially secure than seniors in the U.S. as evidenced by per capita and household income measures. However, these summary measures provide an incomplete picture of economic resources because non-cash benefits, financial assets, and living arrangements are not included in income calculations.<sup>60</sup> Money income comparisons over time must be adjusted for inflation, and comparisons between locations must be adjusted for differences in the cost-of-living. Household income is another money income measure useful for comparison purposes because households generally operate as economic units. As a result differences between household types and incomes can reflect an individual's relative economic security.

Adjustments for inflation in this chapter use the Anchorage consumer price index for all urban consumers, the standard method for taking inflation in the general price level into account.<sup>61</sup> The most commonly reported cost-of-living differential measures are the ACCRA and the Runzheimer index, which currently show Anchorage to be between 115% and 120% of the U.S. average, based primarily on the high price of housing.<sup>62</sup> The problem is that different sources calculate different adjustment factors for the cost-of-living in Alaska compared to the rest of the nation. These differences arise primarily because of differences in the "basket" of goods and services priced in different locations as well as differences in the locations chosen for the comparison. In addition the quality of information contained in different indexes varies considerably.<sup>63</sup>

ISER developed its own indices for both Anchorage and the entire State of Alaska. Based on those indices the cost-of-living adjustment (COLA) for Anchorage should be about 12% above the U.S. average. For the entire state, taking into account the average of prices in urban and rural Alaska, the COLA for Alaska should be about 22%.<sup>64</sup>

### PER CAPITA INCOME

The mean per capita income of Alaska seniors 65+ was 17% above the nation as a whole while the median per capita income of Alaska seniors was 19% higher as seen in Tables II.9 and II.10. Money income per person, or per capita income, tends to increase with

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<sup>60</sup> For example, per capita income does not distinguish between seniors living alone and those living with others in a family or other household. The expenses of a senior living alone would probably be higher than that of a senior living with others. Household income cannot distinguish between seniors living in senior-headed households from those living in other types of households. One might expect that the needs of seniors in senior-headed households would be different from those living in households headed by their children or grandchildren.

<sup>61</sup> ISER calculated adjustments for the cost-of-living but because these are more controversial ISER presented only a few comparison tables where the data has been adjusted for the higher cost-of-living in Alaska.

<sup>62</sup> "The Cost-of-living in Alaska," Alaska Economic Trends, June 2005.

<sup>63</sup> See "Alaska Cost-of-living Relative to Lower 48 Locations," 1991 ISER memo, by Scott Goldsmith.

<sup>64</sup> ISER adjusted a few comparison tables using the ISER COLA, but many tables have been left unadjusted to allow the reader to more clearly interpret the results without the imposition of one particular assumption about COLA.

age up to a point and then to decline. In 1999, both the mean and median per capita incomes in Alaska were highest for persons between the ages of 45 and 54. The mean per capita personal income of Alaska seniors 65+ in 1999 was \$28,717.<sup>65</sup> This is the total personal income of all seniors divided by the number of seniors in the population, excluding the institutionalized population. Because some individuals have high incomes, the median per capita income of \$17,085 is another useful summary measure. Half of seniors had an income lower than this amount, and half an income higher.

Age Group	Mean	Median
<b>16 thru 24</b>	\$9,327	\$5,000
<b>25 thru 34</b>	\$26,715	\$24,100
<b>35 thru 44</b>	\$34,525	\$29,800
<b>45 thru 54</b>	\$43,780	\$36,400
<b>55 thru 64</b>	\$40,677	\$29,000
<b>65 thru 74</b>	\$29,161	\$17,500
<b>75 thru 84</b>	\$28,900	\$16,600
<b>85 and up</b>	\$24,761	\$15,720
<b>Total</b>	<b>\$30,187</b>	<b>\$22,000</b>
<b>60+</b>	\$31,791	\$18,814
<b>65+</b>	\$28,717	\$17,085
Note: Income is only calculated for the population 16 years and older.		
Source: IPUMS extracted ISER data set Alaska Seniors PUMS 3		
Table Source: ISER		

Age Group	Mean	Median
<b>16 thru 24</b>	\$8,153	\$4,100
<b>25 thru 34</b>	\$25,898	\$21,200
<b>35 thru 44</b>	\$35,331	\$25,000
<b>45 thru 54</b>	\$38,667	\$30,000
<b>55 thru 64</b>	\$31,729	\$21,500
<b>65 thru 74</b>	\$26,425	\$15,200
<b>75 thru 84</b>	\$22,734	\$13,800
<b>85 and up</b>	\$22,049	\$13,000
<b>Total</b>	<b>\$27,182</b>	<b>\$17,100</b>
<b>60+</b>	-	-
<b>65+</b>	\$24,519	\$14,410
Note: Income is only calculated for the population 16 years and older.		
Source: IPUMS extracted ISER data set Alaska Seniors PUMS 3		
Table Source: ISER		

<sup>65</sup> The 2000 census collected information on money income in the previous year, 1999.

<b>Table II.11</b>			
<b>1999 Mean Income Alaska Households (by age of householder)</b>			
Age of Head	No Senior 65+	One or More Seniors 65+	All Households
16 thru 24	\$33,761	\$50,063	\$33,800
25 thru 34	\$49,950	\$70,481	\$50,093
35 thru 44	\$62,501	\$81,132	\$62,831
45 thru 54	\$77,548	\$87,511	\$77,752
55 thru 64	\$70,190	\$88,308	\$71,063
65 thru 74	-	\$52,097	\$52,097
75 thru 84	-	\$54,558	\$54,558
85 and up	-	\$40,184	\$40,184
Total	\$62,968	\$56,655	\$62,207
65+	-	\$52,024	\$52,024
<b>1999 Median Income of Alaska Households (by age of head)</b>			
Age of Head	No Senior 65+	One or More Seniors 65+	All Households
16 thru 24	\$28,000	\$26,160	\$28,000
25 thru 34	\$43,700	\$75,500	\$43,800
35 thru 44	\$55,000	\$74,300	\$55,200
45 thru 54	\$67,000	\$76,100	\$67,100
55 thru 64	\$57,800	\$91,100	\$59,720
65 thru 74	-	\$39,200	\$39,200
75 thru 84	-	\$38,950	\$38,950
85 and up	-	\$31,200	\$31,200
Total	\$52,800	\$43,300	\$51,800
65+	-	\$38,577	\$38,577
Source: IPUMS Table Source: ISER			

## HOUSEHOLD INCOME

In 1999, the mean income of households headed by a senior 65+ was 30% above the U.S. as a whole while the median was 40% higher.<sup>66</sup> Table II.11 describes those Alaska households headed by a senior 65+ with a mean income in 1999 of \$52,097.<sup>67</sup> As with per capita income, the mean income was higher than the median income of \$38,577.

<sup>66</sup> Appendix B, Tables B.11, B.12

<sup>67</sup> Not all seniors live in households headed by a senior, and not all members of households headed by a senior are themselves seniors.

Also in 1999, households containing one or more senior 65+ but headed by someone under the age of 65 tended to have higher incomes than households without a senior. For Alaska households headed by a person aged 35 to 44, the median income was \$74,300 if it contained a senior, and \$55,000 if it did not.

In 2000, the median income of Alaska households headed by a senior 65+ was \$41,460.<sup>68</sup> The median for family households was \$55,459, but for non-family households it was only \$22,076.<sup>69</sup> Among non-family households, senior women living alone had the lowest median income, \$20,245.<sup>70</sup> Adjusted for inflation, median Alaska senior household income increased from \$27,244 in 1980 to \$41,460 by 2000 as shown in Table II.12. Similar growth occurred in the U.S. as a whole.<sup>71</sup>

The Alaska-to-U.S. ratio of median income for households headed by seniors 65+ has not changed much over the last 25 years as seen in Table II.13.<sup>72</sup> After adjusting for the higher Alaska cost-of-living, the ratio was 1.17 in 2000.<sup>73</sup> The Alaska-to-U.S. ratio did not vary much across household types.

The median income of younger adult householders in Alaska has been higher than senior householders, but the median income for senior households has shown a relative gain between 1980 and 2000.<sup>74</sup> Table II.14 depicts senior households in 2000 had median incomes 72% as high as non-senior households. When these ratios are compared to the same household types in the U.S., the ratio of U.S. senior to non-senior households is lower, however, in 2000 the ratio for all types of households was 57%, up from 44% in 1980.

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<sup>68</sup> Adjusted upward to 2004 \$

<sup>69</sup> A non-family household is a household where no two people in the household are related and a family household is when any two or more people in the household are related.

<sup>70</sup> In the nation as a whole, women living alone also had the lowest median income among seniors.

<sup>71</sup> Appendix B, Table B.13

<sup>72</sup> The 2004 data is taken from the American Community Survey (ACS), produced by the U.S. Census Bureau. It is included because it is the most recent data on household income produced by the federal government. However, it has significant shortcomings. The ACS may provide useful, timely data for urban Alaska, but it can be argued that the true state of rural Alaska may be misrepresented by the ACS because of shortfalls in the survey design and implementation practices for areas outside of Anchorage, Fairbanks, and Juneau. The sample sizes taken for rural Alaska seem to be too small with low survey follow-up rates for smaller communities. In addition, the data collection method for rural Alaska seems to be systematically biased with communities being sampled in different seasons (i.e.; winter vs. summer) and in different years. For example, ACS surveys are conducted in urban areas all year round, but remote Alaska is only surveyed in non-summer months.

<sup>73</sup> The cost-of-living adjustment was based on the assumption that costs on average were 21% higher in Alaska than the U.S. average

<sup>74</sup> Appendix B, Table B.14, Table B.15

	1980	1990	2000	2004(ACS)
Family Household	\$38,259	\$49,250	\$55,459	\$53,698
Married Couple Family	\$41,881	\$52,663	\$57,505	\$61,833
Female householder, no husband present	\$23,586	\$37,050	\$45,552	\$48,124
Male householder, no wife present	\$15,402	\$46,958	\$49,859	\$29,382
Non-Family Household	\$16,518	\$20,177	\$22,076	\$23,708
Living Alone	\$15,109	\$19,008	\$20,999	\$22,796
Male	\$19,496	\$18,803	\$23,691	\$21,682
Female	\$12,805	\$19,663	\$20,245	\$23,809
Living with Others	na	Na	na	na
Total	\$27,244	\$35,299	\$41,460	\$42,957
Anchorage cpi-u	77.6	118.6	150.9	162.5

Source: IPUMS, American Community Survey, and ISER.

	1980	1990	2000	2004
Family Household	1.11	1.14	1.09	1.09
Married Couple Family	1.22	1.19	1.10	1.22
Female householder, no husband present	0.70	.97	1.03	1.13
Male householder, no wife present	0.41	1.04	.93	0.58
Non-Family Household	1.23	1.21	1.05	1.19
Living Alone	1.15	1.18	1.03	1.16
Male	1.30	.93	.96	0.90
Female	1.01	1.29	1.05	1.29
Living with Others	na	na	na	Na
Total	1.17	1.21	1.17	1.28

Source: IPUMS, American Community Survey, and ISER.

**Table II.14.**  
**Median Household Income for Households Ratio of Alaska Seniors to Non-Seniors**

	1980	1990	2000	2004(ACS)
Family Household	0.62	0.74	0.83	0.76
Married Couple Family	0.63	0.73	0.76	0.78
Female householder, no husband present	0.81	1.24	1.33	1.21
Male householder, no wife present	0.26	0.85	0.98	0.47
Non-Family Household	0.43	0.48	0.56	0.63
Living Alone	0.47	0.51	0.63	0.71
Male	0.52	0.47	0.69	0.56
Female	0.44	0.60	0.62	0.78
Living with Others	na	na	na	na
Total	0.50	0.61	0.72	0.71

Source: ISER

## ALASKA SENIOR INCOME COMPARED TO U.S. SENIORS

Ratios of mean and median per capita and household income between Alaska and the United States as a whole provide one set of indicators of the relative economic well-being of Alaska seniors.<sup>75</sup> These ratios, as seen in Tables II.15 and 16 both show that Alaska households headed by seniors are better off compared to the rest of the U.S. and better off than Alaska households with younger heads. Household income ratio is higher than the ratio of per capita income because Alaska seniors are more likely to be living with others who also have incomes.

**Table II.15**  
**Ratio of Mean Income Alaska to U.S. Households, 1999 (by age of head)**

Age of Head	One or More Seniors 65+	All Households
16 thru 24	2.47	1.31
25 thru 34	1.27	0.99
35 thru 44	1.35	0.99
45 thru 54	1.33	1.05
55 thru 64	1.29	1.09
65 thru 74	1.13	1.13
75 thru 84	1.64	1.64
85 and up	1.11	1.11
Total	1.35	1.09
65+	1.30	1.30

Source: IPUMS extracted ISER data set Alaska Seniors PUMS 3 and ISER.

**Table II.16**  
**Ratio of Per Capita Income Alaska to U.S., 1999**

Age Group	Mean	Median
16 thru 24	1.14	1.22
25 thru 34	1.03	1.14
35 thru 44	0.98	1.19
45 thru 54	1.13	1.21
55 thru 64	1.28	1.35
65 thru 74	1.10	1.15
75 thru 84	1.27	1.20
85 and up	1.12	1.21
Total	1.11	1.29
65+	1.17	1.19

Source: IPUMS extracted ISER data set Alaska Seniors PUMS 3 and ISER.

<sup>75</sup> Appendix B, Table B.15

The ratios for 1999, however, do not take into account the higher cost-of-living in Alaska, the elimination of the Longevity Bonus program in 2003, which provided a cash benefit averaging \$2,754 to 61% of Alaska seniors, or the decline in the Permanent Fund Dividend in the early 2000s.

An analysis of the impacts of these income losses to the 65+ Alaska population indicates Alaska senior income is still above U.S. senior income average. ISER developed a series of graphs to demonstrate the impact on the Alaska differential (the percent difference between Alaska and the U.S. average) of the higher Alaska cost-of-living (COLA) as well as the effects of the loss of the Longevity Bonus and a smaller Permanent Fund Dividend on median household income. These are Figures 6,7 and 8. The Figure 6 shows that a 25% COLA adjustment does not eliminate the differential for households headed by a senior 65+. <sup>76</sup> The Figure 7 shows with a 25% COLA the differential is still positive after adjusting for the loss of the Longevity Bonus Program. Figure 8 shows that with a 25% COLA the differential is still positive with a reduced Permanent Fund Dividend payment. <sup>77 78</sup> These graphs also demonstrate that the 65+ differential remains above the <65 (under age 65) differential for all three cases. <sup>79</sup>

Figure 6

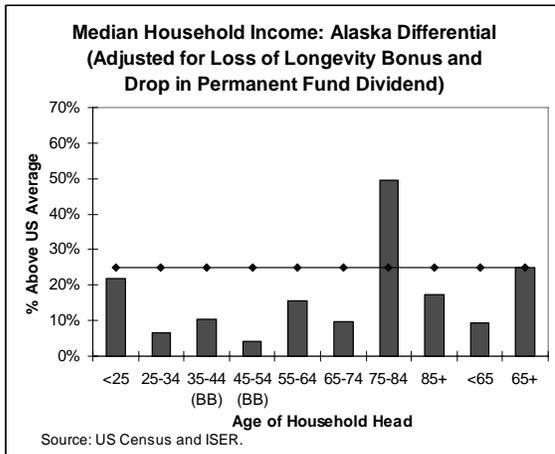
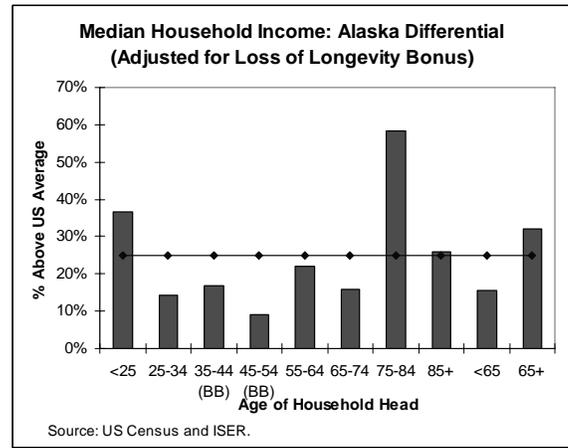


Figure 7



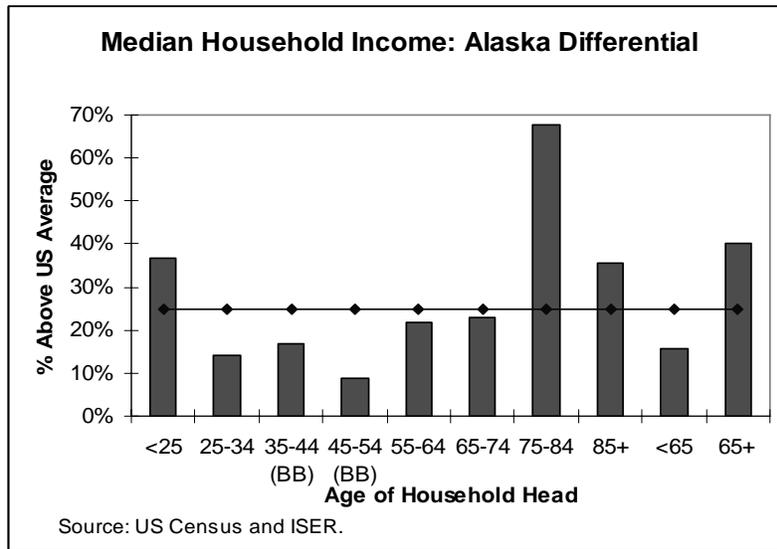
<sup>76</sup> The 25% COLA is illustrative only. The ISER COLA is about 22% but other COLA calculations are different.

<sup>77</sup> The Permanent Fund Dividend adjustment is a reduction of \$1,000 per person. We assume households with a head under the age of 65 have 3 persons on average while households with a head 65+ average 2 persons.

<sup>78</sup> The SeniorCare program replaced the Longevity Bonus, but payments under that program go only to lower income seniors, so median income is not impacted by that program.

<sup>79</sup> These graphs also identify the baby boomer population, those persons aged 36 to 54 in 2000 (BB).

Figure 8



## INCOME DISTRIBUTION

Income distribution describes the proportion of seniors with incomes under \$10,000 and over \$100,000 as a way to understand how income is spread through the senior population. When compared to U.S. seniors, Alaska seniors are financially better off.<sup>80</sup> Table II.17 illustrates how in 1999, 23% of Alaska seniors 65+ reported money income less than \$10,000 as compared to 34% for the U.S. as a whole. More Alaska seniors (24%) reported money income of \$40,000 or more when compared to the nation as a whole (11%).

The income distribution for Alaska households headed by seniors also indicates Alaska senior-head-of-household income is higher than the rest of the U.S. Table II.18 shows that of Alaska households headed by seniors only 8% reported income less than \$10,000 in 1999, compared to 15% for the entire U.S. In Alaska 27% of households headed by seniors reported income under \$20,000. The comparable figure for the entire nation was 38%. The smaller share of Alaska households at the low end of the income distribution may be due to the fact that fewer Alaska seniors live in single person households.<sup>81</sup>

<sup>80</sup> Appendix B, Table B.17

<sup>81</sup> These income distribution figures do not account for the higher Alaska cost-of-living.

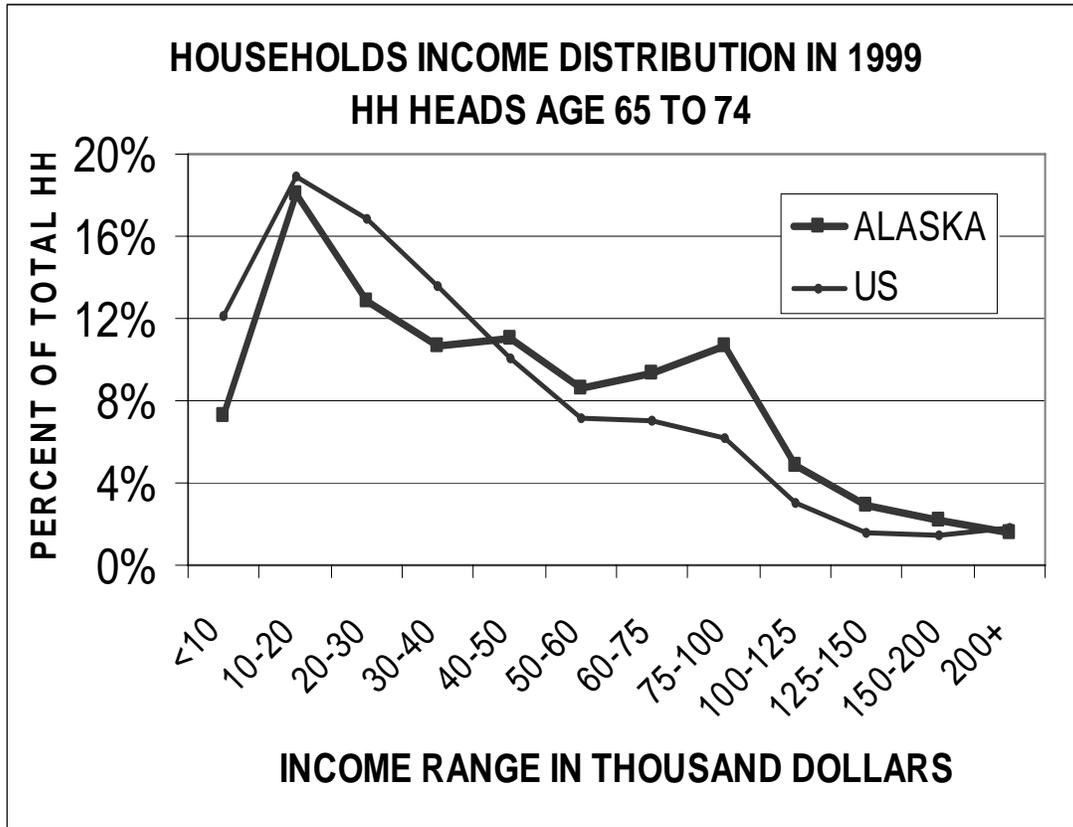
	<b>Alaska</b>	<b>U.S.</b>
Less than \$0	0%	0%
\$0 to \$9,999	23%	34%
\$10,000 to \$19,999	31%	29%
\$20,000 to \$39,999	22%	26%
\$40,000 to \$59,999	12%	4%
\$60,000 to \$79,999	5%	2%
\$80,000 to \$99,999	2%	1%
\$100,000 and over	5%	4%
<b>Total</b>	<b>100%</b>	<b>100%</b>
Source: U.S. Census Table Source: ISER		

	<b>Alaska</b>		<b>United States</b>	
	<b>Share of Households</b>	<b>Cumulative Share</b>	<b>Share of Households</b>	<b>Cumulative Share</b>
Total Households				
Less than \$10,000	8%	8%	15%	15%
\$10,000 to \$14,999	10%	18%	12%	27%
\$15,000 to \$19,999	9%	28%	11%	38%
\$20,000 to \$24,999	7%	35%	9%	47%
\$25,000 to \$29,999	6%	41%	8%	55%
Source: U.S. Census IPUMS Table Source: ISER				

Although only 8% of senior householders statewide reported income less than \$10,000, the share was much higher in rural Alaska, and lower than the state average in much of the Railbelt and parts of Southeast Alaska. The same pattern held for households reporting income less than \$20,000 and less than \$30,000.<sup>82</sup>

<sup>82</sup> Appendix B, Tables B.18, B.19

Figure 9



## INCOME SOURCES

In 1999 Alaska seniors 65+ reported their main sources of per capita income to be retirement, Social Security, dividend-interest-rent, and wages and salaries.<sup>83</sup> In 2000, 50% of Alaska seniors had income from pensions, 32% from assets, and 12% from public assistance. The share receiving income from assets was about half that of the U.S. as a whole, although the shares are not directly comparable due to differences in the definition of assets.<sup>84</sup> Tables II.19 and II.20 show in detail the distribution of Alaska and U.S. per capita income by source. The Alaska seniors' per capita income share from businesses and from welfare is four times higher than the national average, and Alaskans receive a much larger share from retirement pensions. Reported income sources for households with a senior are the same as sources for individual seniors.<sup>85</sup>

<sup>83</sup> The Alaska Permanent Fund Dividend may be reported either as dividend income or other by persons in response to census questions about sources of income.

<sup>84</sup> Issues Affecting the Economic Well-Being of Alaska Seniors by the McDowell Group, 2000, surveyed Alaska seniors aged 60+. It found that 50% of Alaska seniors had income from pensions, 32% from assets, and 12% from public assistance. The share receiving income from assets was about half that of the U.S. as a whole, although the shares are not directly comparable due to differences in definitions. The share receiving income from public assistance in Alaska was double the national average.

<sup>85</sup> This presentation of household income is categorized by the age of the senior rather than earlier tables where household income is categorized by the age of householder. Appendix B, Table B.21

<b>Table II.19</b>									
<b>Alaska Per Capita Income by Age and Source, 1999</b>									
	Under 60	60 to 64	65 to 74	75 to 84	85 and up	Total		60+	65+
<b>ALASKA</b>									
Total	\$30,645	\$38,508	\$29,478	\$30,499	\$26,709	\$30,855		\$32,545	\$29,568
Wage and salary income	\$24,810	\$19,291	\$6,038	\$2,228	\$674	\$23,119		\$9,454	\$4,542
Business income	\$2,177	\$3,882	\$1,743	\$1,381	\$136	\$2,191		\$2,307	\$1,520
Social Security	\$112	\$1,631	\$6,666	\$7,608	\$7,366	\$673		\$5,205	\$6,990
Welfare (public assistance)	\$166	\$233	\$411	\$551	\$621	\$191		\$389	\$467
Interest, dividend, and rents	\$2,032	\$5,107	\$5,091	\$6,708	\$7,764	\$2,418		\$5,539	\$5,755
Retirement	\$737	\$7,102	\$7,355	\$8,887	\$7,981	\$1,493		\$7,596	\$7,843
Supplementary Social Security	\$75	\$265	\$346	\$387	\$460	\$103		\$332	\$366
Other income	\$537	\$997	\$1,829	\$2,748	\$1,706	\$667		\$1,723	\$2,085
Source: U.S. Census, IPUMS Table Source: ISER									

<b>Table II. 20</b>									
<b>U.S. Per Capita Income by Age and Source, 1999</b>									
	Under 60	60 to 64	65 to 74	75 to 84	85 and up	Total		60+	65+
<b>U.S.</b>									
Total	\$27,543	\$29,694	\$26,425	\$22,734	\$22,049	\$27,182		\$25,680	\$24,519
Wage and salary income	\$23,680	\$16,712	\$6,555	\$1,049	\$666	\$20,384		\$6,690	\$3,791
Business income	\$1,905	\$1,236	\$533	\$196	\$69	\$1,642		\$549	\$351
Social Security	\$200	\$2,101	\$6,982	\$8,514	\$7,490	\$1,398		\$6,375	\$7,611
Welfare (public assistance)	\$52	\$67	\$99	\$98	\$226	\$62		\$104	\$115
Interest, dividend, and rents	\$867	\$3,709	\$4,345	\$6,081	\$8,498	\$1,688		\$5,100	\$5,502
Retirement	\$352	\$5,199	\$6,640	\$4,663	\$2,835	\$1,328		\$5,384	\$5,437
Supplementary Social Security	\$103	\$406	\$376	\$215	\$529	\$151		\$351	\$336
Other income	\$384	\$264	\$895	\$1,917	\$1,736	\$528		\$1,127	\$1,377
Source: U.S. Census, IPUMS Table Source: ISER									

## ALASKA WORKING SENIORS

More Alaska seniors are in the labor market than are seniors nationally and these seniors engaged in a wide variety of work. Working Alaska seniors report that more than half of their income is from wages and business activity. In 2000, 15.4% of Alaska seniors 65+ reported themselves to be in the labor market, either employed or looking for work, as compared to the U.S. average of 13.3%.<sup>86</sup> Men were more likely to be in the labor market than women. Twenty-two percent of Alaska seniors 65+ reported earnings from work as seen in Table II.21. Most reported only wage income, but 1,599 reported business income or losses. A small number, 621, reported both wage and business income. Table II.22 identifies working senior income by all sources in 1999.

Seniors worked in all occupations and industries except computer related occupations and the military.<sup>87</sup> The occupations employing the highest numbers of seniors included management, administrative support, sales, construction, and transportation. The largest numbers of seniors were employed in the educational and social services sector, retail trade, professional and administrative services, and construction.<sup>88</sup>

	15-60	60 to 64	65 to 74	75 to 84	85+	Total 15+	60+	65+
Total population	417,495	16,901	21,563	10,313	2,900	469,172	51,677	34,776
Earnings from work	342,931	10,297	6,115	1,341	179	360,863	17,932	7,635
Wages only	302,959	8,287	4,414	850	151	316,661	13,702	5,415
Wages + business income or loss	20,222	683	529	92	0	21,526	1,304	621
Business income or loss, only	19,750	1,327	1,172	399	28	22,676	2,926	1,599
No earnings from work	74,564	6,604	15,448	8,972	2,721	108,309	33,745	27,141
Shares								
Earnings from work	82.1%	60.9%	28.4%	13.0%	6.2%	76.9%	34.7%	22.0%
No earnings	17.9%	39.1%	71.6%	87.0%	93.8%	23.1%	65.3%	78.0%
Source: U.S. Census, IPUMS. Table Source: ISER								

<sup>86</sup> Appendix B, Table B.22

<sup>87</sup> The occupational and industry counts of seniors are greater than the number currently working because the census asks people to report their most recent occupation or industry within the last 5 years.

<sup>88</sup> Appendix B, Table B.23, B.24

Income Category	Under 60	60+	65+		All Ages
Total	\$34,407	\$48,038	\$45,209		\$36,034
Total Earnings from Work	\$32,153	\$32,921	\$26,457		\$32,191
Wage and salary income	\$29,606	\$26,532	\$19,851		\$29,453
Business income	\$2,548	\$6,389	\$6,606		\$2,739
Social Security	\$44	\$3,362	\$6,787		\$209
Welfare (public assistance)	\$99	\$124	\$290		\$101
Interest, dividend, and rents	\$2,045	\$5,105	\$5,039		\$2,197
Retirement	\$600	\$5,797	\$5,610		\$858
Supplementary Social Security	\$22	\$64	\$119		\$24
Other income	\$444	\$655	\$907		\$454
Source: U.S. Census, IPUMS Table Source: ISER					

### NON-WORKING SENIORS

The majority of Alaska seniors 65+ (78%) reported no earnings from work for 1999, and their average income was much lower than working seniors. The average for working seniors 65+ was \$45,209 while those not working averaged \$24,878. The main sources of income for non-working seniors were retirement pensions, Social Security, and dividend-interest-rent. Compared to the U.S. as a whole, retirement pension income is more important and Social Security less important in Alaska for non-working seniors. Social Security payments comprised 28% of the share of the average per capita income for Alaska seniors (65+) as compared to 37% for U.S. seniors. However, public assistance payments to Alaska seniors are on average much higher than in the U.S. as seen in Table II.23.<sup>89</sup>

	Alaska Seniors		U.S. Seniors	
	60+	65+	60+	65+
Total	\$23,777	\$24,878	\$19,353	\$20,386
Social Security	\$6,183	\$7,030	\$7,136	\$7,704
Welfare (public assistance)	\$526	\$516	\$139	\$137
Interest, dividend, and rents	\$5,752	\$5,982	\$5,022	\$5,445
Retirement	\$8,540	\$8,495	\$5,245	\$5,195
Supplementary Social Security	\$477	\$436	\$413	\$353
Other income	\$2,299	\$2,420	\$1,399	\$1,550
Source U.S. Census, IPUMS Table Source: ISER				

<sup>89</sup> Appendix B, Table B.25, B.26, B.27

In 1999, almost one in four Alaska seniors reported no Social Security income and over half of Alaska seniors reported no income from retirement plans. The 2000 Census reported 21% of Alaska seniors 65+ received no income from Social Security. However, the Social Security Administration reports that 92% of the Alaska population age 65+ received benefits.<sup>90</sup> This difference may be due to inaccurate reporting by census respondents. Wages were the main source of income for seniors with no reported Social Security, supplemented primarily by retirement pension income and dividends-interest-rent. Welfare was not a large portion of income, but it was several times higher than for seniors in the U.S. as a whole.<sup>91</sup> Sixty-one percent of Alaska seniors 65+ reported no income from retirement pensions.<sup>92</sup> Their primary sources of income were Social Security and dividends-interest-rent.<sup>93</sup>

Older Alaskans who are not eligible for Social Security include those who did not work the requisite number of quarter-years (usually 40) in jobs covered by Social Security. This could include people who worked long-term for an employer who does not contribute to the Social Security system such as the State of Alaska, and rural Alaskans who lived a subsistence lifestyle for most of their adult lives.

## VOLUNTEERING AND CARE GIVING

Although not included in the income calculation and not part of the 2000 census, volunteering and care giving were important contributions made by seniors to their communities. Nationally, surveys report one out of two seniors offer their time as volunteers.

The share of seniors who volunteer, either formally for an organization or informally by helping others who do not live in the same household, was 65% among younger seniors 65-74, falling to 47% among older seniors. The majority of younger seniors were engaged in work and/or care giving as well as volunteer activities.<sup>94</sup> Even though formal volunteer activities decline with age, the median number of hours spent volunteering is higher for seniors than any other age group, as seen in Table II.24.<sup>95</sup> Most people report lack of time as the main reason for not volunteering; but for seniors the main reasons are health or medical problems are the main reasons for not being engaged in formal volunteer activities.

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<sup>90</sup> Social Security reported 33,203 recipients in 2000, less than the 2000 Census count of 35,699 Alaskans age 65+. Some Census respondents might not be accurately reporting their sources of income.

<sup>91</sup> Appendix B, Tables B.27,28

<sup>92</sup> See chapter III for information on public retirement programs. About 33% of seniors aged 60+ receive some type of public retirement.

<sup>93</sup> Appendix B, Tables B.29, B.30, B.31

<sup>94</sup> Appendix B, Table B.32

<sup>95</sup> U.S. Department of Labor, Bureau of Labor Statistics, Current Population Survey.

The value of volunteer activity by Alaska seniors 65+, based on national surveys, lies between \$13 and \$52 million. The lower bound is a conservative measure of formal volunteer activities only, while the latter uses a higher hourly rate applied to both formal and informal volunteering.<sup>96</sup> Seniors are more likely to volunteer for religious organizations (45%) and less likely to volunteer for educational or youth organizations (3.7%).<sup>97</sup> Seniors were more likely than the general population to be engaged in the preparation and distribution of food and other goods, general office services, and management. They were less likely to be involved in activities involving young people or physical activity.

Seniors are caregivers. Table II.25 shows how nationally 38% of younger seniors and 20% of older seniors are caregivers to parents, spouses, or grandchildren. The value of the care giving activity of Alaska seniors 65+, based on national surveys, is roughly \$47 million. Alaskan seniors are more likely to have grandchildren in their household, and if they do, they are more likely to care for them, although they reported in the census that the care was given for a shorter period of time. For seniors 65+ in Alaska 7% reported grandchildren in the household, and of those 34% reported being responsible for their care.<sup>98</sup>

<b>Table II.24</b>		
<b>Percent of Population Reporting Formal Volunteering and Time Engaged, 2002</b>		
Age Group	Share Volunteering	Median Hours in Volunteer Activities
16-24	24%	36
25-34	26%	36
35-44	34%	48
45-54	33%	50
55-64	30%	56
65+	25%	96
Source: "Volunteering in the U.S., 2005" U.S. Dept. of Labor, Bureau of Labor Statistics, Current Population Survey.		
Table Source: ISER		

<sup>96</sup> The lower bound is based on the Bureau of Labor Statistics, Consumer Expenditure Survey combined with hourly value of volunteering assumptions from the Perspectives on Productive Aging study of the Urban Institute. The upper bound is based on the survey by the Independent Sector. Differences in the form of the questions asked on the two surveys could also result in differences in participation rates and number of hours reported.

<sup>97</sup> Appendix B, Table B.33, B.34

<sup>98</sup> Appendix B, Table B.35

<b>Table II.25 National Share of Seniors Who Are Caregivers</b>		
Activity	Seniors 65-74	Seniors 75+
Caregiving only	9%	8%
Working and caregiving	3%	1%
Volunteering and caregiving	17%	9%
Working, volunteering, and caregiving	9%	2%
<b>Total</b>	<b>38%</b>	<b>20%</b>
Source: Perspectives on Productive Aging, The Urban Institute, July 2005.		
Table Source: ISER		

## ALASKA SENIOR POVERTY

Fewer Alaska seniors were below the poverty threshold when compared to the rest of the nation. Poverty rates for persons in Alaska in 1999 ranged by age from 6% to 14% with 9% the rate for the entire population. For the entire U.S., the rate was 12% with a range from 8% to 18%. Table II.26 compares poverty rates in Alaska with the U.S. Like the entire U.S. the poverty rates were lower for seniors than younger persons. However, the poverty rate was higher for older seniors.<sup>99</sup> Only Utah reported a lower poverty rate for seniors than Alaska in 1999.<sup>100</sup> Generally, Alaska seniors in poverty have higher incomes in relation to the poverty threshold than the U.S. average. For example, 3.6% of Alaska seniors had incomes below 75% of the poverty threshold compared to 4.5% for the entire nation.

<sup>99</sup> Appendix B, Table B.36

<sup>100</sup> On the other hand, Alaska was among the top 20 states in the share of seniors receiving supplemental Social Security assistance in 2000.

	Alaska	United States	Percent U.S. Higher
Total	9%	12%	32%
<5	14%	18%	30%
5	13%	18%	38%
6-11	12%	17%	41%
12-17	10%	15%	49%
18-64	8%	11%	31%
65 to 74	6%	8%	46%
75+	8%	12%	36%
65+	7%	10%	45%

Source: U.S. Census, P87, SF3.

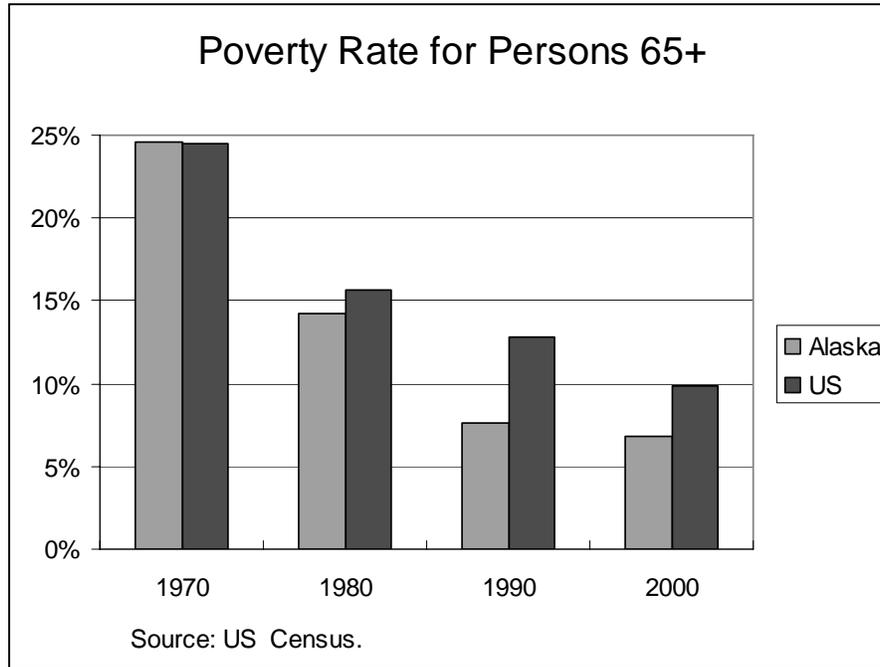
The federal government's official poverty measure, the poverty threshold, is based on a certain level of money income. The threshold varies by family size and is adjusted each year by the rate of inflation. It is not adjusted for cost-of-living differences. The poverty thresholds for the 2000 Census are for the year 1999 since census respondents reported their 1999 income for the 2000 Census. Table II.27 shows poverty thresholds by family size. For a two person household headed by a senior, the threshold was \$10,070.<sup>101</sup> Any two person senior household with a money income below that level was classified as a household in poverty in 1999.

Persons in Family Unit	Under 65	65 and Over	All Households
1	\$8,667	\$7,990	
2	\$11,156	\$10,070	
3			\$13,290
4			\$17,029
5			\$20,127
6			\$22,727
7			\$25,914
8			\$28,967
9+			\$34,417

Note: Persons are all adults. Thresholds for households with children are slightly higher.  
Source: U.S. Census  
Table Source: ISER

<sup>101</sup> The poverty threshold represents the income necessary for an individual or family to attain a level of well-being that is considered to be above the poverty level.

Figure 10



The federal Department of Health and Human Services (HHS) uses essentially the same figures in their poverty guidelines that are used to determine eligibility for programs such as Food Stamps, Head Start, Weatherization Assistance, and in some instances, Medicaid. The poverty threshold used by the Census Bureau in 2005 to estimate the 2004 poverty rate was \$11,418 for a senior family with two members. The HHS threshold to determine program beneficiaries in 2005 for a two person family in Alaska was \$16,030, 25% above the Lower 48 states.<sup>102</sup> HHS guidelines vary by household size and are adjusted annually for inflation, but not for age of householder.

The value of the census poverty measure is limited by a number of factors: the threshold is quite low, it is not adjusted for the Alaska higher cost-of-living, it is not accurately estimated except in the census years, and does not reflect the needs and resources of seniors. It does, however, provide some useful comparative information.<sup>103</sup>

The share of households defined by the census as below the poverty level in 1999 was generally lower in Alaska than the U.S. as seen in Table II.28. The highest rates of poverty were among non-family households. Among Alaska senior households in poverty, the majority, 59%, were single-person households. The percentage of seniors

<sup>102</sup> Although the threshold increases with the cost-of-living, it does not increase with productivity gains. So over time the poverty threshold will grow more slowly than the average wage.

<sup>103</sup> More information on poverty threshold see Appendix B, poverty discussion

identified as poor through the use of poverty rates has decreased over time in the U.S. and in Alaska. This trend appears true for both persons and households.

Type of Household	Alaska	United States
Married-Couple family	2.7%	4.1%
Family with male head, no wife present	9.5%	8.7%
Family with female head, no husband present	8.3%	11.6%
Non-family male	11.7%	14.7%
Non-family female	10.6%	19.6%
Source: IPUMS Table Source: ISER		

The main source of 1999 income for Alaska senior 65+ households in poverty was Social Security (40%), but welfare and income from earnings are also important. Table II.29 describes sources of income for Alaska households considered in poverty. For Alaska seniors 60+, earnings (28%) and Social Security (29%) together comprised the main sources of income.

	60+	65+	All Households in Poverty
Income from Earnings	\$2,250	\$1,935	\$6,812
Social Security Income	\$2,346	\$3,135	\$490
Welfare Income	\$816	\$628	\$1,212
Investments, Dividends,	\$1,322	\$1,012	\$1,833
Supplemental Security	\$638	\$396	\$206
Other Income	\$417	\$459	\$511
Total HH Income	\$8,112	\$7,866	\$11,209
Share			
Income from Earnings	28%	25%	61%
Social Security Income	29%	40%	4%
Welfare Income	10%	8%	11%
investments, Dividends,	16%	13%	16%
Retirement Income	4%	4%	1%
Supplemental Security	8%	5%	2%
Other Income	5%	6%	5%
	100%	100%	100%
Source: U.S. Census. Table Source: ISER			

ISER developed a method to calculate an upward adjustment of the Alaska senior poverty rate, based on the higher cost-of-living in Alaska. This adjustment makes Alaska senior poverty rates more directly comparable with the national average as seen in Table II.30.

	United States	Alaska	United States	Alaska
Persons 65-74	18,253,226	21,682		
<.5	453,181	492	2.5%	2.3%
.5-.74	360,216	291	2.0%	1.3%
.75-.99	737,572	476	4.0%	2.2%
1.00-1.24	792,016	676	4.3%	3.1%
1.25-1.29	177,720	222	1.0%	1.0%
1.30-1.49	659,737	776	3.6%	3.6%
1.50-1.74	860,425	1150	4.7%	5.3%
1.75-1.84	348,732	285	1.9%	1.3%
1.85-1.99	518,043	552	2.8%	2.5%
2.00+	13,345,584	16,762	73.1%	77.3%
Persons 75+	15,093,322	12,619		
<.5	528,287	527	3.5%	4.2%
.5-.74	367,865	255	2.4%	2.0%
.75-.99	840,653	289	5.6%	2.3%
1.00-1.24	968,148	422	6.4%	3.3%
1.25-1.29	225,382	85	1.5%	0.7%
1.30-1.49	775,184	473	5.1%	3.7%
1.50-1.74	947,191	713	6.3%	5.7%
1.75-1.84	366,303	216	2.4%	1.7%
1.85-1.99	525,822	445	3.5%	3.5%
2.00+	9,548,487	9,194	63.3%	72.9%
Source: U.S. Census SF3, Table PCT50 Table Source: ISER				

The ISER method compares the share of seniors in Alaska with income less than 1.25 times the poverty threshold, to the percentage below the unadjusted poverty threshold in the U.S. This is equivalent to a 25% COLA adjustment for Alaska. The result is an Alaska senior poverty rate of 9.99%, a rate almost identical to the U.S. rate of 9.86%.

The Alaska senior poverty rate for both individuals and households varies considerably across the state. Poverty rates are generally lower in the Railbelt and the larger communities of Southeast Alaska and higher in the outlying regions. This comparison does not take into account cost-of-living differences across communities within Alaska.<sup>104</sup>

<sup>104</sup> Appendix B, Tables B.36, B.37, B.38

## HOME ASSETS AS FINANCIAL MEASURE

The most valuable asset for most seniors is their home. For the U.S. as a whole, half of the net worth of seniors is in their homes. The net worth share in Alaska is unknown although in 1999 over three quarters of Alaska seniors owned their homes. The 2000 census notes 79% of Alaska seniors 65+ own their homes and 21% rent.

More than half of home owners have no mortgage, and together with a small number of renters who pay no rent, 51% of seniors do not have a monthly ownership payment.<sup>105</sup> The share of seniors who own their homes in Alaska is similar to the share in the U.S., but the portion in Alaska who own their homes free and clear is smaller. In Alaska, 47% of seniors are living in homes they own free and clear, while in the nation as a whole it is 55%.<sup>106</sup>

	Under 60	60 to 64	65 to 74	75 to 84	85 and up	60 and up	65 and up
Owned free and clear	\$162	\$206	\$184	\$181	\$197	\$190	\$185
Owned with mortgage or loan	\$1,202	\$1,178	\$977	\$1,061	\$1,234	\$1,081	\$1,011
All Homeowners	\$972	\$763	\$528	\$510	\$504	\$602	\$521
Note: Ownership cost includes mortgage, taxes, and insurance costs, but excludes utilities.							
Source: U.S. Census IPUMS.							
Table Source: ISER							

Alaska senior homeowners pay less on average per month in homeownership related costs than other Alaska homeowners as seen in Table II.31. For example, the average for seniors 65+ is \$521 compared to \$972 for homeowners under 60. The difference, however, is less for those homeowners with a mortgage. Table II.32 shows the average cost is just a little lower for Alaska seniors who rent as for the average home owners. Alaska seniors who rent pay about the same share of their income in rent as renters in the rest of the nation. Table II.33 shows that seniors in rental housing have less income as the poverty rates are about twice as high for Alaska seniors living in rental housing compared to owner-occupied housing.

<sup>105</sup> Appendix B, Table B.39

<sup>106</sup> Appendix B, Table B.40, B.41, B.42

	Under 60	60 to 64	65 to 74	75 to 84	85 and up	60 and up	65 and up
No Cash Rent	\$0	\$0	\$0	\$0	\$0	\$0	\$0
With Cash Rent	\$738	\$647	\$509	\$565	\$853	\$585	\$554
All Renters	\$623	\$594	\$477	\$493	\$777	\$535	\$506
Note: Rental cost includes rent paid to landlord regardless of whether it includes or excludes utilities.							
Source: U.S. Census IPUMS. Table Source: ISER							

		U.S. Share	Alaska Share
<b>Owner-Occupied</b>			
	60-64	7.7%	5.3%
	65-74	6.8%	5.2%
	75-84	9.0%	5.1%
	85+	13.0%	6.8%
<b>Renter-Occupied</b>			
	60-64	27.2%	11.6%
	65-74	23.8%	11.0%
	75-84	22.3%	14.2%
	85+	21.4%	14.9%
Source: U.S. Census, SF3 Table HCT24 Table Source: ISER			

## *INCIDENCE OF DISABILITY AND CAUSES OF DEATH*

The health of Alaska seniors directly impacts senior income, services used and options regarding type of residence. Incidents of disability and causes of death are indicators of senior health. Alaska seniors report a slightly higher incidence of disabilities than in the U.S. as seen in Table II.34. About 47% of Alaska senior women and 45% of men reported one or more disabilities. For example, 47% of senior women in Alaska reported one or more disabilities while the comparable figure was 43% for the U.S. as a whole. Table II.35 lists cancer and heart disease as the leading causes of death among seniors in Alaska, together accounting for more than half of the total.

<b>Table II.34</b>				
<b>Disability Status for the 65+ Population not Institutionalized, 2000</b>				
	United States	Alaska	U.S. Share	Alaska Share
Female				
Total	19,405,708	18,198		
1 Disability	3,736,547	3,592	19.3%	19.7%
Sensory	564,915	789	2.9%	4.3%
Physical	1,915,063	1,858	9.9%	10.2%
Mental	199,106	211	1.0%	1.2%
Self-care	32,370	32	0.2%	0.2%
Go Outside	1,025,093	702	5.3%	3.9%
2+ Disabilities	4,607,289	5,024	23.7%	27.6%
Include Self Care	2,106,560	2,333	10.9%	12.8%
Exclude Self Care	2,500,729	2,691	12.9%	14.8%
Total With Disabilities			43.0%	47.3%
No Disability	11,061,872	9,582	57.0%	52.7%
Male				
Total	13,940,918	16,103		
1 Disability	2,967,541	3,638	21.3%	22.6%
Sensory	762,351	1,434	5.5%	8.9%
Physical	1,331,517	1,509	9.6%	9.4%
Mental	165,831	218	1.2%	1.4%
Self-care	18,066	0	0.1%	0.0%
Go Outside	689,776	477	4.9%	3.0%
2+ Disabilities	2,666,741	3,595	19.1%	22.3%
Include Self Care	1,026,844	1,195	7.4%	7.4%
Exclude Self Care	1,639,897	2,400	11.8%	14.9%
Total With Disabilities			40.4%	44.9%
No Disability	8,306,636	8,870	59.6%	55.1%
Source: U.S. Census SF3, Table PCT 26.				
Table Source: ISER				

<b>Table II.35.</b>					
<b>Leading Causes of Death Among Alaska Seniors, 2000-2002</b>					
	65-74	75-84	85+	Total 65+	Share of Total
Total Deaths	1,575	1,948	1,123	4,646	
Leading Causes	1,193	1,408	681	3,282	
Malignant Neoplasms	541	509	160	1,210	26.0%
Diseases of the Heart	381	497	330	1208	26.0%
Chronic Lower Respiratory Diseases	115	170	59	344	7.4%
Cerebrovascular Diseases	88	167	132	387	8.3%
Diabetes	68	65		133	2.9%
Alzheimer's disease			63	3	1.4%
Source: Alaska Department of Health and Social Services, Division of Public Health					
Table Source: ISER					

## *POPULATION COMPARISON SUMMARY*

According to the 2000 census the Alaska senior population differs from other states because of the proportionately larger share of the population represented by the baby boomers, the out-migration rates and household composition. Because baby boomers comprise 32% of the Alaska population, the number of seniors in the Alaska population is increasing faster than any other state except Nevada. At the same time, in 1999, more seniors were leaving Alaska than in any other state except New York. According to the 2000 census, there are fewer households in Alaska with a senior (11.9%) as compared to the nation as a whole (23.4%). Alaska seniors are less likely to be living alone than in the rest of the nation.

The economic status of Alaska seniors was comparable, if not a little better, than the economic status of U.S. seniors. Alaska seniors' 65+ mean per capita income was 17% higher and median per capita income was 19% higher than the nation. The mean and median income for households headed by a senior was 30% above the nation. The ratios of the mean and median per capita and household income between Alaska and the U.S. provide another set of indicators of relative economic well-being that show Alaska senior 65+ per capita and household incomes are higher than the rest of the country. This is true even when Alaska's higher cost-of-living, the elimination of the Longevity Bonus and the declining value of the Permanent Fund Dividend are taken into consideration.

Income also appeared to be better distributed in Alaska than in the U.S. with more Alaska senior incomes over \$40,000 (24%) than in the nation as a whole (11%). There were some exceptions, however, particularly in rural Alaska. Of the senior householders who reported incomes under \$10,000, \$20,000 and \$30,000 the share was higher in rural Alaska.

The main sources of per capita income for Alaska seniors and U.S. seniors (65+) were retirement, Social Security, wages and salary, and interest-dividend-rent. More Alaska seniors were in the labor market (15%) than seniors nationally (13%). However, the majority of Alaska seniors (78%) reported no earnings from work. Twenty-one percent of Alaska seniors reported no Social Security income. Sixty-one percent reported no income from retirement plans. The most valuable asset for Alaska and U.S. seniors is their home.

Alaska seniors (65+) had a lower poverty rate (7%) than U.S. seniors (10%). The main source of income for Alaska households in poverty was Social Security (40%), but earnings (28%) was also an important income source. Alaska poverty rates are higher in the rural areas and generally lower in the Railbelt and Southeast.

## III: ALASKA SENIOR PROGRAMS

*“The prosperity of a country is in accordance with its treatment of the aged.”*  
Hasidic Proverb

Alaska’s seniors enrich the lives of all Alaskans and their communities. Alaskans value the contributions of Alaska seniors as reflected in the wide range of public benefits, programs and services available to senior citizens. Some senior programs and benefits, such as retirement pensions, are earned as a result of a senior’s personal contributions throughout a productive lifetime. Others, such as food stamps, are based on an individual’s financial need and/or disability.<sup>107</sup> This chapter describes senior programs provided by federal, state and local governments. Program descriptions are divided into income and retirement benefits, health insurance, fee adjustments, housing and long-term care, and social services.

### *INCOME AND RETIREMENT BENEFITS*

Workers in the U.S. contribute to a variety of retirement systems that serve as savings plans to provide individuals with regular financial benefits following an active working life. Most workers in the U.S. pay into Social Security, a system that provides some income to workers after retirement. Federal government workers additionally participate in federal civilian and military retirement programs. Alaska government employees, teachers, and other state employees contribute to various State retirement programs. In addition, many businesses provide private pensions. All these are earned retirement programs based on worker contributions to retirement savings while employed. Seniors most commonly receive the bulk of their income from a combination of these sources.

### SOCIAL SECURITY

Social Security is a federal insurance system officially titled the Old Age and Survivors Insurance and Disability Insurance (OASDI). Established in 1935 to provide financial benefits to workers and their family members upon retirement, disability, or death, it is an earned benefit insurance program. This means that only those who work and pay into Social Security are eligible for benefits. Unlike seniors in the nation as a whole, in Alaska retirement pensions comprise a greater proportion of non-working senior income than Social Security. In 1999, Social Security made up 28% and retirement pensions made up 34% of the Alaska senior per capita income as compared to U.S. seniors where, in 2002,

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<sup>107</sup> Earned income is payments you receive from your work or job, salary, wages, self-employment income, alimony, and farming income are examples of earned income. Unearned income is all income that is not earned from your job or from your business. These distinctions are important as each program must count an individual’s income by prescribed rules and how income is counted can affect what needs based benefits a senior may receive. The various ways that income is counted for each needs based program will be addressed in the following program descriptions.

Social Security made up 39% and retirement pensions made up 19% of per capita senior income.<sup>108</sup>

Eight percent of Alaska seniors 65+ did not receive Social Security income benefits in 2000.<sup>109</sup> This group includes many seniors residing in rural Alaska who have not participated in the wage economy but supported their families through harvesting fish, game, and other resources. A total of 62,781 people received Social Security benefits in Alaska in 2004 according to the 2005 Social Security Administration annual Statistical Supplement seen in Table III.1. The average annual Social Security retired benefit in Alaska in 2004 was \$11,035, somewhat lower than the average in the U.S. of \$11,459.<sup>110</sup>

	1999	2000	2002	2003	2004
Number					
TOTAL	51,320	54,331	58,694	60,854	62,781
Retired Workers	29,287	31,347	34,257	35,571	37,077
Disabled workers	6,680	7,208	8,151	8,707	9,115
Widow(er)s	4,622	4,752	4,935	5,027	5,115
Spouses	2,968	3,021	2,979	2,996	2,989
Children	7,763	8,003	8,372	8,553	8,485
Number of OASDI Beneficiaries Aged 65 or Older	31,250	33,203	36,031	37,307	38,752
<b>Total Monthly Benefits (thousand \$)</b>					
Total	\$35,321	\$39,340	\$45,175	\$48,229	\$51,697
Retired workers	\$22,854	\$25,720	\$29,692	\$31,654	\$34,094
Widow(er)s	\$3,279	\$3,521	\$3,849	\$4,040	\$4,299
Other	\$9,188	\$10,099	\$11,634	\$12,538	\$13,304
Source: Social Security Administration, OASDI Beneficiaries by State and County. Data for 2001 unavailable in source document.					
Table Source: ISER					

<sup>108</sup> "65+ in the United States: 2005", U.S. Census Bureau, March 2006; also see Appendix B, Table B.27

<sup>109</sup> The Social Security administration reports that 92% if the Alaska population 65+ receives benefits. They reported a figure of 33,203 recipients in 2000 compared to the 2000 census count of 35,699. This might suggest that some Census respondents might not be accurately reporting their sources of income.

<sup>110</sup> Appendix C, Table C.1

Workers are entitled to retirement benefits if they contributed to Social Security for at least 10 years, and if they have reached the normal retirement age, currently set at 65 and increasing to 67 for workers born after 1959. The size of the benefit is a function of the size of annual earnings and the number of years worked. The benefit payment is not adjusted for cost-of-living differences in different locations but does increase over time to account for inflation. Table III.2 shows that the average monthly retirement benefit in Alaska in 2004 was \$920 for 38,752 beneficiaries aged 65+.

<b>Table III.2</b>					
<b>Alaska Social Security Average Monthly and Annual Benefit</b>					
	1999	2000	2002	2003	2004
<b>Monthly Benefit per Recipient</b>					
Retired Workers	\$780	\$820	\$867	\$890	\$920
Widow(er)s	\$709	\$741	\$780	\$804	\$840
Disabled, Spouse, Children	\$528	\$554	\$597	\$619	\$646
<b>Annual Benefit per Recipient (Calendar Year)</b>					
Retired Workers	\$9,364	\$9,846	\$10,401	\$10,679	\$11,035
Widow(er)s	\$8,513	\$8,891	\$9,359	\$9,646	\$10,086
Disabled, Spouse, Children	\$6,333	\$6,648	\$7,158	\$7,426	\$7,755
Source: Social Security Administration, OASDI Beneficiaries by State and County . Data for 2001 unavailable in source document.					
Table Source: ISER					

More women than men receive Social Security benefits both in the nation as a whole and in Alaska. The average benefit, however, is lower for women than for men. In 2003 the average for Alaskan men was \$991 per month, while for women the average was \$749.<sup>111</sup> A spouse who never worked but stayed home to care for family is still entitled to a Social Security benefit equal to half that of the working spouse. Widowed and divorced spouses, after a marriage of at least 10 years, are entitled to Social Security benefits even if they never worked, as long as their spouses were eligible for benefits.

Some public employees and others are affected by the Windfall Elimination Provision which reduces Social Security benefits to some people who are eligible for them. This

<sup>111</sup> OASDI Beneficiaries by State and County, 2003, Social Security Administration

provision affects people who receive a pension from an employer that did not withhold Social Security taxes, usually a government agency such as the State of Alaska, and who also worked at other jobs where they paid Social Security taxes long enough to qualify for benefits. A modified formula is used to calculate their Social Security benefit amount in order to eliminate the “windfall” resulting from use of the standard formula which is designed to provide a higher rate of return to workers with lower wages.<sup>112</sup>

Federal Fiscal Year	Retirement	Survivors	Disability	Total
1999	\$256.228	\$91.880	\$73.379	\$420.937
2000	\$279.585	\$97.072	\$83.120	\$459.777
2001	\$306.778	\$106.092	\$116.462	\$529.332
2002	\$330.159	\$113.563	\$107.602	\$551.323
2003	\$349.955	\$119.511	\$113.029	\$582.494
2004	\$371.558	\$126.327	\$118.864	\$616.749
Source: Consolidated Federal Funds Report				
Table Source: ISER				

The Social Security program also provides survivorship benefits and disability insurance as seen in Table III.3. Survivorship benefits are paid in addition to retirement benefits when a worker dies. The worker’s family may receive benefits from Social Security if the deceased worker has worked at least one quarter for each year after he or she attained the age of 21. Disability insurance is provided to workers in case they become disabled and can no longer work. The disability need not be related to an accident at the worker's job. The number of years of work required to receive disability benefits varies with the age of a worker.

Alaska seniors as a group are less dependent on Social Security than seniors in any other state. Social Security is the largest source of income for 65% of seniors in the U.S., but for only half of Alaska seniors (49%). In contrast, nearly three-quarters of the seniors in West Virginia depend on Social Security for half or more of their income. The share of Alaska seniors dependent on Social Security for virtually all of their income (90% or more) is only 16%, compared to 33% for the nation as a whole. In Mississippi over 41% of seniors rely on Social Security for virtually all of their income.<sup>113</sup> Without Social Security, 32% of Alaska seniors would fall below the federal poverty line, rather than the

<sup>112</sup> Windfall Elimination Provision, Publication No. 05-10045, Social Security Administration.

<sup>113</sup> Etlinger, Michael and Heff Chapman. 2005 Social Security and the Income of the Elderly, Washington D.C., Economic Policy Institute.

6% who did fall below that level in 2002. For the U.S. as a whole, 47% of seniors would fall below the poverty line without Social Security.<sup>114</sup>

Total Social Security payments to Alaska in 2004 were \$616.749 million as shown in Table III.3. It is one of the largest sources of federal funds flowing into the state. Retirement benefit payments, the largest component of the total, have doubled in the last 10 years, but disability payments have grown more rapidly.<sup>115</sup>

## FEDERAL RETIREMENT PROGRAMS

The federal government provides both civilian and military retirement programs. Between all these federal retirement programs, participating Alaskans received \$455 million in 2004, an increase of almost \$57 million from 2003 as shown in Table III.4.

	Military Retirement	Federal Civilian Retirement	Other Retirement, Excluding Veterans	Veteran Pension	Veteran Compensation	Total
1993	\$83.934	\$101.104	\$9.382	\$1.958	\$37.870	\$234.248
1994	\$93.293	\$106.771	\$9.905	\$1.911	\$42.895	\$254.775
1995	\$98.823	\$103.535	\$10.602	\$2.305	\$48.623	\$263.888
1996	\$87.234	\$107.459	\$11.702	\$2.392	\$52.506	\$261.293
1997	\$82.741	\$124.899	\$12.682	\$2.632	\$52.803	\$275.757
1998	\$109.365	\$119.661	\$14.692	\$2.679	\$58.631	\$305.028
1999	\$112.960	\$123.495	\$14.594	\$2.691	\$67.894	\$321.634
2000	\$117.199	\$123.309	\$15.062	\$2.556	\$72.489	\$330.615
2001	\$123.134	\$131.418	\$16.299	\$2.570	\$80.395	\$353.816
2002	\$126.885	\$138.809	\$17.575	\$2.651	\$91.950	\$377.870
2003	\$129.654	\$147.120	\$18.507	\$2.605	\$100.522	\$398.41
2004	\$174.285	\$153.239	\$19.385	\$2.652	\$105.620	\$455.181

Note: Other includes Coast Guard, foreign service, NOAA, public health service, and Tennessee Valley Authority. Codes are as follows: Military retirement=DR106, Federal Civilian Retirement=DR200, Other, Excluding Veterans Pension =DR300+DR400+DR500+DR600+DR700+DR800, Veterans Compensation=64.109+64.110.

Source: Consolidated Federal Funds Report  
Table Source: ISER

## CIVILIAN

There are two main civilian federal government retirement plans. The Civil Service Retirement System (CSRS) is a stand-alone defined benefit plan whose participants are not covered by Social Security. Until passage of the 1983 Amendment to the Social Security Act, it was the only retirement plan for most federal civilian employees. At that

<sup>114</sup> Sherman, Arloc, and Shapiro, Isaac, "Social Security Lifts 13 Million Seniors Above the Poverty Line: A State-by-State Analysis," Center for Budget and Policy Priorities, February 24, 2005.

<sup>115</sup> Appendix C, Table C.2 provides information on historical payment amounts

time the act was amended to create the Federal Employees Retirement System (FERS), also a defined benefit plan, which covers federal employees hired after 1983. One of the amendment provisions is designed to ensure the long-term financial stability of the Social Security trust fund. It requires FERS employees to contribute to Social Security.

In 2004, 6,826 former federal civilian employees in Alaska received \$153 million in benefits. An estimated 850 additional federal retirees received benefits of \$19 million under other programs. The age distribution of these retirees is unknown. The total benefit paid to about 7,676 retired federal civilian employees in 2004 was about \$173 million.

### **MILITARY**

In 2004, 9,202 military retirees in Alaska received \$175 million in benefits<sup>116</sup>. The number aged 65+ was 2,274 and the estimated number aged 60+ was about 3,000. Veteran compensation and pensions together added up to about \$108 million in 2004. Alaska has a large number of senior veterans, but the share of total veterans' payments going to them is unknown.

### **ALASKA STATE RETIREMENT**

The State of Alaska manages several retirement benefit programs for state and local government employees. The Public Employees Retirement System (PERS) and the Teachers Retirement System (TRS) are the largest. These programs cover employees of both state and some local governments and provide retirement pensions and health insurance. These retirement systems opted out of the Social Security system. Therefore, depending on their work history, public employee and teacher retirees may not be eligible for Social Security or they may receive a reduced Social Security benefit.<sup>117</sup>

### **PUBLIC EMPLOYEES**

The Public Employees Retirement System (PERS) currently provides benefits to about 20,000 state and local government retirees of all ages, within Alaska and in other locations. Table III.5 indicates the average annual benefit is about \$18,000 and the total annual expenditures under the retirement program are about \$350 million. The 63% of retirees who live in Alaska receive a cost-of-living adjustment that increases their monthly benefit by 10% compared to retirees living outside the state; so in-state benefits payments are about 70% of the total.

In the last 10 years benefit payments increased rapidly due to a doubling of the number of retirees and an increase in the average benefit. The retirement benefits package has been modified several times, and it recently changed from a defined benefit plan into a defined contribution plan for new employees starting work in July 2006.

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<sup>116</sup> U.S. Department of Defense, DoD Statistical Report on the Military Retirement System, 2004, Office of the Actuary.

<sup>117</sup> See Windfall Elimination Discussion on page 54

As of the end of 2005, there were 14,600 PERS beneficiaries living in Alaska and 6,200 living out-of-state as described in Table III.6. Of the in-state population, almost 66 % were seniors aged 60+. This means one in seven Alaska seniors aged 60+ was a PERS beneficiary. As is the case with most public employee retirement funds, in 2005, the program was under-funded by 4.4 billion dollars as shown in Table III.9 on page 63.<sup>118</sup>

Year	Recipients	Average Monthly Benefit	Average Annual Benefit	Total Benefits Paid (million \$)
1993	9,103	\$1,047	\$12,564	\$114.370
1994	9,643	\$1,072	\$12,864	\$124.048
1995	10,173	\$1,099	\$13,188	\$134.162
1996	10,921	\$1,104	\$13,248	\$144.681
1997	11,802	\$1,210	\$14,520	\$171.365
1998	13,101	\$1,273	\$15,276	\$200.130
1999	14,185	\$1,303	\$15,636	\$221.796
2000/2001	16,274	\$1,374	\$16,488	\$268.325
2002	17,215	\$1,419	\$17,028	\$293.137
2003	18,431	\$1,440	\$17,280	\$318.487
2004	19,572	\$1,468	\$17,616	\$344.780

Source: 1996, 1999, 2004 PERS Actuarial Valuation, Mercer  
Table Source: ISER

Age	In-State	Out of State	Total	Share In-State
<40	12	0	12	100.0%
40-44	59	30	89	66.3%
45-49	250	98	348	71.8%
50-54	1,204	527	1,731	69.6%
55-59	3,435	1,685	5,120	67.1%
60-64	3,325	2,028	5,353	62.1%
65-69	2,427	1,564	3,991	60.8%
70-74	1,733	1,125	2,858	60.6%
75-79	1,148	731	1,879	61.1%
80-84	683	432	1,115	61.3%
85-89	286	232	518	55.2%
90-94	71	54	125	56.8%
95-100	10	7	17	58.8%
100-104	0	3	3	0.0%
Total	14,643	8,516	23,159	63.2%
Share 60+	66%	73%	68%	61.1%
Number 60+	9,683	6,176	15,859	

Source: 1996, 1999, 2004 PERS Actuarial Valuation, Mercer  
Table Source: ISER

<sup>118</sup> Appendix C, Table C.3

## TEACHERS RETIREMENT

The Teachers Retirement System (TRS) currently provides benefits to about 9,000 retirees of all ages, living both in and out of Alaska. The average annual benefit in 2004 was about \$30,600. The total annual expenditures under the retirement program are about \$266 million as seen in Table III.7. The 66% of age 60+ retirees who live in Alaska receive a cost-of-living adjustment that increases their monthly benefit by 10%, compared to retirees living outside the state.

In the past 10 years TRS retirement payments have increased rapidly due to a doubling of the number of retirees and an increase in the average benefit. Like the PERS program, TRS has recently changed from a defined benefit to a defined contribution program for new employees starting work after June 30, 2006. As of the end of 2005, there were 6,000 TRS beneficiaries living in Alaska as shown in Table III.8. About 4,000 were aged 60+. Thus, about 6% of Alaska seniors 60+ are TRS beneficiaries. As is currently the case with most public employee retirement funds, in 2005 this program was under funded by more than \$2 billion as shown in Table III.9.<sup>119</sup>

<b>Table III.7</b>				
<b>Alaska Teachers' Retirement System (TRS)</b>				
Year	Recipients	Average Monthly Benefit	Average Annual Benefit	Total Benefits Paid (million \$)
1993	3,891	\$1,976	\$23,712	\$92.263
1994	4,134	\$2,028	\$24,336	\$100.605
1995	4,459	\$2,072	\$24,864	\$110.869
1996	4,803	\$2,062	\$24,744	\$118.845
1997	5,343	\$2,286	\$27,432	\$146.569
1998	5,979	\$2,366	\$28,392	\$169.756
1999	6,486	\$2,388	\$28,656	\$185.863
2000/2001	7,333	\$2,470	\$29,640	\$217.350
2002	7,804	\$2,532	\$30,384	\$237.117
2003	8,312	\$2,563	\$30,756	\$255.644
2004	8,707	\$2,550	\$30,600	\$266.434
Source: 1996, 1999, 2004 TRS Actuarial Valuation, Mercer Table Source: ISER				

<sup>119</sup> Appendix C, Table C.4

Age	In-State	Out of State	Total	Share In-State
<40	4	2	6	66.7%
40-44	20	13	33	60.6%
45-49	136	65	201	67.7%
50-54	506	323	829	61.0%
55-59	1,360	967	2,327	58.4%
60-64	1,500	1,091	2,591	57.9%
65-69	1,070	739	1,809	59.1%
70-74	618	536	1,154	53.6%
75-79	396	336	732	54.1%
80-84	217	226	443	49.0%
85-89	113	124	237	47.7%
90-94	29	37	66	43.9%
95-100	4	9	13	30.8%
100-104	0	0	0	
Total	5,973	4,468	10,441	57.2%
Share 60+	66%	69%	67%	56.0%
Number 60+	3,947	3,098	7,045	

Source: 1996, 1999, 2004 TRS Actuarial Valuation, Mercer  
Table Source: ISER

Fiscal Year	PERS Under funded Liability	TRS Under funded Liability	Total
1994	\$(240,877)	\$(288,452)	\$(529,329)
1995	(176,418)	(266,075)	(442,493)
1996	291,295	(81,681)	209,614
1997	351,372	(200,025)	151,347
1998	367,571	(82,687)	284,884
1999	367,6671	94,679	462,346
2000	77,846	(14,853)	62,993
2001	73,182	(230,918)	(157,736)
2002	(2,446,758)	(1,722,606)	(4,169,364)
2003	(2,874,372)	(2,083,324)	(4,957,696)
2004	(3,413,502)	(2,278,230)	(5,691,732)
2005	(4,401,922)	(2,539,617)	(6,941,539)

Source: Department of Administration, Division of Retirement and Benefits

## **OTHER STATE RETIREMENT PROGRAMS**

Judges, the Alaska National Guard, elected officials, and railroad employees have their own small retirement programs. In 2004, 75 beneficiaries received \$3.8 million paid out by the judicial retirement system. The average annual benefit was \$51,060. The residence and age distribution of recipients is unknown.

In 2004, 475 beneficiaries received \$1.6 million paid out by the National Guard and Naval Militia Retirement System. The average annual benefit was \$3,388. The residence and age distribution of recipients is unknown. Members of the Alaska National Guard are eligible for a retirement benefit if they have served a total of 20 years in the U.S. Armed Forces with at least five years in the Alaska National Guard or Naval Militia.

This report does not include information on the programs for the small number of elected official and railroad employee retirees.

## **OTHER INCOME PROGRAMS**

There are a few other income programs provided by the State of Alaska. The majority of these are needs-based. Needs-based programs include the federal Supplemental Security Income (SSI), Alaska Adult Public Assistance (APA), Alaska General Relief Assistance (GRA), SeniorCare, Food Stamps, and Heating Assistance. The one non-needs based program, the Alaska Permanent Fund Dividend program (PFD), is an unusual government income program with a benefit to all Alaskans based solely on state residency.

Eligibility for needs-based programs is usually calculated based on both earned and unearned income. Earned income is income received for value provided by the individual such as wages or personal business income. Unearned income is any income not linked directly to a job or a business including gifts, proceeds from life insurance policies, annuities, alimony payments, unemployment insurance benefits, rental income and the PFD.<sup>120</sup> Any income not linked directly to a job or a business.

## **FEDERAL SUPPLEMENTAL SECURITY INCOME (SSI)**

Supplemental Security Income (SSI) is a monthly benefit paid by the Social Security Administration to people with limited income and resources who are disabled, blind, or age 65 or older. Recipients include some seniors aged 65+ who do not receive regular Social Security retirement benefits as well as some that receive very small regular Social Security retirement benefits. This program is designed to supplement rather than substitute for Social Security and not by itself be a benefit that would put an individual or household above the poverty threshold.

Nationally most beneficiaries are eligible on the basis of a disability, more than half have no other income besides SSI payments, 29% were aged 65 or over, and the majority were

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<sup>120</sup> The former Alaska Longevity Bonus Program would fall under the definition of unearned income.

females. For Alaskans, the SeniorCare payments are not counted as income for determining eligibility for SSI. However, both the Longevity Bonus, before it was discontinued, and the current PFD payments do count as income.

Nationally SSI payments help to reduce the “poverty gap” by 74%, that is the difference between the poverty threshold and family income. Seniors 65+ who receive SSI payments, on average, receive 38% of their family income from SSI, 38% from Social Security (OASDI), and most of the rest from earnings. Most senior recipients are either women householders (38%) or a married couple family (31%).<sup>121</sup>

SSI benefits provide cash to meet basic needs for food, clothing, and shelter. The benefit level is not adjusted for differences in the cost-of-living in different locations, but it is adjusted periodically to account for inflation. States may supplement the payment levels of all or selected categories of recipient. Alaska has chosen to do that under the Adult Public Assistance program.

The SSI benefit is currently (2006) capped at \$603 per month for an eligible individual with no countable income and \$904 per month for a couple. The amount a beneficiary receives equals the cap minus countable income. Of the 10,773 Alaska beneficiaries in 2004, 3,017 were seniors aged 65+. Table III.10 describes program recipient groups and payment amounts. The average monthly payment to seniors was \$292.<sup>122</sup> The average annual payment was \$3,504. In the last 10 years, the total amount of Supplemental Security Income payments to Alaskans has more than doubled in size.<sup>123</sup>

Calendar Year	Total Recipients	Aged (Eligible Based on Age)	Blind/ Disabled	Senior Recipients (Total 65+)	Total Monthly Benefits to Aged (million\$)	Total Monthly Benefits to Seniors (million\$)	Average Monthly Benefit to Seniors
1999	8,165	1,346	6819	1,971	\$.318	\$.482	\$245
2000	8,672	1,453	7,219	2,105	\$.343	\$.519	\$247
2001	9,153	1,489	7,664	2,203	\$.368	\$.570	\$259
2002	9,651	1,572	8,079	2,343	\$.400	\$.623	\$266
2003	11,529	2,229	8,422	3,048	\$.607	\$.895	\$294
2004	10,773	2,169	8,604	3,017	\$.592	\$.880	\$292

Source: Economic Policy Institute, Social Security Administration, OASDI Beneficiaries by State and County, annual.  
Table Source: ISER

<sup>121</sup> Social Security Administration, SSI Annual Statistical Report, 2004.

<sup>122</sup> Social Security Administration, SSI Annual Statistical Report, 2004

<sup>123</sup> Appendix C, Table C.5

## **ADULT PUBLIC ASSISTANCE (APA)**

The State of Alaska established the Adult Public Assistance Program (APA) to provide financial assistance to needy aged, blind, and disabled persons and to help them attain self-support or self-care. People who receive APA financial assistance are aged 65+, or have severe and long-term disabilities that impose mental and physical limitations on their day-to-day functioning. The program is state funded and administered by the Division of Public Assistance within the Department of Health and Social Services.

The Alaska program supplements the federal SSI program. For example, the maximum payment from SSI for a person living alone is \$603 per month. The state APA program augments that by up to \$362. In addition the state makes APA payments to some Alaskans whose income exceeds the limits set for the SSI program.

Only five states currently have an average supplemental payment that exceeds Alaska's payment. Only eight states provide services to a larger number of seniors, and only four have total payments to seniors higher than Alaska. The average payment across states providing supplementation in 2004 was \$165 per month.<sup>124</sup>

About 10% of Alaska seniors received Adult Public Assistance in 2005. To qualify for APA, a person must meet income and resource requirements. State funded programs such as SeniorCare, and Alaska Permanent Fund Dividend are not counted as income for determining eligibility for APA. The state funded Longevity Bonus was never counted as income either.<sup>125</sup>

To qualify for APA disability benefits, an individual must have a long-term disability, therefore these beneficiaries tend to remain in the APA program for their entire adult lives. Continued APA funding provides critical financial assistance to enable program participants to live as independently as possible. The program provides eligible recipients with a monthly cash payment that varies by living arrangement. In 2005 the maximum level for a person living alone was \$362 and for a couple \$528 per month. About 40% of the benefits go to Alaska seniors aged 60+. In 2004 senior program participation averaged 6,755 seniors, comprising about 40% of the total number of program recipients. The average senior APA support was \$235 per month. Table III.11 describes APA expenditures from 2001 to 2005.

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<sup>124</sup> Social Security Administration, SSI Annual Statistical Report, 2004.

<sup>125</sup> In addition, the state provided Hold Harmless benefits were available to replace any SSI benefits that were lost due to receipt of the Alaska Longevity Bonus.

<b>Table III.11</b>					
<b>Alaska Adult Public Assistance Expenditures</b>					
Calendar Year	Unduplicated Recipients	Average Number of Recipients Per Month	Total Annual Payments (million \$)	Annual Payment per Recipient	Monthly Payment per Recipient
<b>All Recipients</b>					
2001	16,935	14,217	\$54.773	\$3,853	\$321
2002	17,753	15,038	\$57.347	\$3,813	\$318
2003	18,393	15,758	\$58.798	\$3,731	\$311
2004	18,328	15,911	\$55.784	\$3,506	\$292
2005	18,200	16,031	\$45.059		\$281
<b>Seniors Aged 60 or Older</b>					
2001	6,992	5,979	\$23.194	\$3,317	\$276
2002	7,292	6,265	\$23.845	\$3,270	\$273
2003	7,586	6,573	\$23.952	\$3,157	\$263
2004	7,740	6,755	\$21.812	\$2,818	\$235
2005	7,715	6,833	\$17.765		\$230
<b>Senior Share</b>					
2001	41.3%	42.1%	42.3%		
2002	41.1%	41.7%	41.6%		
2003	41.2%	41.7%	40.7%		
2004	42.2%	42.5%	39.1%		
2005	42.4%	42.6%	39.4%		
Source: Alaska Department of Health and Social Services; 2005 includes the months of January through October. Table Source: ISER					

Most of the funding for the APA program comes from the Alaska State General Fund. It is interesting to note that the elderly caseload has grown more slowly than the disabled caseload as shown in Table III.12. Between 1997 and 2006, the elderly caseload increased by over 20% compared to the disabled caseload increase of over 67%.

<b>Table III.12</b>		
<b>Alaska Adult Public Assistance for the Aged and Disabled</b>		
Fiscal Year	Elderly Caseload 65+	Disabled Caseload
2001	4,661	9,250
2002	4,721	9,927
2003	4,860	10,569
2004	4,999	10,860
2005	5,090	11,097
2006	5,195	11,540
Source: FY 2006 DHSS Budget Overview.		
Table Source: ISER		

## GENERAL RELIEF ASSISTANCE (GRA)

General Relief Assistance (GRA) is designed to meet immediate, basic needs of Alaskans facing extreme financial crisis. Examples of basic needs include shelter and utilities. Under limited circumstances, GRA can provide assistance for clothing, transportation and food for people ineligible for Food Stamps, as well as, limited medical care. There is also limited funding to provide a dignified burial for the indigent. The program is funded primarily from the State General fund and administered in the Department of Health and Social Services, Division of Public Assistance.

The GRA program is designed to only be used as a last resort for financially eligible individuals and families who have exhausted all other possible resources. Eligibility for General Relief Assistance is determined on a month-to-month basis. Applicants must demonstrate and verify an unmet emergent need in the month of application that can be satisfied by GRA. GRA payments are always made to vendors who can provide the needed services.

GRA is a relatively small program, averaging slightly over \$1 million in expenditures annually in recent years with an average monthly caseload of about 150, down from several hundred in the early 1990s. Most of the assistance is used for the burial costs of indigent Alaskans and for rental payments. The share of program benefits going to Alaska seniors is unknown. Table III.13 shows GRA expenditures and beneficiaries from 2002 to 2005.

<b>Table III.13</b>			
<b>Alaska General Relief Expenditures</b>			
	Average Monthly Caseload (Households)	Unduplicated Households in a Calendar Year	Total Annual Payments (Million \$)
2002	152	867	\$.885
2003	149	1,087	\$1.124
2004	159	1,118	\$1.234
2005	146	1,010	\$1.174
General relief data begin with April 2002. General relief 2005 data include the months of January through November.			
General relief data include only households.			
Source: Alaska Department of Health and Social Services.			

## GENERAL RELIEF FOR ASSISTED LIVING CARE (GRALC)

GRA funds are also associated with another program, General Relief for Assisted Living Care (GRALC). This program is administered by The Division of Senior and Disabilities Services' Adult Protective Services (APS) unit. APS provides GRA funds to pay for assisted living care for adults who need the protective services and oversight provided in an assisted living home.

## LONGEVITY BONUS AND SENIOR CARE

The Longevity Bonus began in 1972 as a benefit program for long-term elderly Alaskans, however, the Alaska court ruled that the program had to be available to all Alaska seniors regardless of length of residency in 1984. In 1993, the legislature passed a bill to phase out the program. In 2003, long before the program's natural phase out date, Governor Murkowski eliminated the phase out and replaced it with the needs-based SeniorCare program. Governor Palin has recently proposed to restore the phase out program.

### **LONGEVITY BONUS**

The State of Alaska created the Longevity Bonus program to provide supplemental income to elderly Alaska residents who lived in the state prior to statehood in 1959. Original program eligibility required the senior to be age 65 or above and have 25 years of Alaska residency. The State gradually increased the original bonus payment of \$100 per month in 1972 to \$250 per month in 1982. In 1984 court rulings opened the program to all Alaskan seniors 65+ who had been in the state for at least one year.

The Alaska legislature put into place a phase out plan for the Longevity Bonus in 1993. This modified program restricted eligibility for the full bonus payment to seniors already receiving benefits by the end of 1993. The monthly payment for new applicants in subsequent years was \$200 in 1994, \$150 in 1995, and \$100 in 1996, after which time the program was closed to new applicants. Payments continued to be made to all seniors enrolled in the program, as long as they remained residents of the state, but total program expenditures began to fall as the number of program recipients declined.

Governor Frank Murkowski terminated the phase out plan at the end of FY 2003 and the last bonus payment was paid in August 2003. In the last year of the program, 18,741 recipients received a total of over \$55 million in Longevity payments.<sup>126</sup> The new SeniorCare program was put in place to provide a small monthly cash benefit or alternative prescription drug benefit to low-income Alaskans age 65 and older. The Longevity Bonus, however, remained a contentious political issue in subsequent years. Recently, Governor Palin added \$33.7 million to the FY08 budget to restore the Longevity Bonus program by July, 2007.

### **SENIORCARE PROGRAM**

The SeniorCare program was created after the Longevity Bonus was terminated in August 2003. Its purpose is to provide additional support to income-limited seniors. Unlike the Longevity Bonus, eligibility for SeniorCare is based on financial need. The Alaska SeniorCare program is funded by the State of Alaska and administered by the Division of Public Assistance within the Department of Health and Social Services.

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<sup>126</sup> Appendix C, Table C.6

The program offers two options. First, a cash benefit of \$120 per month, or \$1,440 per year, is available for Alaskans age 65+ with low-incomes and limited assets.<sup>127</sup> Second, a prescription drug benefit which, beginning in 2006, covers premiums and deductibles for prescription drug coverage under Medicare Part D.<sup>128</sup> Income limits equate to 135% of the 2005 Alaska poverty level for the cash benefit program and 175% of the 2005 Alaska poverty level for the prescription drug program. It is important to note these program income limits are static even though the definition of poverty level changes annually due to inflation.

Prior to 2006, SeniorCare offered participants a choice between the cash benefit and a limited prescription drug benefit before implementation of Medicare Part D prescription drug coverage. Few seniors chose the prescription drug option. As of 2006, Medicare Part D Prescription drug program will cover all Alaskans eligible for SeniorCare Cash Assistance with a federal subsidy that pays for their Medicare Part D Prescription drug coverage. The SeniorCare prescription drug benefit is targeted to those with slightly higher incomes who are not eligible for the federal subsidy.

The SeniorCare program was scheduled to sunset on June 30, 2007, but in FY08, Governor Palin added \$13 million to the SeniorCare program budget. The monthly state costs and number of warrants issued are depicted in Table III.14.

Month	Warrants	Expenditures
Jul-04	5,860	\$705,150
Aug-04	6,981	\$837,980
Sep-04	6,881	\$825,720
Oct-04	6,867	\$824,040
Nov-04	6,832	\$819,840
Dec-04	6,805	\$816,600
Jan-05	6,800	\$816,000
Feb-05	6,822	\$818,640
Mar-05	6,829	\$819,480
Apr-05	6,899	\$827,880
May-05	6,899	\$827,880
Jun-05	6,919	\$830,280
<b>Total</b>		<b>\$9,769,490</b>
Jul-05	6,915	\$829,800
Aug-05	6,921	\$830,520
Sep-05	7,050	\$846,260
Oct-05	7,039	\$844,680
Nov-05	6,985	\$838,200
Source: Alaska Department of Health and Social Services, Division of Pioneer Homes. Table Source: ISER		

<sup>127</sup> To qualify for SeniorCare income must be below \$16, 133 for individuals or \$21,641 for a couple, and with assets of up to \$6,000 for an individual or \$9,000 for a couple.

<sup>128</sup> To qualify for the SeniorCare prescription option an individual's income can be up to \$20,193 or couples incomes up to \$28,053, and liquid assets of up to \$50,000 for an individual or \$100,000 for a couple.

## ALASKA FOOD STAMPS

The Alaska Food Stamp Program, funded by the federal government, provides food benefits for low-income households, including children under 21 and seniors 65+. Eligible households use the food stamp benefits to buy food products from authorized stores statewide using an Alaska Quest card. The amount a household receives each month depends on the household's size, income, assets, and location. Households in which all members are receiving Supplemental Security Income (SSI) are automatically eligible.

According to a national study, only about 72% of eligible Alaskan households participated in the food stamp program in 2001.<sup>129</sup> This was higher than most states and the national average (60%), but left an estimated 14,000 eligible individuals without benefits. Table III.15 shows program growth has been modest over the last four years. Nonetheless, since 1993 the total annual Alaska food stamp expenditures have almost doubled to over \$80 million.<sup>130</sup> Residents of Alaska, Hawaii, and other outlying regions of the U.S. receive a higher benefit than the rest of the nation.<sup>131</sup> Alaska also has special rules that allow for higher food stamp benefits in rural parts of the state as well as for the purchase of certain hunting and fishing subsistence supplies. Alaska Food Stamp benefits are adjusted for the Alaska cost-of-living (COLA).

<b>Table III.15</b>				
<b>Alaska Food Stamp Expenditures</b>				
Calendar Year	Average Monthly Caseload (Households)	Unduplicated Recipients in a Calendar Year	Average Number of Recipients Per Month	Total Benefits Paid Per Year (Million \$)
<b>All Recipients</b>				
2002	16,496	68,473	48,296	\$61.83
2003	17,994	74,219	51,488	\$66.57
2004	19,249	76,889	54,296	\$72.83
2005	20,788	80,646	57,416	\$76.68
<b>Seniors Aged 60 or Older</b>				
2002	1,712	2,832	1,927	\$4.42
2003	1,919	3,231	2,145	\$4.56
2004	2,066	3,474	2,296	\$4.92
2005	2,266	3,569	2,533	\$5.49
<b>Senior Share</b>				
2002	10.4%	4.1%	4.0%	7.1%
2003	10.7%	4.4%	4.2%	6.9%
2004	10.7%	4.5%	4.2%	6.8%
2005	10.9%	4.4%	4.4%	7.2%
Note: Food Stamp data for 2005 includes the months of January through November.				
Source: Alaska Department of Health and Social Services. Table Source: ISER				

<sup>129</sup> Castner, Laura A. and Schirm, Allen L., State Food Stamp Participation Rates in 2001, Mathematical Policy Research, published by U.S.DA, Food and Nutrition Service, Feb. 2004

<sup>130</sup> Appendix C, Table C.7

<sup>131</sup> Appendix C, Table C.8

The maximum monthly benefit for FY 2006 for a single individual is \$181 in stamps in urban areas, and from \$231 to \$282 in rural Alaska. A household of two can receive up to \$333 in urban Alaska and from \$425 to \$517 in rural areas. Of the 20,788 Alaska households receiving benefits in 2005 in the average month, 2,266 were senior households aged 60+. For the entire year 3,569 seniors received benefits under the food stamp program.

The average monthly benefit per senior recipient was \$197 in 2005, higher than the average for all recipients as illustrated in Table III.16. This is largely because the benefit per person is higher for single person households. Seniors are more likely to be in a one person household and in addition, the eligibility requirements for seniors are more generous.

Special rules apply to the elderly (aged 65+) and the disabled. An elderly household may have up to \$3,000 in resources rather than the \$2,000 limit for younger households. The elderly and disabled also are eligible for a larger medical and housing deduction for the calculation of eligibility based on net income. The SeniorCare and Alaska Permanent Fund Dividend are counted as income for determining eligibility for food stamps.<sup>132</sup> The process for determining income eligibility for food stamps is complicated. A series of possible scenarios for calculating a person’s eligibility are presented in Appendix D.

Calendar Year	All Recipients	Senior Aged 60+
<b>Household</b>		
2002	\$312	\$215
2003	\$308	\$198
2004	\$315	\$198
2005	\$335	\$220
<b>Individual</b>		
2002	\$107	\$191
2003	\$108	\$177
2004	\$112	\$179
2005	\$121	\$197
Source: ISER		

<sup>132</sup> Alaska has established State Hold Harmless benefits used to offset benefit loss due to federal regulations regarding program eligibility for Food Stamps. Up to four months of Hold Harmless benefits are available to replace any Food Stamp benefits that are lost due to the Alaska Permanent Fund Dividend.

## ALASKA HEATING ASSISTANCE PROGRAM (HAP)

Another income based program that can benefit seniors is the Heating Assistance Program (HAP) funded by the Federal Low-Income Home Energy Assistance Program (LIHEAP) Block Grant. HAP provides seasonal help with home heating costs to low-income households. In FY 2004, about \$5.8 million was provided to about 8,300 households, including seniors. Benefits are based on family income, home heating costs, housing type and geographical region. The average benefit was \$698 per household. This program is administered through the Division of Public Assistance of the Department of Health and Social Services. Due to limited funding for the LIHEAP Program, households may receive a lower benefit in years when more households seek help from the program due to colder weather or higher fuel prices. Table III.17 shows the number of applicants with a senior in the household.

<b>Table III.17</b>		
<b>Applicants for the Alaska Heating Assistance Program (HAP)</b>		
Fiscal Year	Applicants	Applicants with Senior in HH
2004	10,814	2,158
2005	11,118	2,355
2006	11,752	2,587
Source: DHSS		

## PERMANENT FUND

The Alaska Permanent Fund Dividend program has, since 1982, provided an annual payment to every Alaska resident from half of the earnings of the Alaska Permanent Fund.<sup>133</sup> The Permanent Fund, established in 1977, receives at least 25% of State royalties from the sale of natural resources, primarily oil and gas. Size of the Dividend is determined by the average of the earnings over the previous five year period and the number of eligible applicants. Table III.18 shows the dividend amount since 1990. Partially because of the PFD, Alaska’s poverty rate is lower and income distribution more equitable than in other states.

About 6% of the applicants for the Dividend are aged 65+ and about 10% are 60+. Table III.19 illustrates the total amount paid to seniors 65+ in 2004 was about \$35 million and the amount paid to seniors 60+ was \$55 million.<sup>134</sup>

The Permanent Fund Dividend Hold Harmless program provides replacement funding for low-income Alaskans to compensate for the temporary loss of monthly benefits in the month when the Dividend payment is made. This compensation covers food stamps, SSI payments, Adult Public Assistance and Medicaid coverage.

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<sup>133</sup> Appendix C, Table C.9

<sup>134</sup> Appendix C, Table C.9, C.10

Year	Amount
1990	\$953
1991	\$931
1992	\$916
1993	\$949
1994	\$984
1995	\$990
1996	\$1,130
1997	\$1,297
1998	\$1,541
1999	\$1,770
2000	\$1,963
2001	\$1,850
2002	\$1,541
2003	\$1,108
2004	\$920
2005	\$846

Source: Alaska Permanent Fund Dividend Annual Report.  
Table Source: ISER

	Dividend Amount	Payments to Seniors 65+ (million \$)	Payments to Seniors 60+ (million \$)
2000	\$1,963	\$64.687	\$97.345
2001	\$1,850	\$63.279	\$95.776
2002	\$1,541	\$54.373	\$83.273
2003	\$1,108	\$40.575	\$63.076
2004	\$920	\$34.837	\$55.044

Source: Alaska Permanent Fund Division, Annual Reports,  
ISER.

## *HEALTH INSURANCE PROGRAMS*

Medicare and Medicaid are the two primary insurance programs for seniors aged 65+. The federal government, in concert with state government, funds these programs. Medicare is for all seniors, regardless of personal financial or physical health. It also covers some people with disabilities. Medicaid covers health care for some low-income populations including seniors and younger people with disabilities. Each of these programs has coverage limits. Under Medicaid the state can determine, within federal guidelines, which services are allowed, and service eligibility requirements. These insurance programs are crucial to the health of Alaska's senior population. Without them, some seniors would be without any medical care and many more would be in nursing homes, the most expensive type of long-term care.

### MEDICARE

Medicare is a federal government health insurance program that pays partial medical benefits on behalf of all citizens age 65 or older and for certain disabled people under 65. It provides some coverage for inpatient hospital care, doctors' services, out-patient care, medical equipment such as wheel chairs, and, starting in 2006, prescription drugs. Medicare reimburses medical institutions, providers, and pharmacists for the cost of care and supplies based on the Medicare fee structure. However, many Alaskan health care providers will not accept Medicare-covered patients because they feel that the reimbursement rate is too low.

Medicare does not cover long-term care, dental care, hearing aides, or glasses and there are limits on the coverage of other items. For example in 2005 Medicare paid 80% of the Medicare-approved amount for most doctor services, outpatient therapy, and durable medical equipment. It did not pay any of the costs for a hospital stay after the first 150 days nor those of a skilled nursing facility stay after the first 100 days. It did not cover the cost of the first three pints of blood received as part of an inpatient hospital stay. Seniors may fill in gaps in Medicare coverage by purchasing additional insurance privately, often called "medigap" insurance. Some seniors have medigap coverage through insurance policies associated with pensions, or other public programs such as the Indian Health Service. Low-income seniors may receive some help with Medicare costs through a special type of Medicaid coverage, which provides assistance with Medicare Part A and Part B premiums and, in some cases, Medicare co-payments and deductibles as well.

In 2003 total Medicare expenditures in Alaska were \$212 million as seen in Table III.20. Enrollment in Medicare in Alaska included 39,038 seniors aged 65+, and 8,711 disabled people for a total of 47,749. The disabled share of enrollment has been slowly growing over the years. Expenditures per Alaskan enrollee were \$5,434.

<b>Table III.20</b>					
<b>Alaska Medicare Expenditures and Enrollment</b>					
Federal Fiscal Year	Medicare Part A Hospital Insurance (HI) (Million \$)	Medicare Part B Supplementary Medical Insurance (SMI) (Million \$)	Total (Million \$)	Senior Enrollment	Total Enrollment
1999	\$107.083	\$54.174	\$161.26	33,338	40,062
2000	\$107.417	\$60.746	\$168.16	34,902	42,015
2001	\$116.844	\$67.926	\$184.77	36,167	43,815
2002	\$121.672	\$74.594	\$196.27	37,596	45,788
2003	\$127.241	\$84.892	\$212.13	39,038	47,749
2004	\$138.699	\$93.482	\$232.18		

Source: Expenditures: Consolidated Federal Funds Report, Enrollment: CMS.  
Table Source: ISER

Medicare consists of four major components: Medicaid Part A, Part B, Part C and Part D. Medicare Part A covers expenses for inpatient hospitalization. It also covers skilled nursing facility care after a three-day hospital stay and as long as progress is being made on recovery. Part A also covers some home health aide services that are ordered by a doctor and provided by a Medicare certified home health agency. Most people do not pay a premium for Part A because they or their spouse already paid for it through their payroll taxes while working. The monthly premium for those not eligible for premium-free or reduced cost coverage under Part A was \$375 in 2005.

Medicare Part B covers physician and other medical expenses provided outside a facility such as a hospital. Medicare Part B covers a portion of the charges for doctors' services and outpatient care, including outpatient surgery, ambulance services, supplies, diagnostic tests, lab tests, physical therapy, speech therapy, and occupational therapy that are ordered by a doctor. It does not cover dental care, hearing aides, annual physicals, long-term care, or custodial care, i.e., help with bathing, dressing, using the bathroom, and eating at home or in a nursing home. Everyone age 65 and older is eligible for Medicare Part B upon payment of the monthly premium which was \$78.20 in 2005.<sup>135</sup> Premiums are deducted from Social Security checks. Persons not eligible for Social Security must pay the Part B premium directly.

Medicare Part C offers beneficiaries the option to receive their benefits through a health plan such as a managed care plan or HMO. With no HMOs operating in Alaska, older Alaskans are typically not enrolled in this Medicare option.<sup>136</sup>

<sup>135</sup> Medicare Part B premium was \$88.50 in 2006, \$93.50 in 2007, with higher income beneficiaries paying ever more up to \$161.40.

<sup>136</sup> Medicare Part C "Advantage Plans" will be available in Alaska for the first time beginning in 2007.

Medicare Part D allows seniors 65+ to enroll in federally and state-approved insurance plans to help pay the cost of prescription drugs. All persons age 65 or older are eligible for the program.

Starting January 1, 2006, Medicare allows private companies to offer prescription coverage through a variety of providers. Plans vary from state to state and differ in the drugs they cover as well as the amount of the monthly premium, the amount a person must pay for each prescription (co-pay), and whether or not there is an annual deductible amount. In Alaska for 2006 there are eleven organizations which offer 27 different Prescription Drug Plans.

Individuals must choose a plan by May 15, 2006. In subsequent years the annual enrollment period will be from mid-November until the end of December. As with the other components of Medicare coverage, not all expenses are covered. In particular, the drug prescription plan helps pay for the first \$2,250 worth of medicine, but then there is a gap in coverage, known as the “doughnut hole,” in which the individual must pay for 100% of their Part D medication costs. When total spending for prescription drugs reaches \$5,100 (generally equating to \$3,600 in out-of-pocket cost for the individual including deductible and co-pays), the Medicare Part D plan provides full coverage.

## MEDICAID

Federal and state governments jointly fund Medicaid. The Medicaid program focuses on coverage for low-income children, pregnant women, families, the elderly, the blind, and the permanently disabled. People qualify for Medicaid by meeting strict income and asset standards and by fitting into other specified eligibility criteria. The federal government establishes guidelines that require the state to cover specific categories of people and types of benefits. Under Medicaid it is the state's responsibility to determine, within federal guidelines, which medical services to cover, the qualifying standards, and the categories of people who are eligible for benefits.

Currently Medicaid in Alaska is funded 57.8% by federal funds (the Federal Medical Assistance Percentage or FMAP) and 42.2% by the State General Fund.<sup>137</sup> Medicaid is the largest program within State government, with a total budget over \$1 billion.<sup>138</sup> About 130,000 Alaskans are eligible for benefits under Medicaid and about 120,000 receive services, through the Division of Health Care Services and the Division of Senior and Disability Services of the Department of Health and Social Services. Table III.21 shows the number of Medicaid enrollees. In 2005 7,948 Alaska seniors 65+ were enrolled in

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<sup>137</sup> The FMAP varies from state to state based on average income and other factors. Alaska currently has one of the highest rates. The standard FMAP is 50% meaning the federal and state governments share equally in program costs. Some administrative functions and other activities are reimbursable at a higher rate from the federal government

<sup>138</sup> Appendix C, Table C.11

Medicaid, based upon income and asset criteria, including about 74% of Alaska Natives aged 65 and over.<sup>139</sup>

Fiscal Year	Enrollment
2000	6,599
2001	6,863
2002	7,130
2003	7,516
2004	7,715
2005	7,948
Source: Alaska Department of Health and Social Services. Table Source: ISER	

Medicaid programs for seniors are: (1) Nursing Home Assistance, (2) the Personal Care Assistant Program, (3) the Older Alaskans Waiver and (4) General Health Services.<sup>140</sup> Expenditures for these programs are summarized in Table III.22. Two of these programs are dedicated to helping people who need a Nursing Home Level of Care: Nursing Home Assistance and the Older Alaskans Waiver, which provides home and community-based services in lieu of nursing home care. In addition, the Medicaid Personal Care Assistant program serves many seniors who could qualify for nursing home care. Because of the growth and popularity of the Personal Care Assistant Program and the Older Alaskans Waiver as alternatives to nursing home care, spending on nursing home care as a share of medical services for seniors is much smaller in Alaska than in the U.S. as a whole.

Programs	Total Expenditures (million \$)	Expenditures Benefiting Seniors (million \$)
Total of Identified Programs	\$174.69	\$114.75
Nursing Home Assistance	\$68.61	\$48.32
Older Alaskans Waiver	\$26.4	\$26.14
Personal Care Attendant	\$79.68	\$39.29
Source: DHSS Medicaid Budget Group		

Medicaid programs that provide services to both seniors and disabled Alaskans comprise most of the budget of the Division of Senior and Disabilities Services. In 2004, Medicaid programs made up \$236 million of the total Division budget of \$266 million. In 2005 about \$113 million of the Medicaid budget of the Division was spent for the benefit of seniors 65+. Nursing Home Care was the largest of these programs, followed by the

<sup>139</sup> Long-term Care Needs of Alaska Native Elders, Kay Branch, August 2005.

<sup>140</sup> A small number of seniors benefit from other waiver programs. See detail in the text describing the waivers.

Personal Care program, and the Older Alaskans Waiver program. About \$42 million of Medicaid expenditures through the Division of Health Care Services was also for the benefit of Alaska seniors, including acute care and home health care.

## MEDICAID NURSING HOME ASSISTANCE

There were 15 Certified Skilled Nursing Homes in Alaska at the end of 2005, providing 731 beds, not counting the Pioneers' Homes. Table III.23 lists home locations and capacities. Following the trend in demand, the number of beds per 1,000 seniors has been declining over time. Most beds are in the Railbelt and Southeast Alaska. It is estimated that 150 of the beds are occupied by Alaska Natives, mostly in Anchorage.<sup>141</sup> There is no shortage of nursing home beds in urban Alaska, but there is a shortage in rural parts of the state.<sup>142</sup> There is also strong demand for assisted living facilities for seniors including those with Alzheimer's disease and other dementias.

Medicaid Nursing Home Support paid a large share of the total bill for services provided in these nursing homes. In 2005, 1,024 persons received Medicaid support for nursing home care, and the average number each month was 484. The total Medicaid expenditure for nursing home care in that year was \$68 million as described in Table III.24.

The cost of nursing-home care is quite high. Medicaid payments for beneficiaries averaged \$345 per person per day in 2005.<sup>143</sup> The state estimates the average yearly cost for a patient in a nursing home in 2005 was \$155,525.<sup>144</sup> About 70% of nursing home residents who are supported by Medicaid are seniors 65+.<sup>145</sup>

Based on the senior share of program beneficiaries, Medicaid expenses for Nursing Home Care for seniors 65+ were about \$48 million in 2005. Alaska has a Nursing Home Transition Program which helps families with care coordination to enable seniors and disabled citizens to return to independent or family living. This program helps families to locate appropriate community-based services or privately funded home health care.

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<sup>141</sup> "The Long-term Care Needs of Alaska Native Elders," Kay Branch, 2005.

<sup>142</sup> Based on interview with the Long-Term-Care Ombudsman.

<sup>143</sup> Appendix C, Table C.12

<sup>144</sup> Alaska Department of Health and Social Services, FY2006 Budget Overview

<sup>145</sup> Appendix C, Table C.13

Name	Location	Number of Beds
Anchorage Pioneer Home	Anchorage	165
Fairbanks Pioneer Home	Fairbanks	96
Palmer Pioneer Home	Palmer	82
Sitka Pioneer Home	Sitka	79
Providence Horizon House	Anchorage	60
Marlow Manor	Anchorage	54
Juneau Pioneer Home	Juneau	48
Ketchikan Pioneers Home	Ketchikan	47
Friendship Terrace	Homer	40
Chugiak Senior Citizens	Chugiak	30
Providence Horizon-Cottages	Anchorage	22
Wasilla Area Seniors	Wasilla	20
Kotzebue Sr. Center	Kotzebue	20
Parkside-Anchorage	Anchorage	16
Northstar	Wasilla	16
Marrulut	Dillingham	15
Northstar	Palmer	15
Tanana Regional Elders	Tanana	14
Our House	Palmer	14
Bayview	Kodiak	12
The Manor	Ketchikan	11
The Remainder	Various Railbelt	Average 5

Note: "Certified" means licensed and inspected by state regulators. It must have at least 3 beds, meet state standards for safety of residents, and be Medicare eligible.  
 Source: Jerri Van Sandt, Alaska Division of Public Health.  
 Table Source: ISER

Fiscal Year	Recipients (age 65+)	Annual Payments age 65+ (million \$)	Cost per Senior per Year
2000	731	\$37.14	\$50,806
2001	656	\$38.62	\$58,872
2002	650	\$44.73	\$68,820
2003	682	\$46.46	\$68,128
2004	840	\$41.25	\$49,109
2005	752	\$49.32	\$65,580

Source: Department of Health and Social Services, Medicaid Budget Group.  
 \*includes hospital settings

## MEDICAID WAIVER PROGRAM

Alaskans who require skilled nursing home services and who are low-income may be eligible for the Medicaid waiver program. This program gives low-income individuals certified to need the services of a skilled nursing home the opportunity to “waive” nursing home placement and instead receive home and community-based services through the waiver program. Through this program, individuals can be served in non-institutional settings and have greater choice in the care they receive. The care is also much less expensive than care received in a nursing home facility. The total cost of the Medicaid waiver program in 2004 was \$112 million.

The Department of Health and Social Services determines an individual’s eligibility through a rigorous evaluation process. The Department certifies income and provides an assessment of the level of service required by the applicant. Waivers can be applied to services provided in individual homes or assisted living facilities. Current waivers are: Older Alaskans (OA) Waiver, Adults with Physical Disabilities (APD) Waiver, Mental Retardation/Developmental Disability (MRDD) Waiver, and Children with Complex Medical Conditions (CCMC) Wavier. Table III.25 lists the waivers and other program details for FY 2004.

<b>Table III.25</b>					
<b>Medicaid Waiver Program FY2004*</b>					
	Older Alaskans Waiver (OA)	Adults with Physical Disability Waiver (APD)	Children with Complex Medical Conditions Waiver (CCMC)	Mental Retardation/ Developmental Disability Waiver (MRDD)	Total
Beneficiaries	1,294	898	211	970	3,373
Providers	1,004	976	82	110	-
Communities	79	58	37	67	-
Average Cost per Beneficiary	\$21,155	\$18,589	\$37,581	\$61,897	-
Total Cost (million \$)	\$27.375	\$16.693	\$7.930	\$60.040	\$112.038
* FY 2005 data not available					
Source: FY2006 DHSS Budget Overview					
Table Source: ISER					

Only the Older Alaskans (OA) Waiver is targeted to seniors. The OA Waiver provides services to low-income senior Alaskans who are qualified for the level of care provided to a client in a nursing home but who wish to remain in their own homes and communities. Services include care coordination, private duty skilled nursing, adult day care, meals, respite care, transportation, chore services, and medical equipment. In Fiscal Year 2004, there were 1,294 beneficiaries who received benefits of \$21,155 per beneficiary. This waiver helped avoid the much higher cost of nursing home care, estimated to be about \$155,000 per year in 2005.

The APD Waiver provides services to clients between the ages of 21 and 64 years of age with the same eligibility criteria as the Older Alaskans Waiver. In FY 2004 there were 898 beneficiaries with an average benefit of \$18,589. The MRDD waiver provides services to clients with mental retardation who have limitations on functioning in everyday life and who require the level of care provided in an Intermediate Care Facility. In FY 2004 there were 970 beneficiaries with an average benefit of \$61,897. The CCMC waiver provides services to ill children from birth through age 21 who require the level of care provided in a hospital or nursing home. In FY 2004 there were 211 children served at an average cost of \$37,581.

Senior participation in the Medicaid waiver program is restricted almost entirely to the Older Alaskans waiver program.<sup>146</sup> But, a small number of seniors participate in the Adults with Physical Disability program as well. Table III.26 illustrates that the number of Older Alaskans Waiver beneficiaries is increasing along with the average payment per beneficiary.

Required skilled nursing care is often provided through assisted living facilities certified to provide for personal and health care needs in residential settings. Homes provide three meals per day, 24 hour supervision of residents, and help with activities of daily living. The facilities can be large multi-unit buildings or small, private homes. Alaska currently has 202 certified assisted living homes for seniors containing 1,710 beds. More than half of the facilities (132) and beds (904) are located in Anchorage as seen in Table III. 23 on page 81.

Fiscal Year	Beneficiaries age 65+	Payments age 65+ (Million \$)	Cost Per Senior Beneficiary per year
2000	839	\$10.89	\$12,984
2001	1,075	\$15.03	\$13,980
2002	1,236	\$19.83	\$16,043
2003	1,359	\$24.56	\$18,069
2004	1,279	\$26.52	\$20,739
2005	1,323	\$26.14	\$19,761

Source: Department of Health and Social Services, Medicaid Budget Group

<sup>146</sup> Appendix C, Table C.14

## MEDICAID PERSONAL CARE ASSISTANT (PCA) PROGRAM

The Personal Care Assistant Program (PCA) also provides home care services to Medicaid eligible recipients. These services enable low-income frail elderly Alaskans and functionally disabled, physically disabled and frail Alaskans to live in their own home or community, instead of being placed in a more costly and restrictive long-term care institution. The program provides services that help with difficulties in performing activities of daily living such as bathing, dressing and grooming, shopping and cleaning, and other activities that require semi-skilled or skilled care.

Services are provided through two different PCA models: (1) the Agency Based PCA Program (ABPCA) allows consumers to receive services through an agency in which a registered nurse oversees, manages, and supervises their care. This model has been operational for over 10 years. (2) The Consumer Directed PCA Program (CDPCA) allows each consumer to manage his or her own care by selecting, hiring, firing, and supervising their own PCA. The agency provides administrative support to the consumer and the PCA. This model became operational in 2001.

The Agency Based Personal Care Assistant program served 1,596 beneficiaries in 2005 at a total cost of \$6.5 million. The Consumer Directed Personal Care Assistant program served 2,017 beneficiaries in that year at a total cost of \$72 million.<sup>147</sup> About half of the clients in each of the Personal Care Assistant programs are seniors 65+.<sup>148</sup> If the average cost per senior program client is the same as other clients, the senior share of the total cost of the PCA program in 2005 was about \$39 million as seen in Table III.27.

State Fiscal Year	Recipients age 65+	Annual Payments Millions \$	Cost per Senior per Year
2000	858	\$3.46	\$4,029
2001	894	\$3.82	\$4,271
2002	1,038	\$6.36	\$6,124
2003	1,452	\$17.97	\$12,377
2004	1,892	\$30.88	\$16,322
2005	2,129	\$39.29	\$18,456

Source: DHSS Medicaid Budget Group

<sup>147</sup> Appendix C, Table C.14

<sup>148</sup> Appendix C, Table C.14, C.15

## OTHER MEDICAID SERVICES

Low-income seniors are eligible for Medicaid coverage in addition to Medicare coverage. In 2005, 7,948 seniors 65+ in Alaska had dual coverage. Medicaid health care services are provided to low-income seniors through the Department of Health and Social Services, Health Care Services Division. The largest share of Medicaid services go to children, but in 2004 about 7% of the \$606 million expended by this Division was paid in claims for health care for the elderly. This was about \$42 million.<sup>149</sup>

## *TAXES, LICENSING AND FEE ADJUSTMENTS*

Local communities value their seniors and recognize the financial difficulties many elderly people face living within fixed incomes and coping with expanding expenses. To enable people to continue to live in their chosen community or to relocate and to participate in an active life, state and local governments provide some special considerations for seniors. These include tax exemptions and license fee adjustments.

## SENIOR CITIZEN PROPERTY TAX EXEMPTION

State law exempts real property owned and occupied as a permanent home by a resident 65 years of age or older, or by a disabled veteran with a 50% or greater service-connected disability, from a portion of the local property tax. The exemption applies to the first \$150,000 of assessed valuation. Applicants apply directly to the municipality. The State established the program in the 1970s and originally it only applied to households with an annual income less than \$10,000, but that restriction was eliminated. The \$150,000 limit was imposed in 1987.

Initially the State reimbursed local governments for the cost of the program, but beginning in 1986, the cost exceeded State funding. As a result the State prorated payments to eligible municipalities who absorbed the remainder of the loss in property tax receipts. Since FY 1997 (tax year 1996), the entire cost of the program has been paid by local governments.<sup>150</sup>

In 2004, municipalities statewide approved 20,057 applicants under this program. The assessed value of exempt property was \$2.454 billion. This represents about 6.4% of the value of property (including commercial but excluding oil and gas) in those jurisdictions that levy a property tax. The total cost of the program to local governments was \$37.037 million. Total property tax collections were \$583 million. About 90% of applicants are senior citizens and 10% disabled veterans.

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<sup>149</sup> FY 2006 DHSS Budget Overview.

<sup>150</sup> Alaska Taxable.

The importance of the program varies by community. In 2004, the proportion of the total property tax revenue consisting of the tax exemption ranged from a high of 14% in Wrangell to a low of 0.3% in Unalaska. In the Anchorage Borough, the proportion is 6.2%.<sup>151</sup> The number of applicants, exempt assessed value, exempt share of assessed value, and tax exemption per applicant have all increased over time. In 1994, 12,199 seniors were approved for the program with an average of \$1,385 tax exemption per applicant. In 2005, this number rose to 21,044 with an average tax exemption of \$1,894 per applicant.<sup>152</sup> Table III.28 shows property tax exemptions since 1994.

A renter's rebate program, known as the Senior Citizen and Disabled Veteran Property Tax Equivalency Program was, until 2000, a companion program to the Homeowners' Program for Renters. The eligibility requirements were the same as the homeowners' program, and the rebate was that portion of the yearly rent paid by renters on their permanent residence that went toward the payment of property taxes. The program was last funded in fiscal year 1999. During the 1990s the average rebate was \$255, and 987 senior households received benefits in a typical year under this program.<sup>153</sup>

Tax Year	Approved Applications	Exempt Assessed Value (billion \$)	Total Assessed Value (billion \$)	Exempt Share of Assessed Value	Value of Exemption (million \$)	Average Exemption	Exemption per Applicant
1994	12,199	\$1.065	-	-	\$16.894	\$87,266	\$1,385
1995	12,919	\$1.183	-	-	\$18.637	\$91,593	\$1,443
1996	13,692	\$1.293	-	-	\$20.371	\$94,452	\$1,488
1997	14,643	\$1.404	-	-	\$22.318	\$95,856	\$1,524
1998	15,143	\$1.545	-	-	\$24.649	\$102,007	\$1,628
1999	15,836	\$1.671	-	-	\$26.695	\$105,549	\$1,686
2000	16,656	\$1.799	-	-	\$28.249	\$107,991	\$1,696
2001	17,640	\$1.942	\$29.473	6.6%	\$31.076	\$110,099	\$1,761
2002	18,435	\$2.115	\$31.697	6.7%	\$32.515	\$114,759	\$1,764
2003	19,275	\$2.295	\$34.826	6.6%	\$34.663	\$119,078	\$1,798
2004	20,057	\$2.454	\$37.742	6.5%	\$37.037	\$122,334	\$1,847
2005	21,044	\$2.659	-	-	\$39.857	\$126,372	\$1,894

**Source: Alaska Taxable, ISER.**

<sup>151</sup> Appendix C, Table C.16

<sup>152</sup> A Senior Citizen Special Assessment Deferment Program, repealed in 1987, allowed seniors to defer payment of special assessments levied by municipalities for sewer and water installations.

<sup>153</sup> Alaska Taxable

## SALES TAXES

Many of the larger communities in Southeast Alaska, including Juneau, Ketchikan, Petersburg, Sitka, and Skagway, provide resident seniors with a local sales tax exemption or a utility discount. Some smaller rural Alaska communities also exempt seniors from their local sales tax.<sup>154</sup> The value of this benefit to seniors varies with the tax base and tax rate in each community. Juneau is the largest community with a sales tax exemption, and it has one of the highest average incomes of any community in the state. The estimated average annual saving per senior in Juneau from the sales tax exemption is about \$325.<sup>155</sup>

## OTHER STATE FEES AND LICENSES

### *Motor Vehicle Registration and Tax*

Alaska residents aged 65+ are entitled, once every two years, to register one non-commercial motor vehicle without paying the motor vehicle registration fee and motor vehicle tax. The vehicle registration fee for passenger vehicles is currently \$100. The motor vehicle tax varies by community and vehicle type. For a new passenger vehicle located in Anchorage, the tax is \$121.

### *Hunting and Fishing Licenses*

Free hunting and sport fishing licenses are available to resident Alaskans aged 60 and older. The current standard annual fee for a combined hunting and sport fishing license is \$48.

### *State Funded Transportation*

The Alaska Marine Highway System offers a special discount on passenger fares for seniors aged 65+. The discount is currently 50% of the regular summer season fare on certain routes and vessels within the state. During the winter season the discount applies to a broader range of vessels.

Alaska resident seniors 65+ are eligible for a modest discount on some Alaska Railroad trains. For example the Aurora winter fare from Anchorage to Fairbanks is \$105 for an Alaska resident and \$93 for an Alaska senior.

### *University of Alaska Enrollment*

Tuition free enrollment at the University of Alaska is available to resident seniors who have reached the age of full Social Security retirement benefits. This benefit is available on a space available basis. The current resident tuition rate at the University is \$120 per credit for a lower division course, or \$360 for the typical three credit course.

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<sup>154</sup> “Issues Affecting the Economic Well-Being of Alaska Seniors”, prepared for the Alaska Commission on Aging, McDowell Group, December 2000, p. 41.

<sup>155</sup> This estimate is based on data from 1995 reporting an estimated program cost of about \$500 thousand, benefiting about 1,800 seniors. The cost per senior was inflated by the consumer price index to produce the current year estimate.

## *HOUSING AND LONG-TERM CARE PROGRAMS*

Residential choices for seniors are limited by location, financial considerations and by the level of care and supportive services a senior may require. These personal situations will likely vary throughout an individual’s lifetime. To assist seniors in their housing and service options, the State of Alaska provides a number of programs. These programs may supplement a senior’s housing and care resources or provide long-term residential housing with 24-hour care.

### SENIOR HOUSING OFFICE, AHFC

The Alaska Housing Finance Corporation (AHFC) provides affordable rental housing and access to supportive services to low-income Alaskans including seniors. Housing is provided through the provision of both public housing, senior and disabled housing, and Section 8 housing developments.

Persons 62 years of age or older or persons with a verifiable disability may also apply to rent housing at any of 11 AHFC Senior Housing Facilities, consisting of 611 units, located throughout the state. Table III.29 shows unit locations and capacities. Apartments for senior or disabled persons consist of one-bedroom units. Amenities vary by building, but may include: access to community rooms, pet ownership, on site property management, on site community service coordinator, and participation in voluntary resident councils. Currently all these properties are fully occupied and there are waiting lists for potential residents.

<b>Table III. 29</b>	
<b>Alaska Housing Finance Senior Public Housing Units, 2005*</b>	
Anchorage	240
Fairbanks	156
Juneau	62
Ketchikan	49
Wasilla	32
Seward	30
Cordova	22
Sitka	20
State Total	611
<small>Source: Alaska Housing Finance Corporation. Table Source: ISER                      *not included are senior housing units run by profit and not-for-profit organizations that use State and/or Federal grant funds, tax credits or other loan programs.</small>	

Families with incomes below 50% of the area median may apply for assistance through the Housing Choice Voucher Program. This program allows low-income families to pay no more than 30% of their income toward rent with the balance subsidized by the voucher. There is a waiting list for this program. Persons with acute need, such as those who are homeless, fleeing domestic violence, or paying more than 50% of income for rent have the highest priority on the waiting list.

Additionally, AHFC assists with the development of privately developed housing projects designed to serve senior citizens through various grants, loans, and tax credit programs. For example, there is the "Greater Opportunities for Affordable Living" (GOAL) program, which contains the Low-Income Housing Tax Credit Program, the HOME program and Senior Citizens Housing Development Fund. These programs underwrite not only senior developments, but also projects to house special needs and low-income families. Senior developments accounted for 25% of those dollars. AHFC also provides smaller pre-development grants from the Senior Citizen Development Fund to provide funding for site control, market studies, and zoning issues. In FY 2004 AHFC awarded \$3.4 million in grants and employed \$20 million in federal tax credits to develop 177 units in seven projects for seniors and other Alaskans with a total development cost of \$32.2 million.

## PIONEER AND VETERANS HOMES

There are six State operated Pioneer Homes in Alaska with a total of 511 licensed beds, located in Anchorage, Fairbanks, Juneau, Ketchikan, Palmer and Sitka. Persons who are 65+ and have been residents of Alaska for at least one year are eligible to apply for admission to a Pioneer Home. Professional services range from assurance of a safe environment and occasional help with daily life skills, to skilled nursing care.

The Pioneer Homes are funded by a combination of resident payments, state appropriations, Medicaid waivers, and third party payments. Residents are charged a monthly fee which is based on the full cost of care. About 60% of residents depend on the Division of Alaska Pioneer Homes Payment Assistance Program to subsidize at least a part of their monthly fee. In FY 2006 residents paid just over \$13 million out of a total cost to operate the Homes of \$41 million.

About 25% of Pioneer Home residents are low-income. In FY 2006 a change in federal law allowed low-income Pioneer Home residents to be eligible to receive Medicaid benefits. Therefore, the cost of providing a portion of the services was transferred from the State of Alaska to the Medicaid program, and the Medicaid share, about \$3 million in FY 2006, is likely to stabilize.

The monthly rate for residents at the Alaska Pioneer Homes depends on the level of care provided. In 2005, the rates were as follows: Level I (\$2,240 per month) includes housing, meals, emergency assistance and opportunities for recreation, Level II (\$4,060 per month) provides additional staff assistance with activities of daily living, medication administration, recreation, and health related services; and Level III (\$5,880 per month)

provides additional 24-hour assistance, the highest level of care. The rates have remained stable since July 2004.

The number of people residing in the Pioneer Homes fluctuates, but system-wide as of the later part of 2006 there were 440 residents receiving one of the three levels of care. There is an active waiting list even though overall occupancy is less than 100%. This is because most people require Level III care and vacant beds are in the lower levels of care. Most of the unfilled demand comes from seniors suffering from Alzheimer's disease or other dementia disorders.

The number of people needing 24-hour care due to Alzheimer's disease and dementia is increasing rapidly. There is not only pressure from residents who want to move into the Pioneer Homes, but there is also movement among levels of care within Pioneer Homes as residents transition from lesser levels of care to greater levels of care. In the last 10 years the share of residents receiving Level III care has increased from 25% to 60% with corresponding reductions in Levels I and II.

The Pioneer Homes operate under the Eden Alternative® philosophy. Staff members work on combating the three plagues of loneliness, boredom and helplessness that many seniors may feel. The Eden goal is to create an environment where elders, caregivers, support staff, family members, friends, and volunteers can flourish and grow. Central to the Eden philosophy is that decisions are made by people closest to the resident, or by the resident themselves.

During FY 2004, 23% of Pioneer Home residents were veterans. Recently the Palmer Pioneer Home was remodeled to become the Alaska State Veterans Home. This allows the state to share cost of service with the federal government.

## SENIOR RESIDENTIAL SERVICES PROGRAM

The Division of Senior and Disabilities Services disburses funds from the Alaska State Legislature through the Senior Residential Services program for two rural senior assisted living residences: one in Kotzebue and the other in Tanana. Most residents are Alaska Natives who have relocated from surrounding villages, and receive assistance in managing their daily activities including medication monitoring, skilled nursing care, meals, personal care, and housekeeping. These grants were issued by legislative action in the mid 1980s to compensate for the lack of Pioneer Homes in rural areas. In 2005 there were 9 residents in Kotzebue and 14 residents in Tanana.

## HOME AND COMMUNITY-BASED CARE GRANTS

The home and community-based care grants provide funds for seniors who need assistance to live in their homes. Services include Care Coordination, Chore, Respite, Adult Day Care, and Mini Grants. Services are targeted to disabled seniors or individuals with Alzheimer's disease and related disorders. In addition the program includes grants to support family caregivers.

The home and community-based care grants program operates through non-profit grantee agencies. The program provides services to physically frail individuals 60 years of age and over, individuals of any age with Alzheimer’s disease or related disorders, and caregivers. The program goal is to assist these Alaskans to maintain as much independence as possible, and to improve their quality of life at home or in a community-based setting. Table III.30 lists service grant types and clients. Grant services include adult day care, respite care, and care coordination. Other programs include senior in-home services, a statewide Alzheimer’s education program and family caregiver support program. Assistance is provided to those seniors who are unable to qualify for the Older Alaskans Medicaid waiver.<sup>156</sup>

Service Type	Number of Clients	Units of Service	Unit Measure	Average Units per Client
Adult Day Care	502	244,016	hour	486.09
Respite Care	424	48,683	hour	114.82
Care Coordination	1195	19,250	contact	16.11
Source: DSDS Table Source: ISER				

## COMMUNITY DEVELOPMENTAL DISABILITY GRANTS

The Community Developmental Disability (DD) Grants program works to minimize institutionalization and provides care for people with developmental disabilities such as mental retardation, autism, or cerebral palsy. Services provided result in the acquisition or maintenance of skills to allow people to live independently and with improved capacities and to reduce the need for long-term residential care. “Moving Forward”, the Comprehensive Integrated Mental Health Plan for 2006 – 2011, acknowledges that people with developmental disabilities are living longer and as seniors will require long-term care assistance.

## *SENIOR ASSISTANCE GRANTS*

The Division of Senior and Disabilities Services within the Department of Health and Social Services provides grants to support disabled seniors and individuals with developmental disabilities in need of home and community-based assistance. In 2004, there were six programs in the division, excluding administration, funded at a cost of \$26

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<sup>156</sup> Appendix C, Table C.18

million as seen in Table III. 31. The State General Fund provided about half the cost. The federal government provided about \$9 million in support.<sup>157</sup>

Program Type	General Funds	Federal Funds	Other Funds	Total
Total	\$13.78	\$9.20	\$3.48	\$26.46
Protection & Community Services	\$4.251	\$1.943	\$1.619	\$7.814
Community DD Grants	\$5.657		\$1.032	\$6.689
Nutrition, Transportation and Support Services	\$1,117	\$5.036		\$6.153
Home and Community-based Care	\$1.828	\$5.583	\$825	\$3.236
Senior Employment Services	\$.198	\$1.636		\$1.835
Senior Residential Services	\$.727			\$.727
Source: FY 06 budget. Total excludes budget for administration of division which was \$2.880				

Local Governments and nonprofit organizations in many communities contribute to the support of seniors. Many communities provide local senior transportation services. Larger urban centers have van services, with support from federal grants, to transport seniors to doctor appointments, shopping and other activities. Senior Centers in approximately 50 Alaska communities provide a varying range of services which include meals, information and referral services and opportunities for social activities. Most are supported by nonprofit organizations.

## PROTECTION AND COMMUNITY SERVICES

The Protection and Community Services (Adult Protective Services) function is to prevent and stop harm from occurring to vulnerable adults. The program serves all vulnerable adults, including seniors. Services include information and referral, investigation of reports of harm, protective placement, guardianship counseling, linking clients to community resources, and training.

The Office of the Long-Term Care Ombudsman investigates and resolves complaints about health, safety, welfare and rights of Alaskans age 60 and over in nursing homes,

<sup>157</sup> In 2006 the Senior Employment Services were moved to the Department of Labor.

Pioneer Homes, and assisted living facilities throughout the state. It is located within the Alaska Mental Health Trust Authority.

## SENIOR NUTRITION, TRANSPORTATION & SUPPORT SERVICES

The Nutrition, Transportation, and Support Services Grants program (NTS) funds nonprofit agencies to provide meals in group and private homes, nutrition and health education to seniors aged 60+. <sup>158</sup> Grantees also provide transportation services that enable seniors to maintain mobility and independence. Table III.32 summarizes this grant program in FY 2005.

<b>Table III.32</b>				
<b>Services Supported by Nutrition, Transportation, &amp; Support Service Grants, FY 2005</b>				
Service	Number of Clients	Units of Service	Unit Measure	Average Units per Client
Meals—Home Delivered*	2,821	280,090	meal	99.29
Meals-Congregate*	7,306	257,879	meal	35.30
Nutrition-Counseling	1,592	1,041	hour	.65
Nutrition-Education**	1,779	865	hour	.49
Transportation-Assisted	1,469	81,268	one way ride	55.32
Transportation-Unassisted	2,783	168,309	one way ride	60.48
Homemaker	631	10,257	hour	16.26
Chore	29	430	hour	14.83
Legal Assistance	628	4,921	hour	7.84
Information & Assistance	13,623	67,163	contact	4.93
Statewide Media-Senior Voice	35,000	420,000	paper	12.
Senior Companion	272	58,465	hour	214.94
Retired Senior Volunteer Program	88	8,340	hour	94.77
Foster Grandparents/Elder Mentor	612	137,797	hour	225.16
* does not include Waiver; ** includes \$GE, \$NCADD				
Source: DSOS				

<sup>158</sup> Appendix C, Table C.19

The grants support programs that promote active and involved lifestyles. Over 800 thousand units of service including meals, counseling, transportation and chores were provided to Alaska seniors. Meals, transportation, and adult daycare were the primary services provided under NTS grants.

## *SENIOR EMPLOYMENT PROGRAM*

Mature Alaskans Seeking Skills Training (MASST) is the Alaskan version of a program federally known as the Older American Community Service Employment Program (OACSEP) under the Community Service Senior Opportunities Act. The MASST program helps Alaska retain the valuable resources of older workers while enabling this population to maintain an independent lifestyle and make meaningful contributions to their communities. One MASST goal is to place at least 51% of program participants into unsubsidized jobs in addition to providing community services and part-time work-based training.

In Alaska, the Department of Labor and Workforce Development's Employment Security Division administers the MASST program. The purpose of this funding is to ensure community service and work-based training programs for older workers. The funds are authorized by Congress in Title V of the Older Americans Act of 1965, as amended in 2006, to provide subsidized, part-time, community service work-based training for low-income persons age 55 or older who have poor employment prospects. Through this program, older workers have access to the MASST services as well as other employment assistance available through the One Stop Career Centers and their sub-grantees in the workforce investment system.

Program participants work an average of 20 hours a week, and are paid the highest of federal, state or local minimum wage, or the prevailing wage. They are placed in a wide variety of community service activities at non-profit and public facilities, including day-care centers, senior centers, schools and hospitals. It is intended that these community service experiences serve as a bridge to other employment positions that are not supported with federal funds.

## IV. ALASKA SENIOR CONCERNS

*“Will you still need me, will you still feed me, when I’m sixty-four?”*

Paul McCartney (1942 - )

Alaska seniors are concerned about their future. According to a 2005 survey by the Alaska Commission on Aging, Alaska seniors 60+ identified financial security, health care and housing as the issues of greatest concern to seniors both today and over the next 10 years.<sup>159</sup> This is consistent with a 2001 survey conducted by the Alaska chapter of the American Association of Retired Persons (AARP).<sup>160</sup> That survey found that the major concerns for their members (aged 50+) were safe and secure pension benefits and savings, having enough money for daily expenses, staying physically fit, staying in their own home as they got older, and the availability and affordability of high-quality health care. Health care headed the list of legislative priorities, followed by independent living, health insurance consumer protection, long-term care, and aid for low-income persons.

A bipartisan legislative hearing in 2004 received testimony that identified more specifically the problems seniors are confronting.<sup>161</sup> Testimony recounted personal shifts from what had been seemingly adequate provision for a middle-class retirement to a life of poverty with few choices and a loss of self-esteem. The loss of the Longevity Bonus was identified as a contributor to this shift. Another set of concerns involved rising medical costs and the problems of access to medical care, due to low Medicare reimbursement rates that have caused many providers to refuse to accept Medicare patients. Seniors indicated a desire to stay in their own homes but reported mounting impediments to making that choice, including the increasing cost of utilities, lack of transportation alternatives, and a shortage of home-health workers. Additional concerns centered on the availability and quality of long-term care services and the incidence of elder abuse.

Long-term care, particularly in rural Alaska, was identified as a significant issue. A recent report documents the lack of facilities and services for long-term care in much of northern and western Alaska, as well as the movement of rural seniors in need of long-term care into urban areas where they often become institutionalized. The data show that Alaska Natives are over represented in nursing homes in urban Alaska.<sup>162</sup>

Most of the concerns of Alaska seniors are the same concerns of people everywhere: good health, adequate wealth, and a safe place to live. However, the rapid increase in the number of Alaska seniors has heightened awareness of potential problems within the

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<sup>159</sup> The survey was distributed through the Senior Voice newspaper in April and at Commission-sponsored White House Conference on Aging community forums. Although the survey was not a random sample, it does provide a reasonable representation of the concerns of an important segment of the senior population in Alaska.

<sup>160</sup> AARP Alaska Member Survey: Concerns, Interests, and Legislative Priorities, January 2002.

<sup>161</sup> Aging Adults in Alaska, A report based on the October 29, 2004, Bipartisan Legislative Hearing, “Aging Adults: Is there room for us in Alaska?”

<sup>162</sup> Branch, Kay. Long-Term Care Needs of Alaska Native Elders,” Alaska Native Tribal Health Consortium, August 2005.

state. Starting from a very small base, the senior population in Alaska has grown about five times faster than the Alaska population as a whole. When Alaska's baby boomers start turning 65 in 2011, the growth of the number of seniors is projected to be faster yet.

## ADEQUATE INCOME

There is no generally accepted guideline against which to measure whether seniors have sufficient resources to provide for their needs during their lifetimes. The fact that money income and poverty figures for seniors do not reflect differences in consumption patterns, tax liabilities, home ownership, or the value of public services they receive adds to the difficulty of evaluating the financial well-being of seniors. Measures of income and poverty do not include the monetary value of the health care seniors receive from Medicaid and Medicare, or the benefits some receive from food stamps and other publicly funded programs. Based on comparisons with the rest of the U.S. and trends over time, Alaska seniors as a group are doing relatively well. But, of course, it varies with individual circumstances.

As a group, Alaska seniors have incomes comparable to the U.S. average after adjusting for the higher cost-of-living.<sup>163</sup> The Alaska senior poverty rate is lower than the rate for younger Alaskans and is comparable to the U.S. average. Although the income of seniors generally is less than that of younger persons, the differential is smaller in Alaska than elsewhere.<sup>164</sup>

A number of factors help explain the relatively high level of average income among the Alaska senior population. The majority of Alaska seniors have some public (federal and state-local) or private (including union) retirement pension. Alaska seniors are relatively young and younger seniors have higher incomes in general. The relatively high wages paid in Alaska in the recent past have allowed seniors to accumulate greater assets for retirement. The Permanent Fund Dividend provides a floor on the income of every resident. The labor-force participation rate for seniors is higher in Alaska than the U.S. average. And, finally, it may be that a self-selection process has taken place, whereby lower-income seniors have chosen to leave Alaska upon retirement.

Alaska senior assets contribute to their financial wealth. Many Alaska seniors own their own homes, and the majority of seniors have no mortgages. The wealth reflected in this asset is a potential source of additional purchasing power not reflected in income statistics. The low tax burden of many seniors in general and of Alaska seniors in particular is another economic advantage not statistically calculated. Alaska does not

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<sup>163</sup> This is the case even after netting out the Longevity Bonus program.

<sup>164</sup> Reference is sometimes made to the fact that half of Alaska seniors fall below the HUD Low-Income Limit to suggest that Alaska seniors are in need. The U.S. Department of Housing and Urban Development (HUD) publishes "Income Limits" for Section 8 housing assistance and other housing programs. These limits are based on a percentage of median family income and vary by location and over time. For Anchorage in 2005, the Low-Income Limit for a single person was \$40,600, and the Very Low Income limit was \$27,550. These limits are typically used as targets for shares of occupants of publicly supported housing. See U.S. Department of Housing and Urban Development, FY 2005 Income Limits, at [www.huduser.org/datasets/il/il05/index.html](http://www.huduser.org/datasets/il/il05/index.html).

have a state income or sales tax. Furthermore, many seniors are eligible for an exemption of part or all of their local property tax, and in some places they are exempt from the local sales tax as well.

Alaska tax advantages are an attraction to all seniors. For example, seniors who own their own homes benefit from the senior citizen property tax exemption. Higher-income seniors are able to take advantage of not only low property taxes but also the absence of a state income or sales tax compared to other states. This tax advantage is reflected in publications that rank states by their attractiveness to seniors. One recent example ranked Alaska as the second most attractive state in the nation, after Delaware, based on the combined income, property, and sales tax liability of a hypothetical senior.<sup>165</sup> Another ranked Alaska number seven in terms of “Wealth Friendly for Retirees.”<sup>166</sup>

Nonetheless, not all Alaska seniors are financially secure. Eight percent of senior households reported money income of less than \$10,000 in 1999; 10% reported incomes between \$10,000 and \$15,000; and another 9% had incomes between \$15,000 and \$20,000.<sup>167</sup> Many of these seniors get no benefit from the senior property tax exemption or the absence of a state income tax. The “safety net” for low-income seniors consists primarily of a combination of state and federal programs. The three federal programs are Supplemental Security Income, Food Stamps, and Medicaid, although the state also shares in Medicaid costs. The state programs are Adult Public Assistance and SeniorCare. Adult Public Assistance is relatively generous compared to similar programs in other states, and SeniorCare is unique to Alaska. These state programs provide modest additional purchasing power for low-income seniors to help them cover the normal expenses of daily life.

## *AFFORDABLE HEALTH CARE*

Annual health care expenditures increase dramatically with advancing age. Medicare covers a large share of these costs, but increasing health care needs mean that seniors pay a larger amount out-of-pocket as they advance in age. This particularly impacts Alaska seniors because health care costs are relatively higher than other costs in Alaska compared to the rest of the U.S.<sup>168</sup>

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<sup>165</sup> “Which States Give Retirees the Best Deal?”, Kiplinger.com, accessed 2/28/06 at <http://moneycentral.msn.com/content/REtirementandWills/>. The annual retirement tax bite for Juneau was estimated at \$1,032, compared to \$543 for Delaware. The states of Nevada, Arizona, and Florida had annual retirement taxes of \$2,326, \$2,922, and \$3,424, respectively.

<sup>166</sup> “Wealth Friendly States for Retirees in 2005” Bloomberg Wealth Manager, 2005.

<sup>167</sup> The share of Alaska seniors receiving SSI is relatively high compared to other states, but the share receiving food stamps is less than the average for the U.S. The share who reported receiving welfare was twice the U.S. average based on an earlier survey of seniors, but this is at least partially due to the more generous eligibility criteria in Alaska compared to other states. See Uccello, Cori, and Gallagher, L. Jerome. *General Assistance Programs: The State-Based Part of the Safety Net*, Urban Institute, 1997.

<sup>168</sup> See Goldsmith, Scott, and Foster, Mark, “Alaska’s \$5 Billion Health Care Bill—Who’s Paying?”, UA Research Summary No.6, Institute of Social and Economic Research, March 2006.

The Medicare health insurance program may not be sufficient to cover a senior's costs. The Medicare program has gaps in coverage. These gaps leave seniors vulnerable to the possibility of very high health care expenses if they are unfortunate enough to require a long hospital stay, for example, that is not covered by Medicare. Medigap health insurance policies provide some insurance against these problems, but not all seniors are able to purchase one of these supplemental health insurance plans.<sup>169</sup>

Furthermore because the cost of health care is increasing much faster than the general rate of inflation, it is prudent to assume that the federal government will attempt in the future to hold down Medicare program costs through higher co-pays and deductibles as well as exemptions for certain procedures and certain individuals. These policies will, in the future, increase the share of total out-of-pocket health care costs borne directly by seniors. Another policy practice Medicare employs to hold down the growth of program costs is to hold down reimbursement rates to health care providers. This has the effect of limiting access to care by reducing the number of providers willing to serve Medicare patients.

Of much greater concern than potentially higher medical expenses is the potential cost of long-term care. In the past, when the average lifespan was less than it is today and acute diseases like pneumonia and influenza were much more common causes of death among older persons, it was less common for an older person to require a protracted period of care because of disabilities. Today the situation is quite different. People live longer and the most common causes of death are ailments that have a long timeline. Although a smaller share of the senior population may be disabled today than at any time in the past, the likelihood of needing some type of long-term care is much greater than in the past. The increase in the incidence of seniors with dementia and Alzheimer's disease is a reflection of this trend.

## LONG-TERM CARE ACCESS

Residential care for Alaska seniors is typically first provided at home, by family members, followed by some supplementary home and community-based care, including paid home care services and services provided in adult daycare centers. An assisted living or residential care facility placement may follow, but once the individual requires more care or more hours of care, a nursing home placement may be required. This progression is known as the continuum of care.

Long-term care is very expensive, even when provided in a home setting. The hourly rate for a home health aide in Alaska is \$22, and for a homemaker it is \$20. Five hours of care per week would cost more than \$5,000 in a year. Nursing home care can cost between \$473 and \$531 per day, or \$173,000 to \$194,000 per year as shown in Table I. V 1. Both because of cost and individual preferences, considerable effort is now going into expanding the opportunities to provide long-term care in a home or assisted living setting, instead of in nursing homes. Alaska has had some success in these efforts.

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<sup>169</sup> Data is not available on the extent of this supplemental coverage among Alaska seniors.

	<b>Alaska</b>	<b>United States</b>	<b>Ratio</b>	<b>Alaska Annualized</b>
<b>Nursing home: Semi-private room per day</b>	\$473	\$176	2.69	\$172,645
<b>Nursing home: Private room per day</b>	\$531	\$203	2.62	\$193,815
<b>Home health aide hourly wage</b>	\$22	\$19	1.16	
<b>Homemaker hourly wage</b>	\$20	\$17	1.18	
Source: Metlife Market Survey of Nursing Home and Home Care Costs, 2005, ISER.				

Medicare contributes to the cost of care in a nursing facility when the recipient is recuperating from surgery, accident or illness. Medicare does not pay for more typical long-term care services. Indian Health Service has similar care and payment restrictions. The main source of funding for long-term care in a nursing facility is Medicaid, followed by private long-term care insurance and individual out-of-pocket payments.

Medicaid eligibility requires that an Alaska senior meet both medical and income qualifications. To be eligible for Medicaid long-term care individuals must document a medical condition that meets the State of Alaska’s nursing home level of care requirements. Income standards are more liberal for those who meet nursing home level of care than those established for Medicaid health care services. Still, many seniors are caught with a little too much income to qualify for Medicaid, yet not enough income to pay the rising costs of long-term care. These applicants usually must either "spend down" their assets and/or establish a "Miller trust" before they will qualify for Medicaid long-term care services.

Seniors who meet nursing facility level of care and Medicaid financial criteria may choose between receiving care in one of Alaska's licensed nursing facilities, or through home and community-based (HCB) services in their home, or in an assisted living home. At the present time, there are more than 100 communities serving more than 1,000 seniors through the HCB program.

Medicaid eligible individuals who do not meet the level of care required for nursing home placement may receive in home care through the Personal Care Assistant (PCA) program. To qualify the applicant must demonstrate a need for extensive assistance to perform at least two of the following activities of daily living (ADL): eating, transferring, bathing, toileting, and locomotion. Approximately 1,900 seniors are served through the PCA program.

## LONG-TERM CARE SERVICE GAPS

There are two major gaps in access to long-term care services for seniors. The first gap impacts seniors who qualify for Medicaid but need less than extensive assistance in their activities of daily living. The second gap affects seniors who have extensive ADL needs but who do not qualify for Medicaid due to their income or assets. These Alaskans do not qualify for PCA or home and community-based services and must rely on services provided by Division of Senior and Disability Services (DSDS) grant service providers, or pay out-of-pocket for services.

DSDS Grant Services are available to seniors in their home community. Typical services offered are care coordination, adult day services, meals at a senior center or home delivered meals, transportation, respite, homemaker and chore. All of these services are available for people over age 60 and for people with Alzheimer's and other related dementias and are offered through senior citizen agencies receiving some grant funding from DSDS. Typically senior centers are limited in the scope of services they can provide, such as meal preparation, respite, and chores, by the amount of money that can be raised in the community, and suggested contributions given by service users. In some communities there are lists of seniors waiting for services, and those waiting for additional services.

Because of Alaska's high cost-of-living and the limited income of many seniors, there is great disparity between the cost of services that might help a senior stay at home in their home community, and what a senior can afford to pay. Grant programs are the single best tool to keep seniors living in their home community. Funding available for these grant programs has not kept pace with the growth of the senior population.

Long-term care insurance is becoming more common as an option, however, it is important to determine that the amount paid out is great enough to pay for a whole day of care in an Alaskan nursing facility. Another insurance option that is gaining popularity is to convert nursing home coverage to home care services, a sort of nursing home at home similar to Medicaid HCB waivers. But these insurance options are expensive and many seniors procrastinate until they cannot afford the policy or are turned down because of existing medical conditions.

In the absence of Medicaid coverage, long-term care insurance coverage, or grant programs, home care for seniors is typically paid for out-of-pocket. The high cost can be a burden for low-income seniors who want to remain in their own homes as well as for moderate-income seniors who require nursing home care but have incomes that put them above the Medicaid limit.

These concerns about the rising cost of health care and long-term care as well as the adequacy of retirement income have no easy solutions. The resources of society are limited and as the number of seniors increases, the challenges of meeting their needs while at the same time addressing the other needs of society will intensify.

Some have characterized these challenges as “generational warfare,” but with better information, good planning, and thoughtful policies, such an outcome can be avoided. Better information helps individuals and governments form plans and policies around expectations grounded in reality. Good planning helps everyone understand their own responsibilities for contributing to solutions to the challenges facing seniors. Thoughtful policies that strive for equity and fairness and target limited resources will promote a shared sense of caring.

## *SENIORS AT RISK*

Beyond these common concerns of seniors, there are some groups in Alaska that face particular challenges. Some of these groups are:

- Lower income seniors who are eligible for but not receiving SeniorCare assistance because they have not enrolled in the program
- Rural seniors who are without access to long-term care options in their own communities<sup>170</sup>
- Low-income seniors not receiving Social Security because their work history did not include sufficient periods of covered employment
- Elderly senior women whose husbands have died and left them poor
- Middle-income seniors that require nursing-home care but are not eligible for Medicaid coverage to pay the bill<sup>171</sup>
- Lower-income seniors that require home or assisted living care that is not covered by Medicaid<sup>172</sup>
- Seniors without Medigap health care coverage who experience a catastrophic illness
- Low and middle-income seniors with Alzheimer’s disease or related disorders (ADRD), who are not eligible for Medicaid long-term care coverage

## *FUTURE PROGRAM IMPLICATIONS*

The increase in the numbers of Alaska seniors will impact all the systems currently in place to provide economic and health care supports. Policymakers will need to consider how to relieve the system strains in order to continue to support Alaska’s elderly. Alaska seniors may become economically vulnerable when health care needs and inflation reduce available income. Because many public sector systems are overtaxed, access to

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<sup>170</sup> This is documented in the recent study “Long-Term Care Needs of Alaska Native Elders,” by Kay Branch, Alaska Native Tribal Health Consortium, August 2005.

<sup>171</sup> Long-term care issues are discussed in the report “Alaska Long-Term Care and Cost Study.” prepared for the Alaska Department of Health and Social Services by Public Consulting Group, in early 2006.

<sup>172</sup> A study of the state Medicaid program is currently being prepared by the Lewin Group, funded by the State Department of Health and Social Services.

services such as health care and housing subsidies may become limited. Long-term care in particular is in need of a significant change in philosophy and care delivery.

## DIMINISHED INCOME

The current economic situation for seniors is relatively positive but the future is economically less secure. Health care expenses, long-term care expenses and a general decline in purchasing power create future economic uncertainty. For seniors who have limited capacities late in life to deal with changing circumstances these uncertainties are particularly unsettling.

Alaska senior living expenses diminish with advancing age. The share of expenses devoted to apparel and services and transportation declines while the amount and share spent on health care increases. In addition, older households devote less of their income to insurance premiums and contributions to pensions. Retirees no longer have work-related expenses. And older persons are less likely to travel. So expenses for most goods and services fall with advancing age to match reduced income.

Nonetheless seniors are concerned about the adequacy of retirement income, given uncertainty about price increases for basic goods and services as well as changes to payments from private and public pensions.<sup>173</sup> This uncertainty is particularly relevant for seniors because of their reduced capacity to re-enter the labor market to compensate for reductions in purchasing power due to these factors. The incomes of many seniors are “fixed.” Although Social Security payments and many pensions are regularly adjusted to take inflation into account, these adjustments do not necessarily reflect price increases for the particular goods and services that seniors must purchase.

Related to the risk that inflation could outstrip retirement income is the fear that a person might outlive their assets and income. When pension and other retirement plans were based on a defined benefit, this was not as great a concern because the plans were actuarially constructed so plans could pay benefits to all contributors no matter how long they lived. Although some retirees would die young and others at a later age, the plans were designed based on the average longevity.

With the shift to defined contribution retirement plans, the risk of outliving the payments from a retirement plan is shifted onto the individual. Each person becomes responsible for saving, during their working years, enough to support themselves during retirement. If everyone saved enough based on the expected average life expectancy when they turned 65, half of seniors would have more than enough, and the other half would have less than they need. Seniors upon retirement can purchase an annuity to deal with this problem. The annuity allows them to convert their savings into an asset that will provide them a

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<sup>173</sup> An earlier study, *Issues Affecting the Economic Well-Being of Alaska Seniors*, McDowell Group, 2000, reported that approximately half of senior households lived below HUD low-income levels for Alaska in 1999, and that Alaska seniors were twice as likely as the national average to be receiving public assistance.

payment that is certain for as long as they live. At this time, however, the use of annuities by seniors is very limited.

## DELIVERY SYSTEM STRAINS

Rapidly rising demand is putting strains on public and private resources and facilities that provide services to Alaska seniors. Some examples in the public sector include access to Medicare, Medicaid eligibility assessment, and demand for subsidized housing.

Medicare is the primary health care coverage for most seniors. However, many doctors feel that the reimbursement rates they receive for providing Medicare services are inadequate. As a result the supply of service providers is shrinking relative to the demand. Even though seniors have medical coverage, they may not have access to care, particularly in the urban centers of Anchorage and Fairbanks.

The process of applying for the Medicaid waiver program in Alaska was recently modified to extend the time during which the assessment of the eligibility of an applicant is reviewed. During this time, some residents of assisted living facilities, who have depleted their financial resources, have found themselves without resources to provide for their care. Larger facilities have absorbed the cost of these individuals' care, but smaller facilities have been unable to do so. In such cases, seniors have been moved and in some cases returned to family care while awaiting the determination of their Medicaid eligibility.

Rental assistance programs are available for low-income people, including seniors. Rising rents have resulted in rapid growth in demand relative to the available supply. This includes both rental vouchers available to rent from the private sector as well as rental units available from public housing agencies. AHFC had 3,100 families waiting for vouchers and other types of housing assistance in November 2005. That is an increase in 10% from the year before. Applicants who are fleeing domestic violence or who are paying more than 50% of their income for housing hold higher priority for housing than other applicants.

## LONG-TERM CARE SYSTEM REDESIGN

The current distribution of resources to seniors is based on a medical model as opposed to a social model. When a person becomes sick enough to be hospitalized, Medicare will cover much of the cost of care. But most of the care people need as they age is personal care, not medical care. A social model of care provides services which maximize independence and provide community activities that can facilitate physical and mental health. This model views the senior as a multi-dimensional member of the community, as opposed to a person with an illness. A social model provides community-based services, such as adult day care, meals on wheels, senior transportation, and opportunities for exercise, social interaction as well as home-based assistance with activities of daily living. The need for home and community-based services exceeds the availability of funding in all regions of the state.

As part of the social model, more of the State General Fund resources would be directed at prevention and wellness. For example the states of Oregon and Washington have expanded wellness programs for seniors as a method of avoiding higher Medicare costs. Senior Centers are part of the social model and can go a long way toward supporting seniors who live independently by providing social and educational activities as well as congregate meals. The Wasilla Senior complex, the Palmer Senior Center, and Anchorage Senior Center are examples of successful programs that strive to meet the needs of their communities' older residents.

A social model also supports family caregivers. Since 50% of the personal care for seniors is provided by family members, this model supports programs such as respite care. According to AARP, a positive step to be taken is to expand the network of local adult day care centers and provide seniors transportation to the centers. Transportation is a crucial link between individuals and their community. Without mobility older Alaskans become isolated.

## *ADDRESSING FUTURE CONCERNS*

The concerns of seniors have not attracted much attention in Alaska. This is perhaps because public programs like the Pioneer Homes and the Longevity Bonus were presumed to have effectively provided for senior needs. But today, ensuring that Alaska's seniors have adequate resources to meet their needs is a much greater challenge. Policymakers, advocates, family members and seniors need to come together to think through the implications of the expanding Alaska senior population and the concerns outlined. It is important to provide Alaska seniors with the opportunity to continue to contribute to their communities and to live out their lives in relative comfort and security.

## V. ALASKA SENIORS FUTURE STATUS

*“You’re never too old to become younger.”*

Mae West (1892-1980)

In the future, Alaska seniors will represent a larger share of the adult population, will live longer, healthier and, perhaps, be financially more secure. The following projections were developed by ISER and include senior population projections and expenditures. The discussion includes an analysis of the impact on Alaska seniors of some recent program changes. Finally there is some consideration of how Alaska could become attractive to seniors as well as how the state might help ensure a senior’s ability to live here and continue to contribute to the wealth of the state.

### *GROWTH OF ALASKA SENIOR POPULATION*

Growth in the number of Alaska seniors depends on the existing population, life expectancy and migration patterns. Alaska population includes a large proportion of people who will be between the ages of 46 and 65 in 2011. Nationally, trends indicate life expectancy is likely to continue to increase. Migration patterns into and out of Alaska show more seniors are moving out than moving in, although the out-migration appears to be slowing.

Baby boomers comprised 32% of the Alaska population in 2000, a larger share than in any other state.<sup>174</sup> This population cohort is the source for the potentially very rapid growth of the Alaska senior population in future years. The baby boomer population “bulge” is clearly evident in a picture of the age distribution of the Alaska population. The baby-boomer bulge is less pronounced in the Alaska Native population. In contrast to the total Alaska population, there is a large boom in the population of Native children.

Anchorage, as the state population center, has experienced a dramatic elderly population increase. Between 1990 and 2000, Anchorage ranked 10th in the nation among cities in percent increase in its “pre-elderly population.” The population of residents aged 55 to 64 increased by 50 percent. As a result Anchorage is being identified as a “pre-retirement nest.”<sup>175</sup>

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<sup>174</sup> “Age: 2000”, Census 2000 Brief, U.S. Census Bureau, October 2001. Baby Boomers were born between 1946 and 1964. In 2000 they ranged in age from 36 to 54.

<sup>175</sup> Frey, William, “Seniors in Suburbia”, American Demographics, November 1, 2001

Figure 11

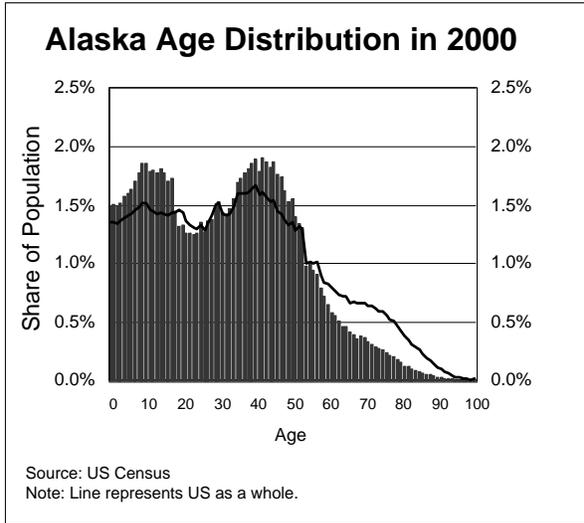


Figure 12

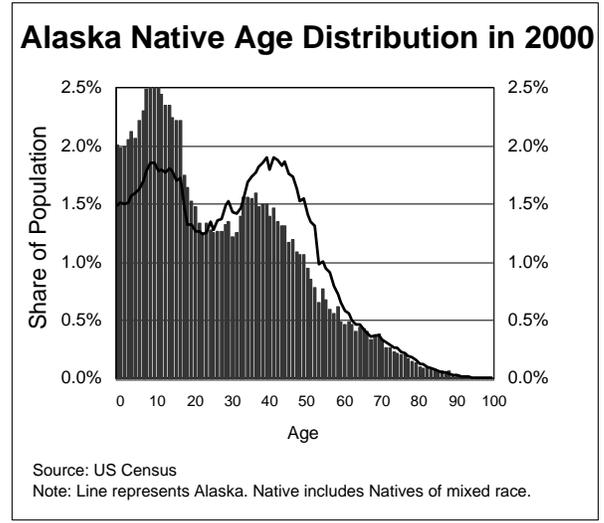
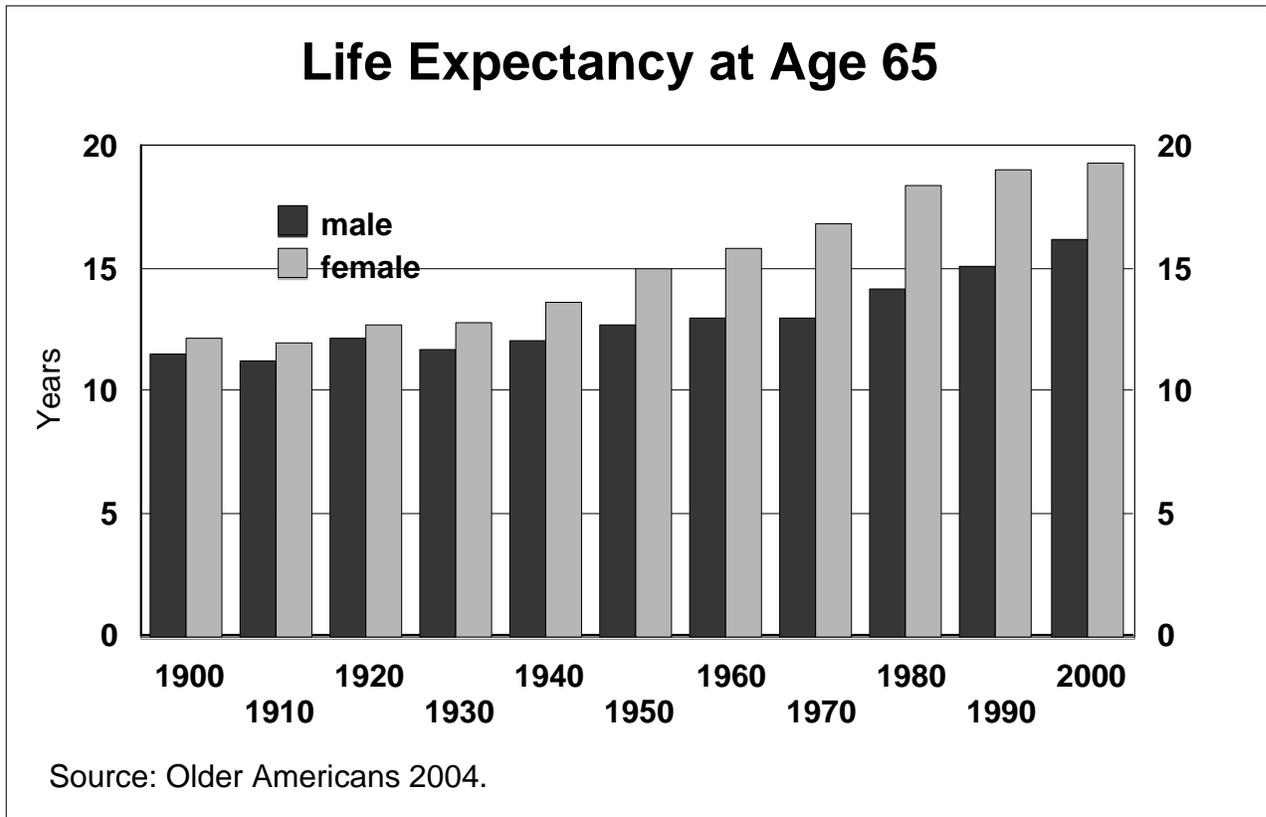


Figure 13



Life expectancy at age 65 for the U.S. population is increasing and may continue to grow, although the recent increase in the incidence of obesity may reverse that long-term trend. In 2002 in the U.S. as a whole, life expectancy for men reaching 65 was 81.6 years and for women it was 84.5 years.<sup>176</sup>

Interstate migration patterns for Alaska are largely driven by the relative attractiveness of economic opportunities in Alaska compared to the rest of the U.S. When Alaska is experiencing comparatively rapid economic growth, the number of in-migrants tends to outnumber the number of out-migrants, resulting in positive net migration into the state. At other times slower economic growth results in the number of out-migrants exceeding in-migrants so that net migration is negative.

For adults not in the workforce, however, employment opportunities do not matter in their decision about whether to move or stay where they currently live. Other factors, such as proximity to family, community amenities, weather, and tax rates are more important.

As the Alaska senior population, aged 65+, has grown, the numbers moving into and out of the state have also increased. The rate of out-migration has fallen modestly over time and the rate of in-migration has increased. Although there continue to be more seniors moving out of Alaska than moving in, the rate of net migration is now only -3 per 100 seniors per year, compared to -12 per 100 seniors in the late 1960s.<sup>177</sup> In spite of the fact that the negative net migration rate for Alaska seniors has been declining, it remains greater than any state except New York.<sup>178</sup>

As one would expect, young seniors are more likely to move than older seniors. In recent years, the net migration rates for seniors 75+ were essentially zero. This means the number of seniors aged 75+ moving into the state was almost the same as the number moving out. The Alaska Native share of senior net migrants is very small, although in recent years there has been some net movement outside the state.<sup>179</sup>

The number of Alaska seniors also depends on the migration pattern of younger Alaskans, particularly those aged 55-64. The net migration rate of Alaskans aged 60-64 was -12 between 1995 and 2000, probably reflecting the fact that this is the period during which many Alaskans are making decisions about retirement. This rate of net migration for the 60-64 population of Alaskans has not changed much since the late 1960s.

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<sup>176</sup> “National Center for Health Statistics.”

<sup>177</sup> These figures are for domestic civilian movements between 1995 and 2000 (excluding military and international movements).

<sup>178</sup> “Internal Migration of the Older Population”, Census 2000 Special Reports, August 2003.

<sup>179</sup> In 2000 the Census reporting of the Alaska Native population included mixed race Natives for the first time. This change in definition makes it difficult to track trends over time in the Alaska Native population. There was a net exodus of 130 Alaska Natives (including mixed race) between 1995 and 2000, according to the Census.

Figure 14

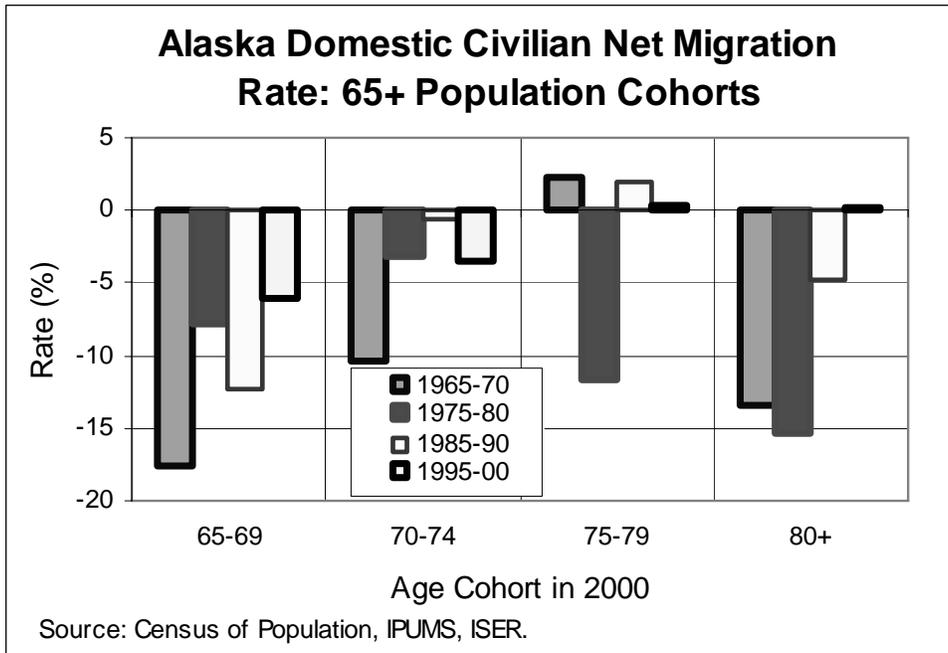


Figure 15

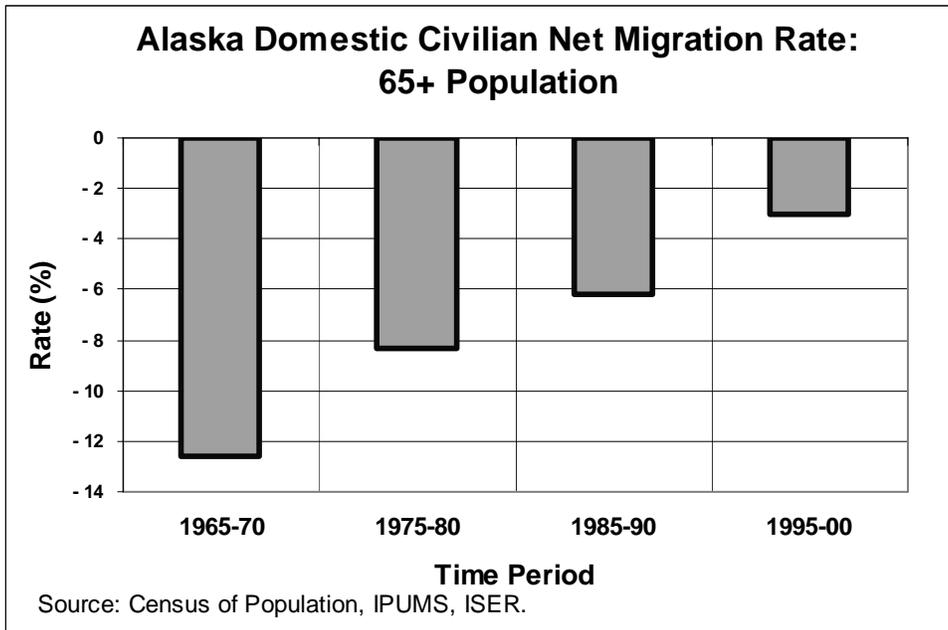


Figure 16

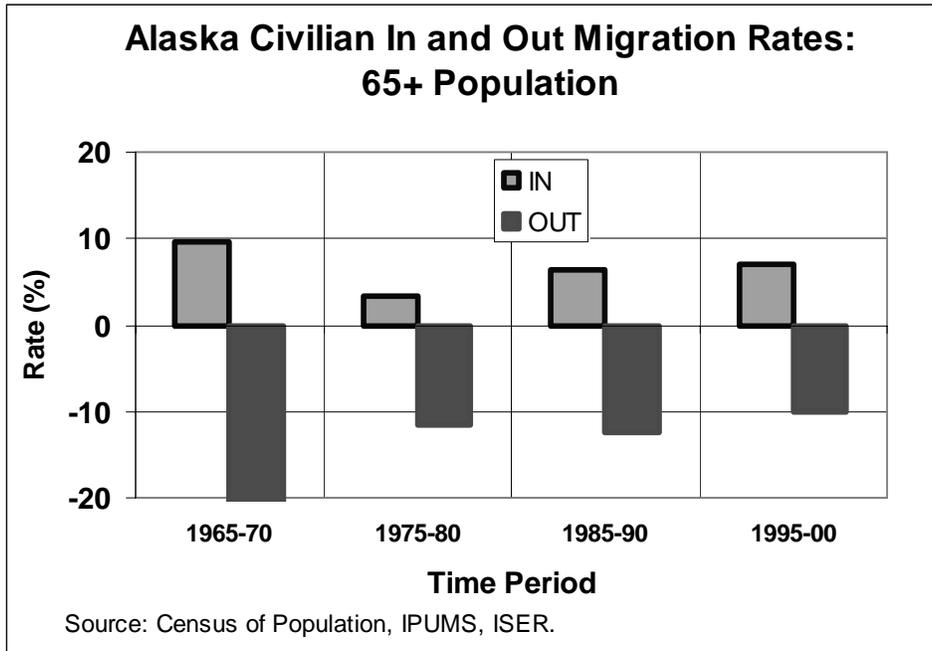
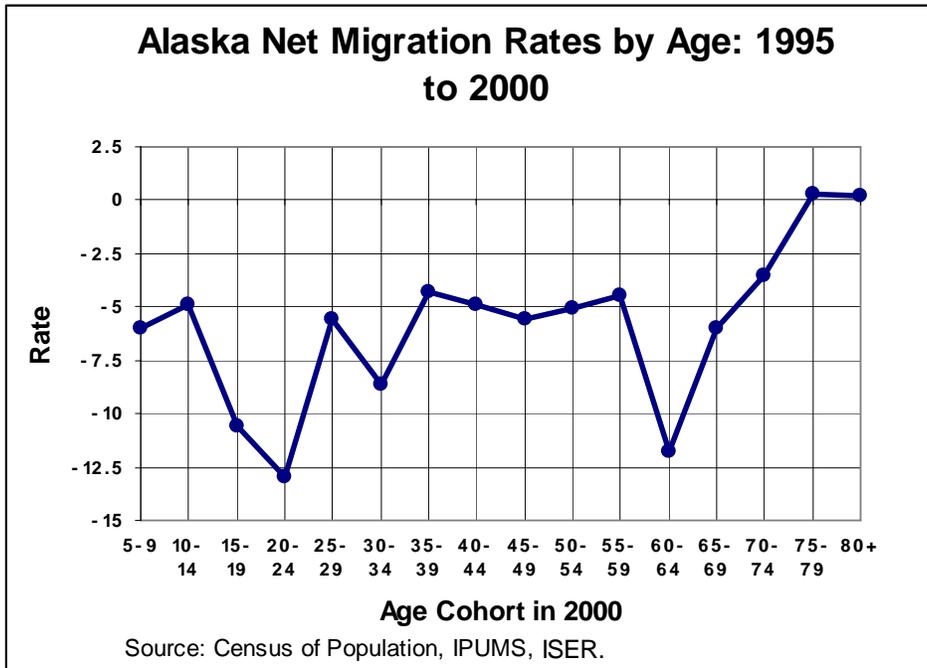


Figure 17

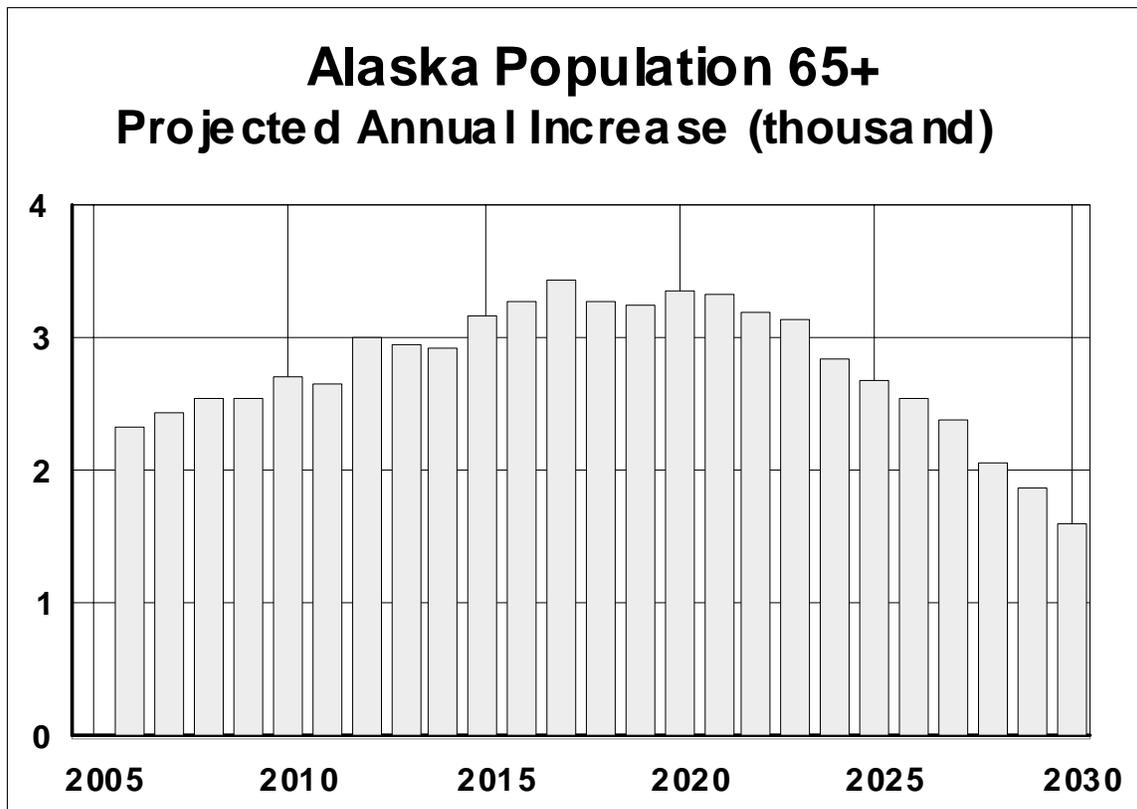


## ALASKA SENIOR POPULATION PROJECTION

Based on the size of the baby boomer population, as well as the historical trends in migration and longevity, the growth of the senior population will be strong and continuous over the next 25 years. The younger population, more dependent on current employment opportunities, will also increase, but with more annual variation due to changing economic conditions.

The number of Alaska seniors will likely increase by between 2 and 3 thousand each year for the next 25 years. For the first half of the period, the number of seniors added to the population will be growing as the large baby boomer population begins to move into the senior category. After about 2020 the annual increase will begin to decline as more of the baby boomers pass the 65-year-old mark.

Figure 18



The population 65+ is projected to grow at an annual rate of almost 4%. This is about four times the expected rate of increase of the total population of Alaska over this time period. Table V.1 depicts how the increase in numbers will be distributed among all age groups of seniors, with seniors 85+ experiencing the fastest rate of increase.

	60-64	65-74	75-84	85+	65+	60+
2005	23,995	26,453	14,005	4,412	44,870	68,866
2010	30,429	35,186	16,094	6,196	57,476	87,906
2015	35,916	45,405	19,168	7,654	72,228	108,144
2020	38,493	55,015	24,536	9,288	88,838	127,331
2025	37,745	61,893	30,861	11,304	104,058	141,804
2030	35,978	63,723	36,739	14,089	114,550	150,528
<b>Shares of Total Population</b>						
2005	3.6%	3.9%	2.1%	0.7%	6.7%	10.3%
2010	4.4%	5.1%	2.3%	0.9%	8.3%	12.7%
2015	5.0%	6.3%	2.7%	1.1%	10.0%	15.0%
2020	5.0%	7.2%	3.2%	1.2%	11.6%	16.6%
2025	4.6%	7.5%	3.7%	1.4%	12.6%	17.1%
2030	4.1%	7.2%	4.2%	1.6%	13.0%	17.1%
<b>Increase</b>						
2005-10	6,434	8,732	2,090	1,784	12,606	19,040
2010-15	5,486	10,219	3,074	1,458	14,751	20,238
2015-20	2,577	9,609	5,367	1,633	16,610	19,187
2020-25	-0,748	6,878	6,325	2,017	15,221	14,473
2025-30	-1,767	1,830	5,878	2,784	10,492	8,725
<b>Growth Rate</b>						
2005-10	4.9%	5.9%	2.8%	7.0%	5.1%	5.0%
2010-15	3.4%	5.2%	3.6%	4.3%	4.7%	4.2%
2015-20	1.4%	3.9%	5.1%	3.9%	4.2%	3.3%
2020-25	-0.4%	2.4%	4.7%	4.0%	3.2%	2.2%
2025-30	-1.0%	0.6%	3.5%	4.5%	1.9%	1.2%
Source: ISER, MAP projection model						

By 2030, seniors 65+ will comprise 13% of the Alaska population, double the current percentage. Nationally in 2000, 12% of the population was 65+, and Florida was ranked number one at 18%. By 2030 the U.S. Census expects 20% of the population of the United States will be 65+ with Florida still ranked number one at 27%. Only Utah is projected to have a smaller senior population share than Alaska in 2030. Currently 10.3% of Alaskans are aged 60+.

Figure 19

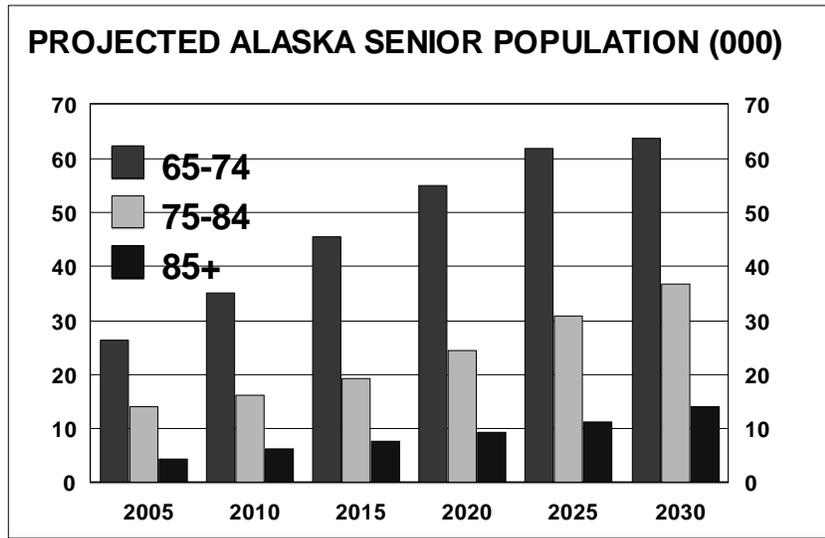
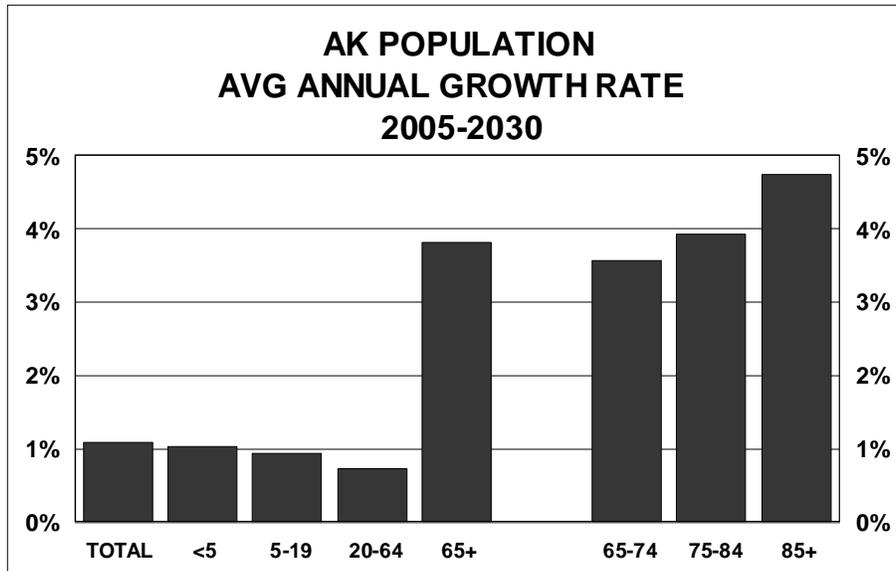


Figure 20



The growth rate for the senior population in Alaska is projected by the U.S. Bureau of the Census to be one of the fastest in the nation between 2000 and 2030. The senior population for the U.S. is projected to increase by 104%, but the increase in Alaska is projected to be 256%, faster than any state except Nevada.<sup>180</sup> The Alaska Department of Labor and the U.S. Bureau of the Census have also projected the Alaska senior

<sup>180</sup> U.S. Census Bureau, Population Division, Interim State Population Projections, 2005.

population. Their projections of both the number of seniors and the share of the population that will be seniors are somewhat higher than these ISER projections. Tables V.2 and V.3 compare the three different sets of projections.

	ISER	U.S. Census	ADOL
<b>Total</b>	88,838	96,388	100,127
65-74	55,015	61,416	67,708
75-84	24,536	25,248	24,119
85+	9,288	9,724	8,300
Share	11.6%	12.4%	13.1%

	ISER	U.S. Census	ADOL
<b>Total</b>	114,550	127,202	137,771
65-74	63,723	64,238	77,105
75-84	36,739	44,907	46,503
85+	14,089	18,057	14,163
Share	13.0%	14.7%	17.2%

There are some projections regarding the gender and racial characteristics of the senior population. About 52% of the senior population aged 65+ consists of females. Because the life expectancy of females is greater than males, the female share of the senior population will increase as the senior population ages. The shift will not be large, but by 2025, 53% of the senior population will be female. Alaska Natives comprise about 16% of the senior population in Alaska. That share is not expected to change until the late 2020s, when it will begin to rise. By 2030 about 19% of seniors will be Alaska Natives.

## *FINANCIAL SECURITY AND CONTRIBUTION*

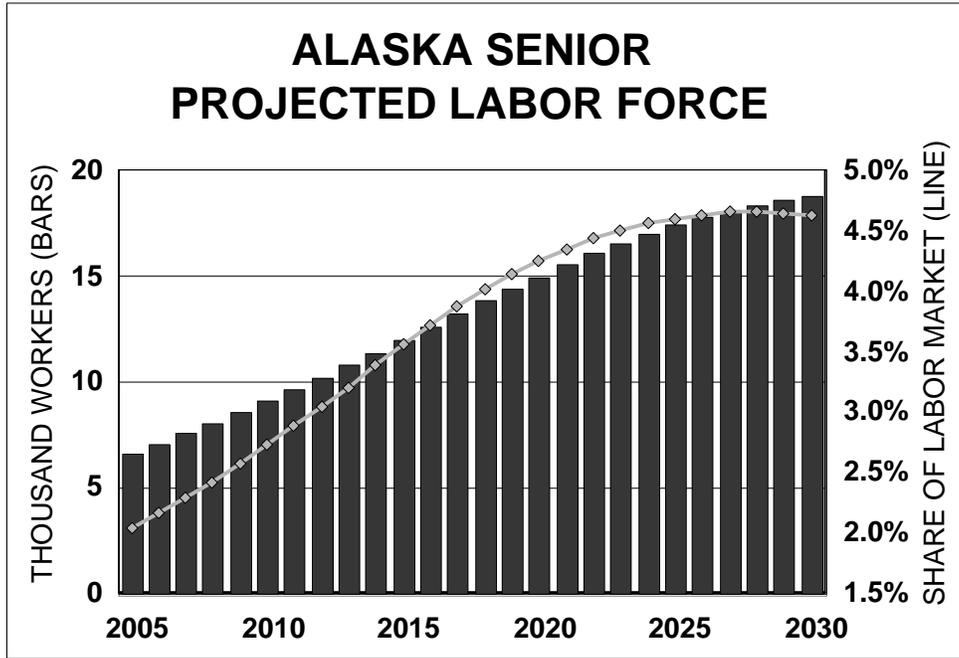
The income of Alaskans nearing retirement age and union membership are two indicators, albeit imperfect, of the potential income of Alaska seniors in future years. As reported in an earlier chapter, per capita personal income in Alaska is higher than the U.S. average. In 2000 Alaskans aged 55-64 exceeded the national average by a higher percentage than other age groups, suggesting that Alaskans nearing retirement age are relatively well off in terms of current income. However, a high-income at age 60 does not necessarily imply a high-income at age 65.

Another indicator of potential income at retirement is government and union coverage of the employed workforce. About 77 thousand Alaskans, out of a total of 428 thousand (18%), are employed by government and most of them are covered by some type of retirement plan. The comparable figure for the total U.S. population is 12%. According to the U.S. Department of Labor, about 22% of Alaska wage and salary workers are union members, the third highest share in the nation after Hawaii and New York.<sup>181</sup> These figures suggest a larger-than-average share of the working population in Alaska has some type of pension coverage that will provide them with retirement income.

<sup>181</sup> U.S. Department of Labor, Bureau of Labor Statistics, news release dated 1/20/06.

Although the share of seniors 65+ in the United States who were working trended downward for many years, in recent years that trend appears to have reversed. If this trend continues in Alaska, the senior labor force, both those working and those looking for work, will triple between 2005 and 2030 from 6,000 to 18,000. Seniors as a share of the labor force will increase from 2% to more than 4.5%.

Figure 21



## GEOGRAPHIC DISTRIBUTION AND MIGRATION

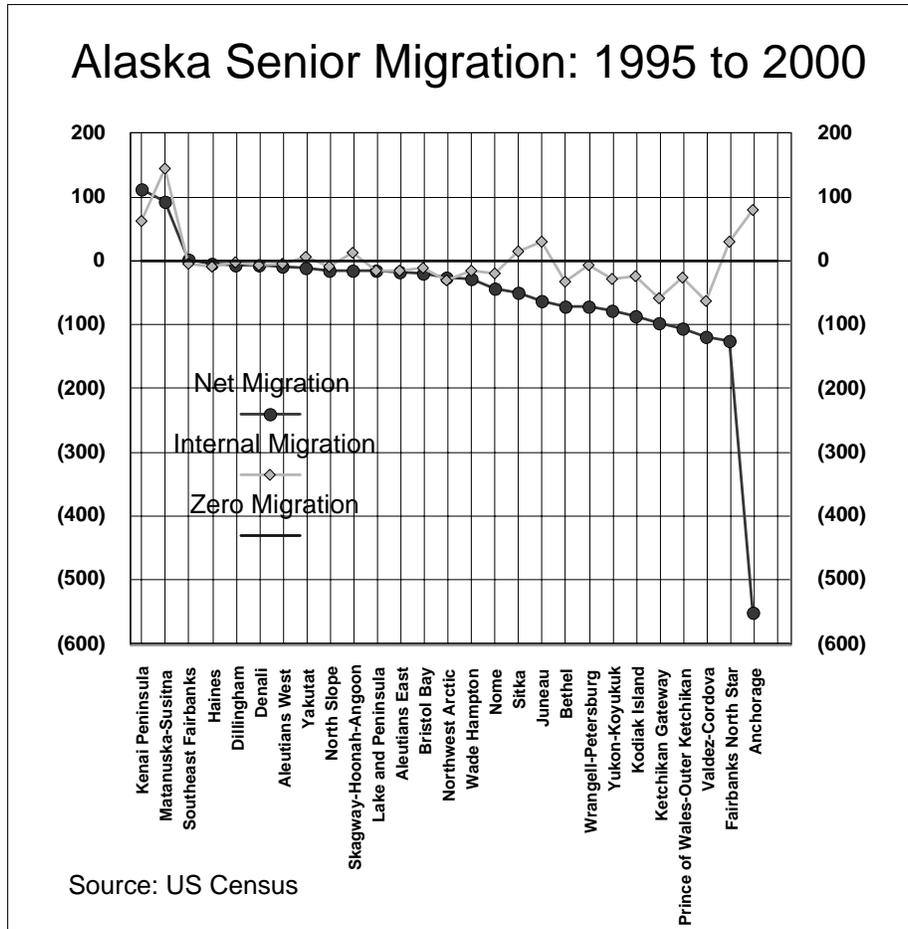
The senior population will continue to concentrate in the Alaska Railbelt. During the late 1990s only two regions, the Kenai Peninsula and the Matanuska-Susitna Borough, experienced a net inflow of seniors aged 65+. The increase on the Kenai Peninsula came from other parts of Alaska and from the rest of the nation. The increase in the Matanuska-Susitna Borough came entirely from other parts of Alaska as there was a net outflow of seniors to the rest of the U.S. All other places in the state saw a net outflow of seniors, most notably Anchorage. Of these other places, most lost seniors both to other parts of the state, primarily to the Railbelt communities, and to the rest of the nation. Internal migration of seniors was positive only in a few areas of the state, all of which were in the Railbelt or Southeast Alaska. Table V.4 shows the out and in migration rates for all Alaska census areas.

**Table V.4.**  
**Alaska Census Area Migration Rates for the Population 65+, 1995-2000**

Census Area	Out-Migration Rates	In-Migration Rates	Gross Migration Rates	Net Migration Rates
Yakutat	0.00%	13.95%	13.95%	13.95%
Skagway-Hoonah	4.37%	9.92%	14.29%	5.56%
Matanuska-Susitna	5.03%	9.14%	14.17%	4.11%
Sitka	4.30%	6.32%	10.62%	2.02%
Kenai Peninsula	3.64%	5.37%	9.02%	1.73%
Juneau	2.62%	4.23%	6.85%	1.61%
Fairbanks North Star	2.76%	3.54%	6.29%	0.78%
Anchorage	2.75%	3.32%	6.07%	0.57%
Wrangell-Petersburg	2.37%	1.42%	3.79%	-0.95%
Dillingham	1.77%	0.71%	2.48%	-1.06%
Southeast Fairbanks	6.67%	5.33%	12.00%	-1.33%
North Slope	4.55%	1.62%	6.17%	-2.92%
Kodiak Island	5.20%	1.78%	6.98%	-3.42%
Nome	6.30%	2.78%	9.07%	-3.52%
Haines	8.80%	5.20%	14.00%	-3.60%
Bethel	4.81%	0.84%	5.66%	-3.97%
Aleutians West	8.00%	4.00%	12.00%	-4.00%
Wade Hampton	5.68%	1.14%	6.82%	-4.55%
Ketchikan Gate	9.02%	3.70%	12.71%	-5.32%
Yukon-Koyukuk	8.58%	2.51%	11.09%	-6.07%
Prince of Wales	12.29%	4.86%	17.14%	-7.43%
Northwest Arctic	8.91%	0.56%	9.47%	-8.36%
Valdez-Cordova	10.75%	0.65%	11.40%	-10.10%
Denali	12.07%	0.00%	12.07%	-12.07%
Lake and Peninsula	21.21%	5.05%	26.26%	-16.16%
Aleutians East	21.13%	0.00%	21.13%	-21.13%
Bristol Bay	22.92%	0.00%	22.92%	-22.92%

Source: U.S. Census. Rates are calculated as a share of the senior population in 2000.

Figure 22



## PROJECTIONS OF SENIOR EXPENDITURES

Future expenditures related to senior health care as well as state expenditures related to senior services depend upon a large number of highly uncertain variables. Among these variables are the following:

- Population and Age Distribution: How many seniors will choose to remain in Alaska, and how will average life expectancy change in future years?
- Personal Income: How much income will seniors have from pensions and other retirement accounts as well as from savings and continued employment?
- Health Status: How well have Alaskans taken care of themselves prior to becoming seniors?

- **Cost of Health Care:** How rapidly will the cost of health care increase in future years because of general inflation, technological progress, and changing utilization rates?
- **Federal Programs:** How will funding of important federal programs providing assistance to seniors (such as Social Security, Medicaid, and Medicare) evolve in the future?
- **State Programs:** How will funding of important state programs providing assistance to seniors (such as Medicaid, Adult Public Assistance, SeniorCare, and others) evolve in the future?

In this analysis ISER combined the Alaska senior population projections with simple assumptions regarding these factors to produce illustrative projections of expenditures for and by Alaska seniors. These illustrative projections provide a general picture of the potential future level of these expenditures, but are not meant to be forecasts of spending levels. They demonstrate the implications of future spending for continuation of “business as usual.” Sensitivity analysis, which is not included, would show that all of these factors are important in determining future expenditure levels and demonstrate that there is a considerable range within which future expenditure levels will actually fall.

ISER assumed the personal income of Alaska seniors will continue to trend upward consistent with the overall growth in per capita income in the economy. Further assumptions are that there will be no changes in the structure of pension and retirement accounts that would negatively impact the income seniors have upon retirement, and that Alaska seniors will have the same general health status as current seniors.

It is not assumed that current baby boomers will have significantly higher incomes upon retirement than do current Alaska seniors nor that baby boomers are more healthy than current seniors. New health concerns, such as obesity, are also not assumed, although this health trend could result in a decline in the health status of future seniors.

ISER assumed per capita health care expenditures will continue to grow at between 5% and 6% per year, the assumption used by the Office of the Actuary at the Centers for Medicare and Medicaid Services.<sup>182</sup> This rate includes the increase over time resulting from general inflation, plus changes due to technological advances and utilization rates. We further assume the cost of health care in Alaska is 25% above the average for the U.S. as a whole, based on ISER analysis of various indicators of health care costs in Alaska. Finally, it is noted that the per capita cost of health care increases significantly with age

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<sup>182</sup> “National Health Care Expenditures Projections: 2004-2014,” Center for Medicare and Medicaid Services, Office of the Actuary, undated.

Figure 23

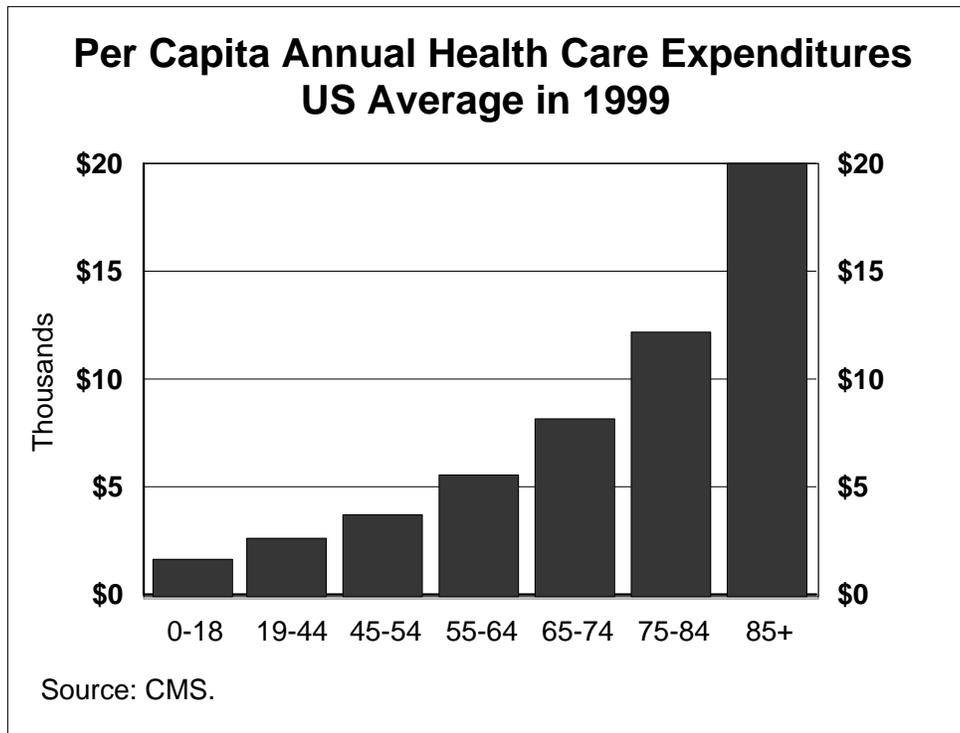
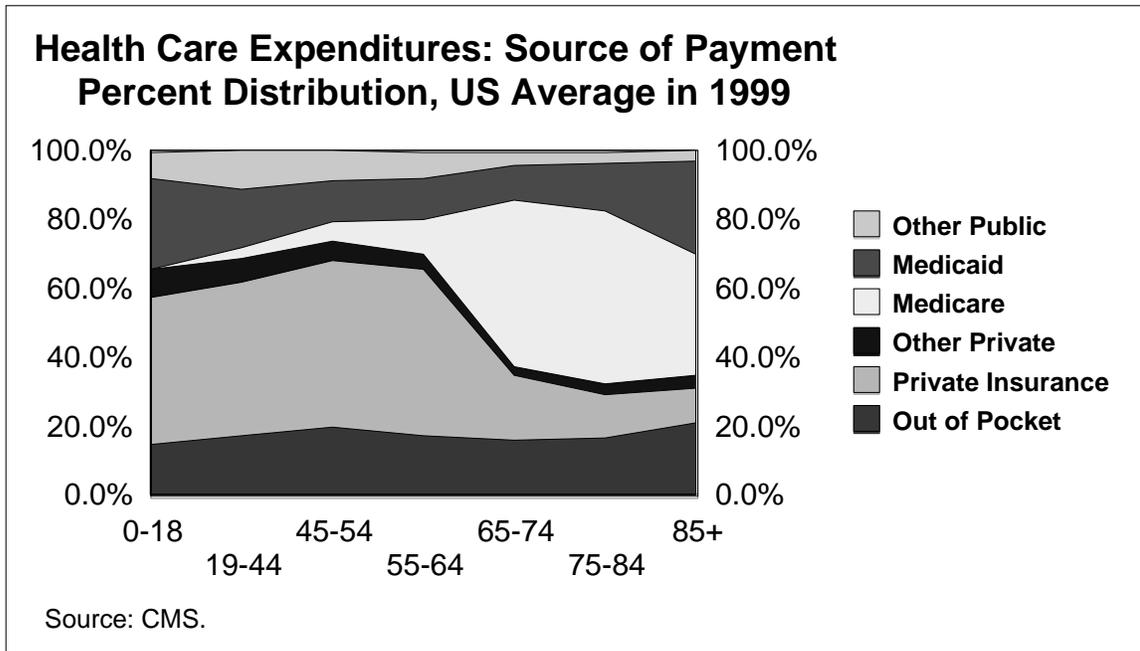


Figure 24



The final set of ISER assumptions presume no changes in the composition of federal and state programs that provide medical and long-term care to seniors. The largest share, 46%, is paid by Medicare. Medicaid is also important, and increases as a share with advancing age. Seniors 65+ pay about 16% of the cost of their health care out-of-pocket.<sup>183</sup> Other private and public sources of payment are small. It is assumed these shares remain constant in the projections.

Spending for senior health care, including long-term care, averages approximately \$19,000 per year for each Alaska senior.<sup>184</sup> This average increases with age and a large share of the total is devoted to nursing home care. Spending is projected to increase, net of general inflation (3% per year), to about \$22,000 per Alaska senior by 2010 and \$25,000 by 2015. By 2030, based on these assumptions, it would reach \$38,000 as seen in Table V.5.

	2005	2010	2015	2020	2025	2030
Total	\$19,294	\$22,274	\$25,149	\$28,559	\$32,729	\$37,922
Health Care Cost Net Nursing						
65-74	\$14,005	\$16,320	\$18,680	\$21,260	\$24,197	\$27,539
75-84	\$18,578	\$21,649	\$24,779	\$28,201	\$32,097	\$36,530
85+	\$22,581	\$26,314	\$30,119	\$34,279	\$39,014	\$44,402
Nursing Care						
65-74	\$1,012	\$1,125	\$1,234	\$1,358	\$1,495	\$1,646
75-84	\$3,679	\$4,089	\$4,484	\$4,937	\$5,435	\$5,984
85+	\$12,949	\$14,392	\$15,784	\$17,377	\$19,131	\$21,062
Sources: CMS and ISER. Nursing care does not include care provided under waivers. Table Source: ISER						

Total health care spending for seniors in Alaska was about \$866 million in 2005.<sup>185</sup> This is projected to increase to \$1.5 billion in 2010 and \$2.4 billion in 2015. By 2030, using ISER assumptions, it would reach \$9 billion. Table V.6 shows these ISER projections and Table V.7 shows the same projections adjusted for inflation. Adjusted for the general level of inflation, senior health care spending would reach about \$1.3 billion in 2010 and \$1.8 billion by 2015. By 2030 it would be \$4.3 billion.

Funding for senior health care expenditures comes mostly from government sources such as Medicare and Medicaid. Other third party payers include other government programs as well as private health insurance. Out-of-pocket costs represent roughly 16% of the total as indicated in Table V.8.

<sup>183</sup> Personal Health Care (PHC) Spending, Centers for Medicare and Medicaid Services.

<sup>184</sup> This estimate is based on national averages from the CMS data on personal health care spending. It has been adjusted for inflation over time as well as the higher cost of health care services in Alaska. However, it has not been adjusted for the specific level or mix of services or service providers within Alaska.

<sup>185</sup> The Long-term Medicaid Forecast project, conducted for the state of Alaska by the Lewin Group and ECONorthwest will contain forecasts of Medicaid spending in 20 different categories of service. It will contain a much more detailed analysis than has been possible in this report.

	2005	2010	2015	2020	2025	2030
<b>Total</b>	\$866	\$1,484	\$2,441	\$3,953	\$6,151	\$9,095
<b>All Except Nursing Care</b>						
65-74	\$370	\$666	\$1,140	\$1,822	\$2,705	\$3,674
75-84	\$260	\$404	\$638	\$1,078	\$1,789	\$2,810
85+	\$100	\$189	\$310	\$496	\$797	\$1,310
<b>Total</b>	\$730	\$1,259	\$2,088	\$3,396	\$5,290	\$7,794
<b>Nursing Care</b>						
65-74	\$27	\$46	\$75	\$116	\$167	\$220
75-84	\$52	\$76	\$116	\$189	\$303	\$460
85+	\$57	\$103	\$162	\$251	\$391	\$621
<b>Total</b>	\$135	\$226	\$353	\$557	\$861	\$1,301
<b>Sources of Funding</b>						
Medicare	\$414	\$713	\$1,180	\$1,917	\$2,986	\$4,403
Medicaid	\$127	\$215	\$348	\$559	\$867	\$1,292
Out of Pocket	\$137	\$235	\$384	\$619	\$963	\$1,427
Other	\$187	\$321	\$529	\$858	\$1,335	\$1,973

Source: ISER.

	2005	2010	2015	2020	2025	2030
<b>Grand Total</b>	\$866	\$1,280	\$1,816	\$2,537	\$3,406	\$4,344
<b>All Except Nursing Care</b>						
65-74	\$370	\$574	\$848	\$1,170	\$1,498	\$1,755
75-84	\$260	\$348	\$475	\$692	\$991	\$1,342
85+	\$100	\$163	\$231	\$318	\$441	\$626
<b>Total</b>	\$730	\$1,086	\$1,554	\$2,180	\$2,929	\$3,722
<b>Nursing Care</b>						
65-74	\$27	\$40	\$56	\$75	\$93	\$105
75-84	\$52	\$66	\$86	\$121	\$168	\$220
85+	\$57	\$89	\$121	\$161	\$216	\$297
<b>Total</b>	\$135	\$195	\$263	\$357	\$477	\$621
<b>Sources of Funding</b>						
Medicare	\$414	\$615	\$878	\$1,231	\$1,653	\$2,103
Medicaid	\$127	\$185	\$259	\$359	\$480	\$617
Out of Pocket	\$137	\$202	\$285	\$397	\$533	\$682
Other	\$187	\$277	\$394	\$551	\$739	\$942

Source: ISER.

	2005	2010	2015	2020	2025	2030
Nominal \$	\$3,059	\$4,080	\$5,311	\$6,971	\$9,254	\$12,461
2005 \$	\$3,059	\$3,520	\$3,952	\$4,474	\$5,124	\$5,951

Sources: CMS, ISER.

Alaska public spending directly benefiting seniors 65+ in 2005 was about \$4,300 on average per senior for a total expenditure of \$193 million. Table V.9 describes the programs and expenditures. Spending consisted of the state share of Medicaid (calculated at 50%), Adult Public Assistance (share to seniors), SeniorCare, grants, Pioneer Homes, and the local property tax exemptions.<sup>186</sup> It excludes smaller programs as well as other programs benefiting broader population groups of which seniors are a portion.

	Recipients	Expenditures (million \$)
Medicaid		
Nursing homes	720	\$24
Waivers	1,340	\$13
Personal care—agency based	830	\$2
Personal care—consumer directed	1,641	\$18
Other Medicaid	7,950	\$21
Adult Public Assistance	5,090	\$15
Senior Care	7,600	\$11
Grants	na	\$26
Subtotal	44,870	\$130
Pioneers Homes	460	\$24
State Total	44,870	\$154
Local Tax Exemption	21,044	\$40
State and Local Combined Total	44,870	\$193

Source: ISER.

Public expenditures associated with these programs, assuming no changes in program structure, would grow to \$297 million in 2010 and \$442 million in 2015. Table V.10 depicts how by 2030 the expenditures would total \$1,241 million. Medicaid grows most

<sup>186</sup> Although the federal government currently pays a higher share in Alaska, this projection assumes that the share will be 50:50 in the longer term.

rapidly because its cost is tied directly to health care costs which are expected to increase faster than the general rate of inflation.

**Table V.10**  
**Alaska Public Expenditures Directly Benefiting Seniors 65+ (million \$)**

	2005	2010	2015	2020	2025	2030
Medicaid	\$77	\$131	\$216	\$347	\$532	\$769
Pioneer Homes	\$24	\$31	\$39	\$50	\$64	\$82
Tax Exemptions	\$40	\$58	\$75	\$93	\$109	\$120
Other	\$52	\$77	\$111	\$157	\$213	\$271
<b>Total</b>	<b>\$193</b>	<b>\$297</b>	<b>\$442</b>	<b>\$648</b>	<b>\$918</b>	<b>\$1,241</b>

Source: ISER.

Pioneer Homes spending grows more slowly based on the assumption of no increase in the number of beds or their configuration. Because the senior citizen property tax exemption has a ceiling of \$150,000 per exemption, growth in this program slows after 2010. Other state programs such as Adult Public Assistance, SeniorCare, and grants grow with the senior population and the general rate of inflation. Table V.11 shows expenditures adjusted for inflation. Adjusted expenditures reach \$257 million by 2010, and \$329 million by 2015. By 2030 expenditures benefiting seniors attain \$593 million.

**Table V.11**  
**Alaska Public Expenditures Adjusted for Inflation**  
**Directly Benefiting Seniors 65+ (million 2005 \$)**

	2005	2010	2015	2020	2025	2030
Medicaid	\$77	\$113	\$161	\$223	\$295	\$367
Pioneer Homes	\$24	\$27	\$29	\$32	\$35	\$39
Tax Exemptions	\$40	\$50	\$56	\$60	\$60	\$57
Other	\$52	\$66	\$83	\$101	\$118	\$129
<b>Total</b>	<b>\$193</b>	<b>\$257</b>	<b>\$329</b>	<b>\$416</b>	<b>\$508</b>	<b>\$593</b>

Source: ISER.

## *IMPACT ON ALASKA SENIORS OF SELECTED STATE PROGRAM CHANGES*

State programs undergo change on a regular basis depending on budget and policy concerns. This section describes the current program status, historical and projected costs, and the effect on seniors of several state programs: the Longevity Bonus, the SeniorCare program, and the Senior Citizen and Disabled Veteran Property Tax Exemption. Evidence used to determine if the program achieved the intended goals is

assessed. The purpose of this discussion is to consider how data from Alaska and elsewhere might inform government policies directed toward providing incentives for seniors to stay in Alaska and continue to afford to live here.

## LONGEVITY BONUS

The Longevity Bonus program provided Alaska seniors 65+ with a monthly payment of \$250 in recognition of their contribution to building the young state, in compensation for the higher cost-of-living in Alaska, and as an incentive to keep them in the state after retirement. A program phase out began in 1994 which reduced the monthly payment to new enrollees and gradually closed the program to new enrollees altogether. Governor Murkowski terminated the program in the middle of 2003.

As a result of the phase out, the number of program beneficiaries peaked in 1997 at 26,427 and subsequently began to decline. Program coverage of the senior population also began to fall. It provided benefits to only 47% of Alaskans over the age of 65 by the last year of the program in 2003. At that time seniors below the age of 72 received nothing, while those 75+ received the full \$250 per month.

If the program had continued under the phase out, the annual cost would have gradually fallen as the number of beneficiaries declined due to deaths and movement out of the state. Table V.12 illustrates the phase out and how the program would have ended in about 2030.

If the Longevity Bonus program is reinstated and eligibility opened to all people aged 65+, it would cost about \$142 million in 2006. The cost would grow with the number of beneficiaries at a rate close to 4% per year, reaching \$267 million by 2020. This projection is based on the assumption that the recent past migration rates of seniors would continue into the future as depicted in Table V.13.

The Longevity Bonus payment was not counted as income for the purpose of determining eligibility for state funded income assistance programs. As a result, when the program ended, low-income seniors who lost the Longevity Bonus received no compensating increase from other state programs. And in earlier years when the phase out reduced the Longevity Bonus payment to new enrollees, none of the reduction was compensated by an increase in these other programs. For Alaskans who had been anticipating the Longevity Bonus upon reaching age 65, the implementation of the phase out signaled to them a loss in future income.

**Table V.12  
Longevity Bonus Program Phase out Cost and  
Beneficiaries**

Fiscal Year	Total Cost (million \$)	Average Number Monthly Recipients
2004	\$44.778	17,252
2005	\$41.543	16,081
2006	\$38.344	14,917
2007	\$35.203	13,766
2008	\$32.130	12,631
2009	\$29.081	11,468
2010	\$26.115	10,324
2011	\$23.362	9,304
2012	\$20.743	8,322
2013	\$18.250	7,376
2014	\$15.915	6,484
2015	\$13.740	5,654
2016	\$11.734	4,883
2017	\$9.901	4,165
2018	\$8.251	3,510
2019	\$6.769	2,917
2020	\$5.457	2,390
2021	\$4.327	1,931
2022	\$3.343	1,524
2023	\$2.511	1,168
2024	\$1.833	876
2025	\$1.282	638
2026	\$.849	447
2027	\$.526	298
2028	\$.288	176
2029	\$.116	81
2030	\$.036	28
2031	\$.006	5

Source: McDowell Model.  
Table Source: ISER

Fiscal Year	Total Cost (million \$)	Beneficiaries (thousand)
2005	\$134.610	44.870
2006	\$141.610	47.203
2007	\$148.950	49.650
2008	\$156.576	52.192
2009	\$164.249	54.750
2010	\$172.429	57.476
2011	\$180.422	60.141
2012	\$189.447	63.149
2013	\$198.356	66.119
2014	\$207.151	69.050
2015	\$216.683	72.228
2016	\$226.497	75.499
2017	\$236.823	78.941
2018	\$246.714	82.238
2019	\$256.456	85.485
2020	\$266.514	88.838
2021	\$276.494	92.165
2022	\$286.105	95.368
2023	\$295.558	98.519
2024	\$304.122	101.374
2025	\$312.175	104.058
2026	\$319.836	106.612
2027	\$326.979	108.993
2028	\$333.198	111.066
2029	\$338.822	112.941
2030	\$343.650	114.550

Source: ISER

The transition period of the phase out covered the years 1995 through 1998. Data on the growth and growth rate of the Alaska senior population during this period suggests that there might have been an out-migration response to the phase out of the Longevity Bonus program. The annual increase in the 65+ population fell in 1996 and 1997 compared to the surrounding years, and the growth rate in the 65+ population also slowed for that two-year period. However, given the size of the year-to-year variation, it is impossible to know how much of this change might be attributable to the phase out of the Longevity Bonus program.<sup>187</sup>

<sup>187</sup> The senior population data from the Alaska Department of Labor for 2000 does not track the increase in Permanent Fund Dividend applications for the 65+ population, suggesting that the ADOL growth rate for 2000 may be high and that some of the growth they assign to that year should probably be allocated to earlier years. When the ADOL revised population numbers for the decade of the 1990s are released, they may show a different time pattern of growth.

Figure 25

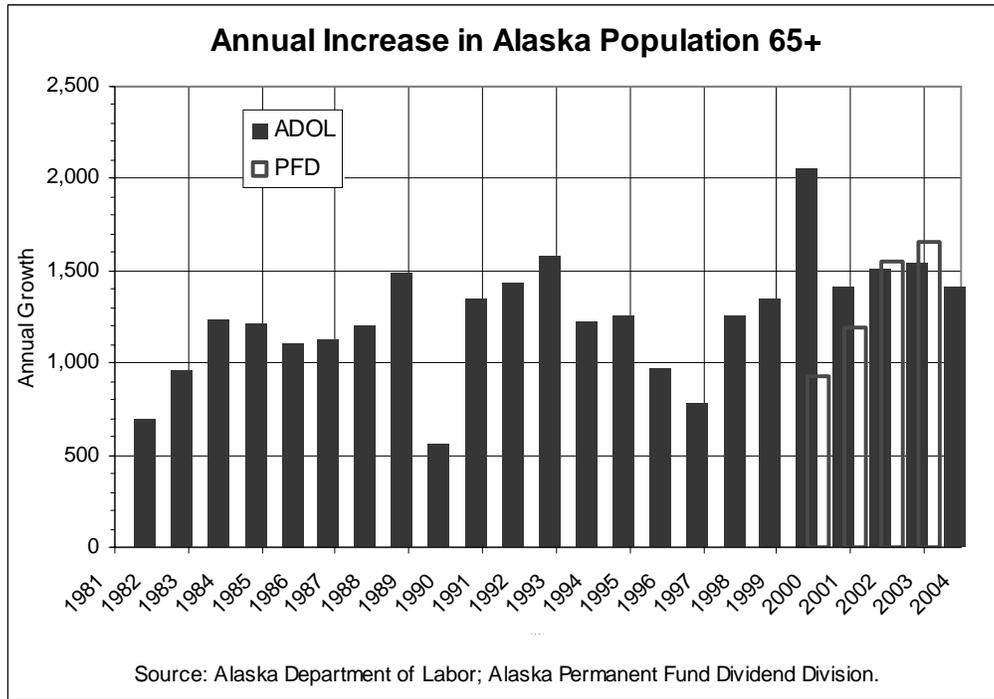
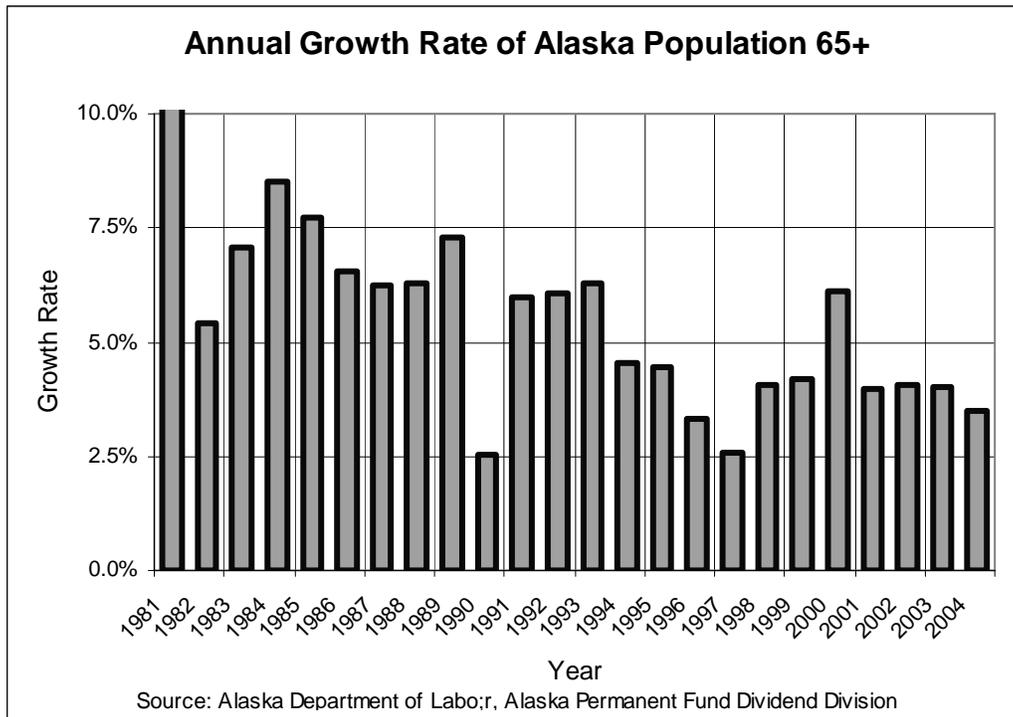


Figure 26



After the state closed the Longevity Bonus program to new applicants, the senior population growth rate stabilized at a rate below that of the 1980s. Again, it is not possible to know the extent to which the lower growth rate was due to the closure of the Longevity Program to new applicants and how much was due to other factors.

When the Longevity Bonus program ended in the middle of 2003, the growth and growth rate of the senior population in 2003 and 2004 did not appreciably change from earlier years. The SeniorCare program replaced some of the loss of income for low-income seniors. By that time only 47% of seniors, most over the age of 75, were enrolled in the Longevity Bonus Program. The absence of an impact on the growth of the senior population from the termination of the Longevity Bonus Program is consistent with the observation that senior migration rates decline with age.

One way to think of the Longevity Bonus program is as a public investment to expand the size of the senior population and, consequently, of the economic activity generated by seniors. Policies to attract seniors have become increasingly popular across the nation. Usually the rationale for such a policy is that seniors add to the tax base (mostly through housing) more than they demand in public services. Because of Alaska's unusual tax structure, increasing the number of seniors would not improve the balance sheets of state and local governments in Alaska.<sup>188</sup> The benefits of a larger senior population lie in the private sector economic activity that comes from retiree income and health care spending.

However, to reinstitute the Longevity Bonus program for the purpose of increasing the senior population suffers from the critique that its influence is weakest on seniors with high-incomes who would presumably make the largest positive economic contribution to Alaska. Although higher-income seniors are more likely to move than low-income seniors, incentives related to income are not the only, and not necessarily the most important, factor they consider in their decision of whether or not to move.<sup>189</sup>

After 2003 the Longevity Bonus program was replaced by the SeniorCare program, which targeted a payment to low-income seniors only. As such, it had the effect of minimizing, although not eliminating, any out-migration associated with the termination of the Bonus, as reflected in the graphs.

## SENIORCARE PROGRAM

When the Longevity Bonus program was eliminated in the middle of 2003, it was replaced by the SeniorCare program, which originally provided a monthly benefit of \$120 to seniors with incomes below 135% of the official poverty guidelines. In 2005 the income limit was \$16,133 for an individual and \$21,641 for a couple. Subsequent legislation froze eligibility at these income limits in 2005. The annual cost of the

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<sup>188</sup> See Chapter III

<sup>189</sup> See Duncombe, William, Robbins, Mark, and Wolf, Douglas, "Chasing the Elderly: Can State and Local Governments Attract Recent Retirees?", Center for Policy Research, Maxwell School of Citizenship and Public Affairs, Sept 2000.

program was about \$10 million. Population growth and inflation would increase the cost of this program by about 8% per year, assuming continuation of the current use rate.

The SeniorCare monthly benefit has the advantage over the Longevity Bonus program of being available to any senior who meets the income guidelines. Of the approximately 7,000 seniors currently receiving program benefits, about 6,000 were formerly receiving the Longevity Bonus, or about 33% of the former Longevity Bonus recipients. The remaining 1,000 are either new seniors or those who were not eligible for the Longevity Bonus because of its phase out rules. The growth in the senior population, as well as the fact that half were not eligible for the Longevity Bonus at the time of its termination, suggests that the SeniorCare program currently has a low utilization rate and that several thousand additional seniors might be eligible for the program.

The disadvantage of the SeniorCare program as a substitute for the Longevity Bonus is that the monthly payment is slightly less than half the Longevity Bonus payment and the annual payment is only \$1,440, compared to \$3,000.

The loss of income for low-income Longevity Bonus recipients was significant and the SeniorCare program has been only partial compensation. For middle-income seniors the loss of the Longevity Bonus was also significant because they are not eligible for the SeniorCare program at all. For higher income seniors, the loss of the Longevity Bonus represents a smaller share of income and is less significant to them.

## PROPERTY TAX EXEMPTION

The Senior Citizen and Disabled Veteran Property Tax Exemption allows senior and disabled veteran homeowners an exemption on the first \$150,000 of the assessed value of their home for the purpose of calculating their local property tax liability. Originally the state reimbursed local governments for the revenue loss this imposed, but since 1997 local governments have been required to make up the loss. The revenue loss from this program was about \$40 million in 2005.

In 2000, 16,656 households claimed the local property tax exemption. An estimated 90%, or 15,000, were senior (aged 65+) households. The 2000 census reported 26,704 households containing a senior and, of those, 22,879 were households headed by a senior. This suggests that about 66% of senior households benefited from this program. Of the 34% who did not, most were renters, but some were homeowners living in places without a property tax, and others were eligible seniors who were unaware or chose not to claim the exemption.

Over the last decade the number of tax exemption beneficiaries has grown 5% per year as the senior (65+) population has increased. The average tax savings, \$1,894 in 2005, has increased at about the rate of inflation over the same 10-year period (2.8% per year). As a consequence the overall cost of the program has grown at 7.9% annually. The average exemption has grown at a 3.3% annual rate and, at \$126,372 in 2005, was 84% of the maximum exemption of \$150,000 allowed under current law.

If the average exemption continued to increase at the same rate, it would hit the maximum in 2011. Under current law, growth in the program would then slow to the rate of growth of the senior population, about 5% annually.

Since the senior population has been, and is projected to continue to be, the fastest growing component of the population, the tax base exempt under this program is likely to be an increasing share of the total tax base of local government (residential plus commercial). In 2005, 6.5% of the tax base was exempt as a result of this program. The tax savings of seniors and veterans is passed on to all other local property tax payers as an increase in their tax rate of 7% on average statewide.

The exemption is a large monetary benefit to senior homeowners. In 1999 it averaged \$1,686 compared to the median household income of seniors reported in that year of \$38,577. This was about 4.4% of median household income meaning that for half of senior households, the share was greater, and for half the share was less.

There are two features of the program that will limit its importance to senior homeowners in the future, at least during times when property values are increasing. The first is the \$150,000 ceiling on the exemption. Over time, inflation will shrink the value of the exemption compared to income. Second, as assessed housing values increase, a smaller share of total value will fall within the \$150,000 limit of the exemption. Consequently, the exemption will apply to a smaller share of the property tax liability and could in some instances actually result in a decline in the size of the benefit. This could be the case if assessed values rose rapidly and the property tax rate were reduced in order to maintain a constant level of tax collections.

The program is designed to help seniors stay in their homes, but suffers from two shortcomings. The first is that it is not targeted to the group in need. The 21% of senior households that rent get no benefit from this program even though most of them have a monthly rental payment and the majority of seniors who own their homes have no monthly mortgage payment. Furthermore, a high-income senior is eligible for the same benefit that a low-income senior would receive under this program.

The other shortcoming is that the ability of seniors to remain in their homes is not only a function of the amount of their property tax liability. Increasingly, it is a matter of having available and affordable home care and home health services available to allow them to continue to function independently.

In 2005 the total cost of this program was \$40 million. If that amount of money were allocated to expanding the existing programs for providing in-home care for seniors at all income levels, those programs would be greatly improved. A reverse mortgage program would allow senior homeowners who needed financial assistance to pay their property taxes and support the home care programs.

## ATTRACTING SENIORS

One justification for these programs is that they allow Alaska seniors to stay in the state after retirement. If this is the case, and it is accepted as a worthwhile objective, then it is appropriate to ask how successful they have been, and what their “bang per buck” might be. The complete answer to that question is beyond the scope of this report, but studies suggest that senior migration decisions are based on a large number of factors, with tax policy and public programs that distribute cash being only two of them. Furthermore, different factors are attractive to different types of seniors.

For example, in the absence of some safety net to minimize the impact on lower-income households, elimination of the Property Tax Exemption program would likely drive some seniors to leave Alaska or otherwise change their behavior. ISER did not have the data to estimate how large the response might be, but lower income households tend, in general, to be less mobile than higher income households.<sup>190</sup> On the other hand, high-income households would be less adversely impacted by program elimination.

Other analyses suggest that although tax policy can influence senior migration decisions, the effect is relatively small and the provision of senior amenities might be a better policy if the objective is to try to attract seniors to the state.<sup>191</sup> The importance of senior amenities is underscored by analysis of the locations outside of Alaska where PERS retirees are most likely to choose to live. Almost all rank below Alaska as a location that is “wealth-friendly” for retirees. Four of the top 10 states for PERS retirees are in the bottom half of this national ranking. The ranking is based on the tax liability of a hypothetical retired couple with ordinary income as well as income from capital gains, bonds, an IRA, a defined benefit pension, and Social Security. Furthermore, all 10 states rank behind Alaska in terms of the best tax deal for retirees. Clearly, location is motivated by many factors in addition to taxes.

<b>Table V.14</b>			
<b>Top States for PERS Retirees</b>			
State	Retirees	Wealth-Friendly Rank	Retiree Best-Tax Deal Rank
ALASKA	12,671	7	2
Washington	1,727	9	28
Oregon	801	11	18
Arizona	564	10	17
California	482	28	16
Nevada	319	6	9
Florida	313	14	27
Texas	295	42	29
Idaho	286	48	13
Montana	217	38	34
Colorado	187	8	10
Source: PERS Newsbreak, January 2006, Wealth Friendly States for Retirees in 2005, Bloomberg Wealth Manager Magazine, 2005, and Which States Give Retirees the Best Deal? Kiplinger Magazine, 2006.			

<sup>190</sup> Ibid

<sup>191</sup> Ibid

## VI: ALASKA SENIORS ECONOMIC VALUE

*“ When I was young, I thought that money was the most important thing in life,  
now that I am old, I know it is.”*

Oscar Wilde (1854-1900)

Public policy frequently focuses on the potential future cost of services for seniors, especially in light of the aging baby boomer generation. Often overlooked are the economic benefits of an increased retired senior population. A recent ISER study concluded that retired Alaska seniors bring significant cash flow into the Alaska economy. ISER made an estimate of how much cash and at what cost. The analysis considered the range of money inflows compared to government expenditures directed at seniors. Although the non-economic benefits seniors contribute to society with their experience and wisdom was beyond the scope of the ISER study, volunteer work was noted as a net positive.

There is a current public perception that the dramatic increase in seniors over the next 30 years will be accompanied by a significant social burden. To better understand the economic contribution and cost of seniors, the ISER study compared retired seniors as a group to other selected Alaska industries. The result seems to indicate that when retired seniors are considered as a single economic entity, they become a significant economic enterprise and bring substantial cash contributions to the state.

### CASH CONTRIBUTION

The primary sources of economic cash flow from seniors are from retirement income, health care spending and other income such as transfer payments. Fifty-two thousand retired Alaska seniors, aged 60+, contributed \$1,461 billion to the Alaska economy in 2004.<sup>192</sup> This equaled more than \$28 thousand for the average retired senior. This money inflow came primarily from retirement income and health care spending.<sup>193</sup> Table VI.1 shows the sources of this cash. Retirement income made up over \$1.1 billion and senior health care spending brought an additional \$300 million into the state. In addition, Alaska seniors bring in money income through wage employment and provide valuable services through volunteering and family care-giving.

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<sup>192</sup> This is an estimate of the cash flow that would disappear from the state with the disappearance of Alaska seniors 60+ who are retired. It excludes some flows that benefit seniors but are not directly tied to the size of the senior population such as health benefits provided by the Indian Health Service. It also excludes seniors in the workforce.

<sup>193</sup> It also consists of a small amount of money from other federal sources.

	<b>Million \$</b>	<b>Per Capita</b>
<b>Total</b>	\$1,461	\$28,167
Retirement Income	\$1,139	\$21,947
Health Care	\$302	\$5,821
Other	\$21	\$400
Source: ISER Calculation.		

## RETIREMENT INCOME

The majority of the over \$1 billion in 2004 senior retirement income came from Social Security, public retirement accounts, private pensions, and accumulated assets. This ISER estimate may be conservative. It includes only the share of payments from these sources paid to Alaskans aged 60+ who are retired. It excludes payments to Alaskans under the age of 60 and payments to working seniors 60+. For example, federal civilian retirement payments to Alaska were \$172 million, but only \$112 million was paid to persons aged 60+, and only \$95 million was paid to Alaskans aged 60+ who were not working.

The average retired senior received about \$22 thousand in retirement income. Table VI.2 shows senior retirement income by source. Seniors received \$392 million in retirement income from Social Security, the largest single retirement income element. State retirement programs, primarily PERS and TRS, made up the next largest source of income, followed by federal civilian and military retirement programs. Private union and company-based pensions together with income from accumulated assets accounted for the remainder of retiree income.

	<b>60+ Retirees</b>	<b>60+ Total</b>	<b>Total Paid to Alaskans</b>
<b>TOTAL</b>	\$1,138	\$1,344	\$1,803
<b>FEDERAL</b>	\$589	\$683	\$915
Social Security	\$392	\$461	\$461
Federal Civilian Retirement	\$95	\$112	\$172
Federal Military Retirement	\$48	\$57	\$174
Veteran Compensation	\$54	\$54	\$108
<b>STATE-LOCAL</b>	\$265	\$311	\$489
Public Employee Retirement System (PERS)	\$148	\$174	\$287
Teachers' Retirement System (TRS)	\$113	\$133	\$197
Other Retirement	\$4	\$5	\$5
<b>PRIVATE</b>	\$285	\$350	\$400
Pensions	\$135	\$150	\$200
Investment Income	\$150	\$200	\$200
Source: ISER			

## HEALTH CARE SPENDING

Alaska senior health care spending brought another large amount of money into Alaska from both public and private sources. This totaled \$302 million, an average of \$5,821 for each retired senior. Table VI.3 shows the various payment sources. Federal Medicare and Medicaid payments together accounted for about 75% of health-related dollars including long-term care. Insurance payments associated with private and public retirement programs made up the remainder. However, the \$302 million total spent is conservative. It excludes self-paid health insurance, retired seniors' out-of-pocket health expenditures and state government senior health care spending such as the state share of the cost of the Medicaid program.

Medicare	\$167	
Federal Share of Medicaid	\$71	
Nursing Homes		\$26
Waivers		\$13
Personal Care		\$19
Dual Eligibles		\$12
State Public Employee	\$33	
Federal Public Employee	\$12	
Private Retirement Plan Insurance	\$19	
<b>Total</b>	<b>\$302</b>	
Source: ISER.		

## OTHER INCOME

In addition to retirement income, small amounts of cash flow into the state from federal programs for low-income Alaskans, including some seniors. These totaled about \$21 million in 2004. There are a number of federal programs that target seniors as shown in Table VI.4. ISER notes that the dollar amount of these grants is not directly related to the size of the senior retiree population. Therefore, it cannot be assumed that the flow of dollars into the economy from these grant programs would increase if the senior retiree population were to grow.

<b>Table VI.4 Cash Flow to Alaska from Other Federal Programs Benefiting Seniors 2004 (million \$)</b>	
Federal Programs for Low-Income Seniors	\$21
Social Security (SSI)	\$16
Food Stamps	\$5
Source: ISER.	

## WORKING SENIORS AND VOLUNTEER ACTIVITIES

Alaska seniors continue to work and earn wage and business income.<sup>194</sup> Over 13,000 seniors aged 60+ and 5,000 seniors aged 65+ are employed. Many of these workers bring a “senior worker bonus” to the economy. This means that because they have retirement income from a previous job and retiree or publicly funded health insurance, a working senior has greater purchasing power than a worker at the same job without retirement income. A working senior with greater purchasing power can, in turn, generate a greater economic impact. The value of this “senior worker bonus” is roughly estimated to be more than \$100 million.<sup>195</sup>

Seniors also enhance the economy through volunteer activities and through caring for family members. Nationally, 79% of the population aged 65 to 74 actively engaged in one or more of these activities in 2002. For those 75+, the share was 58%.<sup>196</sup> The value of volunteer activity by Alaska seniors 65+ is estimated between \$60 and \$100 million, and includes volunteering and care giving to relatives.<sup>197</sup> Depending upon the value assigned to each hour of volunteer or care giving activity, this is the equivalent of between 1,500 and 5,000 full-time jobs.<sup>198</sup>

## *PUBLIC COST AND REVENUE*

Like all citizens, seniors support government through payment of taxes and other revenues. Seniors also use public services. In Alaska, because most public revenues come

<sup>194</sup> For a more in depth discussion of Alaska working seniors see Chapter II.

<sup>195</sup> This is the amount that working seniors also collect in Social Security and pensions, and the Medicare payments from the federal government for their benefit.

<sup>196</sup> Zedlewski, Sheila R. and Schaner, Simone G. “Older Adults’ Engagement Should be Recognized and Encouraged,” Perspectives on Productive Aging, The Urban Institute, July 2005.

<sup>197</sup> ISER estimate

<sup>198</sup> For a more in depth discussion of volunteer and care-giving seniors see Chapter II.

from petroleum production, the average citizen receives much more in public services than he or she pays in taxes and other revenues. Seniors are no exception. The average adult citizen, including seniors, pays about \$400 in taxes and fees into the State General Fund each year. In return, the average adult receives about \$5,000 in state services funded out of the State General Fund.

The State of Alaska funds programs that particularly target seniors. These programs cost about \$141 million in 2004, approximately 6% of the State General Fund budget as shown in Table VI.5. Although many of the programs of state government target particular population groups it is difficult to assign a share of the cost of government to a population group because often the entire community benefits from a program for example primary and secondary education.

<b>Table VI.5 State General Fund Program Spending in 2004 Targeting Seniors (million \$)</b>	
Total	\$141
Senior Care	\$10
Adult Public Assistance*	\$22
State Share of Medicaid**	\$71
Pioneer Homes	\$24
Other Senior and Disability Services*	\$14
*This only includes the share of program spending specifically benefiting seniors.	
**50% of Medicaid spending on nursing homes, waivers, personal care, and medical care (dual eligibles) for Alaskans aged 60+ not employed.	
Source: ISER	

The share of local government budgets for targeted senior programs is usually small. There may be some cost to local communities, however, because seniors often pay property taxes at a reduced rate and some communities exempt seniors from local sales taxes.<sup>199</sup>

The income contribution to the economy and the cost to government for any individual senior will differ from the average senior as calculated here because of each individual's unique circumstances. In particular, older seniors tend to have less retirement income and require larger amounts of health care spending. Although Medicare pays for some higher health care costs this may be offset by increased Medicaid spending for long-term care. And whereas Medicare is totally funded by the federal government, Medicaid is funded jointly by the federal and state governments, so only a portion of Medicaid spending represents new money flowing into the economy.

<sup>199</sup> ISER did not include the senior citizen local property tax exemption as a cost in this section. This program does not increase total government expenditures but rather shifts part of the cost of government from seniors to the general population.

Because of all these economic variables and changes in a senior's income contribution and cost with age, studies of the importance of seniors to regional economies have yet to produce conclusive results. Instead these studies tended to compare public revenues and spending in the short term, without consideration of the consequences of the changing demographics of the senior population.<sup>200</sup> There continues to be a need for more comprehensive economic analyses.

## *INDUSTRY COMPARISON*

Alaska seniors can be viewed as an industry to better understand their economic importance. Every industry makes a contribution to the economy and receives support from state government through a variety of mechanisms. Support from state government to industry includes operating expenditures for management, tax expenditures, capital expenditures, and loans. Only petroleum, which pays for most of Alaska state government, "pays its own way." This section contains information about metal mining, tourism, seafood and air cargo industries, all industries important to the Alaska economy.

Alaska metal minerals production, primarily zinc, gold, and silver, was valued at \$823 million in 2002, generating a payroll of \$77 million in the industry and an annual average employment of 1,153. Mining is a capital intensive high wage industry as reflected in the low ratio of payroll to value of production. It depends on nonrenewable resources and is subject to market price fluctuations.

Mining is location specific and impacts the environment. Mining produced \$2.5 million in revenues to the state in 2002 as well as additional revenues to local governments and resident resource owners.<sup>201</sup> However, a legislative research study done in the 1990s calculated that the \$4 million in revenues to the state generated by mining were exceeded by the \$8 million in direct government cost to manage the resource.<sup>202</sup>

Tourism is a major contributor to Alaska economy. Nonresident vacationers spent \$811 million in Alaska in 1998, directly generating 12,835 wage and salary jobs and 3,584 proprietor jobs for a total of 16,419 jobs. Wages were \$249 million and proprietor income was an additional \$65 million.<sup>203</sup> Tourism jobs were concentrated in the lodging, restaurant, retail and transportation services sectors of the economy.

Tourism related employment is highly seasonal with a large nonresident share. Tourism is a rapidly expanding industry, and the growth potential is significant for Alaska. There has not been a comprehensive analysis of public expenditures or public revenues

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<sup>200</sup> See "Economic Consequences of Retiree Concentrations: A Review of North American Studies," by William J. Serow, The Gerontologist 43: 897-903, 2003.

<sup>201</sup> Alaska's Mineral Industry 2002, Division of Geological and Geophysical Surveys, and Alaska Department of Labor

<sup>202</sup> State of Alaska Natural Resource Revenues and Expenditures in FY 95, Legislative Research Series, June 1996

<sup>203</sup> Alaska Visitor Industry Economic Impact Study, 1999 Update, McDowell Group, 1999

associated with the Alaska tourism industry. Continued expansion of this industry, however, will require substantial public investments in infrastructure, marketing, and other services.

The annual value of the Alaska seafood harvest exceeds \$1 billion, and after processing it has a wholesale value in excess of \$2 billion. During 2000, 45,550 people were engaged in commercial fishing and processing in Alaska, including the adjacent federally managed waters. This was equivalent to 27,877 full-time jobs, of which Alaskans held 36%. Total personal income was \$437 million.<sup>204</sup> Taxes from fishing activity averaged \$47 million in the 1990s, with about half going to local communities.<sup>205</sup> A 1996 analysis calculated state revenues of \$67 million from commercial fishing and \$21 million from sport fishing, compared to \$102 million in fisheries-related state expenditures.<sup>206</sup>

International air cargo is a significant Alaska industry. Employment associated with international air cargo operations at Ted Stevens International Airport in 2000 has been estimated to be 3,058 with a payroll of \$126 million.<sup>207</sup> The operation is labor intensive and is part of a rapidly expanding industry. It is somewhat sensitive to environmental issues and the business cycle as well as to technological developments that could impact the relative attractiveness of Anchorage as a location for air cargo services.

Air cargo operations produce revenues for the airport, but the amount of revenue generated for the State General Fund has not been calculated. State expenditures in support of the industry have also not been specifically studied, but are probably modest although the industry does enjoy a tax advantage on fuel sales.

This superficial comparison points out that Alaska seniors as an industry bring in significant amounts of money at little public cost or environmental impact. In 2004, the senior cash inflow to the state just from retirement income was \$1.1 billion. Spending for health care adds another \$300 million to total approximately \$1.4 billion. State General Fund spending on programs targeted to seniors was \$141 million. Additional variables should be considered for an in depth and complete analysis but these figures indicate Alaska seniors are a beneficial economic enterprise.

## ALASKA RETIRED SENIORS AS ECONOMIC ENTERPRISE

The money senior retirees bring to the state economy can be considered an economic enterprise. The cash flow generated by Alaska seniors is similar to the cash flow from spending by tourist visitors to the state, spending by the federal government on military

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<sup>204</sup> Alaska Economic Performance Report 2002, Alaska Department of Community and Economic Development., 2003.

<sup>205</sup> Ibid

<sup>206</sup> State of Alaska Natural Resource Revenues and Expenditures in FY 95, Legislative Research Series, June 1996.

<sup>207</sup> Ted Stevens Anchorage International Airport: Economic Significance 2000, ISER, 2001

operations in the state, or the flow of dollars from the sale of Alaska fish or minerals.<sup>208</sup> Seniors spend their retirement income on a broad range of goods and services, and this spending has an economic multiplier impact resulting in job creation and income generation that expands the size of the economy. Similarly, the spending on their behalf for medical care generates jobs and income in the health care sector of the economy. ISER did not estimate the total economic impact of senior retiree spending on the Alaska economy in detail, but a comparison to the impact of the Permanent Fund Dividend program provides a general sense of its size. If senior retiree spending had the same “bang per buck” impact as dividend spending, then the \$1.4 billion of senior retiree spending would generate about 13,000 jobs throughout the economy.<sup>209</sup>

There are numerous positive economic characteristics brought to Alaska by retired seniors as an economic enterprise. Retired seniors spend locally. Most of the \$1.4 billion representing income and health care expenditures of seniors is spent within the Alaska economy, resulting in a large economic impact. Senior spending generates jobs across a broad range of employment categories. They include low-wage jobs in trade and services as well as high-paying jobs in health care. The income of seniors and of service providers in the health care sector is an important potential tax base for broadening sources of state revenues. Senior spending generally does not compete with other industries for scarce resources as is the case with some extractive industries such as mining and fish harvesting. Senior economic activity is not particularly seasonal, it is stable from year to year, and not dependent upon world market conditions for natural resources. Unlike resource extraction industries, it does not significantly affect the natural environment. The economic impacts of senior spending occur throughout the state.

Senior spending increases the size of the economy and fosters economies of scale in the provision of goods and services. It also allows the fixed costs of operations, particularly in health care delivery, to be spread over a larger customer base, thus reducing unit costs. However, as with any expansion of the economy that increases the population, the presence of retired seniors does require the use of some scarce resources. For example, the size of the Permanent Fund Dividend will be smaller if the population is larger.

The preceding analysis has limitations. It looks at current cash inflow and compares it to current expenditures as a static model. In 2004, retired seniors appeared to have a positive economic ratio of 10 to 1 for money in to cost out. However, the public cost of senior programs increases as the population ages. For example, Medicaid and Long-term Care costs are higher for older seniors. This means the predicted senior population increases over the next thirty years combined with the cost increase that accompanies an ever older population will alter this ratio. Nonetheless, this study suggests the ratio may be wide enough to remain positive. Most importantly, it suggests that retired seniors may be economic asset to be cultivated.

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<sup>208</sup> The flow of dollars from activities such as mining is often presented on a per-employee basis, which cannot be directly compared to the flow of senior dollars on a per capita basis.

<sup>209</sup> Based on the analysis of the Permanent Fund Dividend program economic impact contained in the Alaska Citizen’s Guide to the Budget, ISER website, adjusted for inflation between 1999 and 2004