

Alaska Intrastate Funding Formula FY2017-2019

Background

The Older Americans Act requires that state funding plans give preference to seniors in economic and social need, defined as follows:

Greatest economic need – refers to need resulting from an income level at or below the poverty line.

Greatest social need – refers to need caused by the non-economic factors, which include physical and mental disabilities; language barriers; and cultural, social, or geographic isolation, including isolation caused by racial or ethnic status, that restricts an individual's ability to perform normal daily tasks or threatens his or her capacity to live independently.

OAA, Sec. 305(a)(2) – Per 2015 AOA State Plan Guidance *“States shall, (C) in consultation with area agencies, in accordance with guidelines issued by the Assistant Secretary, and using the best available data, develop and publish for review and comment a formula for distribution within the State of funds received under this title that takes into account--*
(i) the geographical distribution of older individuals in the State; and
(ii) the distribution among planning and service areas of older individuals with greatest economic need and older individuals with greatest social need, with particular attention to low-income minority older individuals.”

The State of Alaska constitutes a single planning and service area under the terms of the Older Americans Act. The Alaska Department of Health & Social Services (DHSS) is the State Unit on Aging as designated by the Governor. The operations of Alaska's state unit on aging are carried out jointly by the DHSS' Division of Senior & Disabilities Services and the Alaska Commission on Aging. The Division of Senior and Disabilities Services administers the majority of state and federally-funded programs for seniors.

In the past plans (FY 2008-2011 and FY 2012-2015), the funding formula was based on the following factors:

1. Total Senior Population Factor: Total number of seniors (age 60+) living in a region
2. Minority Factor: Number of minority seniors
3. Poverty Factor: Number of seniors living in poverty
4. Frail Factor: Number of seniors age 80+
5. Rural Factor: Number of rural seniors in the region
6. Cost-of-living Factor (added FY 2012-2015 plan)
7. Hold Harmless Provision (added FY 2012-2015 plan)

Transition Period

Significant State Plan Advisory Committee discussion occurred around the functionality of the Hold Harmless Provision and the funding formula methodology. The Hold Harmless Provision was established in the FY 2012-2015 State Plan as a method for creating stability as the funding formula was implemented, however in doing so the implementation of the actual funding formula methodology could not occur to address the needs of regions that were growing significantly faster than others. After thorough discussion, there was consensus for phasing out the Hold Harmless Provision so that the actual funding formula could be applied as intended. There was also an interest

in revising the funding formula to meet changing factors across the state, however, it was recognized that this could not be accomplished in time for the FY 2016-2019 State Plan submission. The State Plan Advisory Committee decided to postpone this work to FY2016 using a Funding Formula Task Force (“Task Force”) that would be comprised of members from the State Plan Advisory Committee who expressed interest in continuing work on the funding formula. The Task Force has amended the funding formula effective July 1, 2016 for FY2017-2019.

Year One (State FY 2016)	Hold Harmless factor remains in place, and FY 2016-2019 State Plan funding formula methodology is applied that utilizes the FY2012-2015 funding plan.
Year Two (State FY 2017)	Hold Harmless phased out, and FY 2016-2019 State Plan funding formula methodology is amended.

FY2017-2019 Funding Formula Methodology

The state plan funding formula as described below will be applied to both federal and state funds received for the Nutrition Transportation and Support Services (NTS) and Senior In-Home Services for the FY2017-2019 period. As in the FY2016 actual expenditures, a total of 5.74% will be held out from total funding for statewide programs, including legal services and media services. Actual funding to any region is dependent upon capacity within a region to deliver senior services. In the event that a region does not have the capacity to deliver services to its entire population, any remaining funds will be redistributed statewide.

The Task Force, in keeping with the intent of the Older Americans Act to encourage the directing of resources toward older people who are most in social and economic need, believes that providing home and community based services to those most vulnerable to health and economic stresses is the best way of helping Alaska seniors age in place in their communities of choice. In this way, elders may stay close to family, friends, culture, language and traditional foods and live with dignity and independence for as long as possible.

The Task Force approved the following revisions for the FY2017-2019 period:

1) Modernize the definition of “rural” to include a “remote” classification.

Alaska is the nation’s largest state by measure of land mass, with many communities being geographically dispersed and having low population densities. Service delivery in communities off the road system is more expensive due to higher transportation costs and there are fewer service providers in those communities as a result. The application of “rural” used in previous funding plans does not distinguish between small communities on the road system versus those that are remote and only accessible by air or water. The Task Force decided to expand the former urban-rural distinction to an “urban-rural-remote” continuum that employs the classification system developed by the Office of Management and Budget (OMB) for *Metropolitan, Micropolitan, and Neither*

(http://www.whitehouse.gov/sites/default/files/omb/assets/fedreg_2010/06282010_metro_standards-Complete.pdf)

The taskforce compared the OMB census areas designations and found that the definitions used for Metropolitan, Micropolitan, and Neither matched the wide variety of conditions and classification systems used to define urban, rural, and remote for purposes of the funding formula. Using the OMB census area designations; Anchorage, Fairbanks North Star Borough, and Matanuska-Sustina Borough are considered Urban; Juneau City and Borough and Ketchikan Gateway Borough are considered rural; and the remaining census areas, with the exception of the Kenai Peninsula Borough are considered remote.

Although the Kenai Peninsula Borough is not classified as a Metropolitan area per OMB, the taskforce unanimously agreed that its characteristics were more similar to the rural census areas rather than remote census areas due to being on the road system and having a lower cost of living.

The Alaska State Plan uses a funding framework that is based on the nine regions adopted by the Alaska DHSS in which the state's 27 census areas are apportioned. Census areas considered urban will receive a *zero value*, census areas considered rural will receive *half value*, and census areas considered remote will receive the *full value* of this weighting factor. Remote census areas are a new classification for this State Plan. Attachment A provides a listing of census areas in Alaska applying the Office of Management and Budget designations of *metropolitan, micropolitan, and neither* to "urban, rural and remote" for Alaska's nine regions. In addition, the cost of living factor that was used in the former plan will be removed using this new classification system in order to prevent a duplicative weight for the rural factor and address the public comment received regarding this matter.

2) Subdivide Alaska's Region V into two subsets to include the Matanuska-Susitna as Region V(a) and Kenai/Valdez/Cordova as Region V(b).

While Alaska's senior population continues to grow at unprecedented rates with every one of the state's nine regions witnessing at least a 20% increase in its total senior population from 2010 to 2015, based on population estimates from the Alaska Department of Labor and Workforce Development, Research and Analysis, certain regions are growing considerably faster than others. This population increase is attributed to the natural growth of a population aging in place as well as to in-state migration trends that show a growing number of older people moving from rural, remote communities to urban areas for access to health care and other amenities. Moreover, service providers in areas with the highest senior growth report great difficulty in providing continuing services with existing funds.

Alaska's Region V, that includes the Matanuska-Susitna borough, is the census area with the fastest growing senior population in Alaska. Being an urban location, the senior population growth in the Matanuska-Susitna is largely due to aging of the resident population in addition to an in-state migration trend of rural-based seniors relocating to the Mat-Su for improved access to services. The demographic profile of the Matanuska-Susitna census district makes it distinct from other census districts in Region V. The Matanuska-Susitna is not only geographically separate from the other census districts in Region V, it is now classified as "urban" based on recent population growth. Further, this recommendation addresses public comment received requesting Matanuska-Susitna to be its own subset of Region V.

3) Implement a "base funding allocation" using federal Older American Act funds appropriated for Alaska to replace the hold harmless provision.

Under the "hold harmless" provision of the former plan, the majority of funds were held in place at the FY2011 funding levels leaving only new base funding to be distributed using the state plan's funding formula. While the hold harmless guaranteed no loss of funding to regions, the funding formula became unresponsive to the shifting locations of frail, minority, low-income, and rural seniors. For these reasons, the hold harmless provision was phased-out in the current plan. The Task Force, however, recognizes the need to provide some funding stability through a base funding allocation to ensure that no region would be forced to absorb massive funding cuts due to the phase-out of the hold harmless which might cause the elimination of much needed services. Under this recommendation, the proposed base funding amount is the federal Older Americans Act appropriation for Alaska leaving the state funds to be regionally distributed through the intra-state funding formula. In this manner, every region of the state will have a designated base funding amount to minimize the effects of funding shifts among regions and Alaska will have a funding formula that is responsive to its changing senior demographics.

4) **Weights for the Funding Formula Factors.**

A two-step process is used to apply the weight factors of the funding formula. The first step in applying the weight factors is to update the demographics. In this plan the 2013 Alaska Department of Labor population projections and 2013 Alaska Senior Benefits Program recipient numbers were used. Once this information is updated, the second step is to multiply the demographic data by the respective weight factor. This total is used as the percent of available funds allocated to each region.

The Task Force considered the findings from the Senior Provider Survey, which was used as one of the needs assessment measures for the current state plan, in order to adjust the values for the weight factors and update the funding formula. According to those findings, poverty and frail were identified as factors most important in targeting seniors with the greatest economic and social need.

Definitions of Funding Formula Factors

The following descriptions provide detail on the five weighting factors used in the FY 2017-2019 state plan funding formula and their amended values.

1. **Total Senior Population Factor** - The total number of seniors in each region is a major factor in the demand for services in that area. Every one of the state's nine regions has witnessed at least a 20% increase in its total senior population since 2001. Formerly weighted at 17%, the Task Force amended the weight to **12.5%** as many younger seniors are healthy, currently employed, and not in need of services.
2. **Minority Factor** - Minority is defined as those seniors who are not Caucasian. We include all those who report ancestry which is wholly or partly minority, as minority seniors. The Task Force lowered this weight from 21% to **12.5%** because (1) large numbers of non-white seniors live in urban areas with close access to services and (2) Alaska Native Elders, the largest minority population in Alaska, have access to services provided by Title III and Title VI funds.
3. **Poverty Factor** - Participation in the Alaska's Senior Benefits Program is used as the measure of poverty in this State Plan. The program (which provides a small monthly cash benefit) is available to any Alaskan age 65 and over with an income up to 175% of the Alaska poverty level. The Task Force increased the weight on poverty from 23% to **27.5%** to target additional resources to this population of seniors with the greatest economic need. The number of seniors receiving public assistance has been on the rise in recent years.
4. **Frail Factor** - Alaska's state plan continues to quantify frail seniors as those people who are age 80 and older because increased age can be correlated with a greater likelihood of need for assistance with activities of daily living, greater risk of cognitive impairment such as Alzheimer's disease and related dementia, and greater risk of placement in an institutional setting if assistance is not available. This weight factor was increased from 16% to **25%**, following recommendations received through the provider survey.
5. **Rural Factor** - The Task Force recommends the value of **22.5%** for rural, slightly down from the 23% factor previously assigned. The weight will be allocated using the new urban-rural-remote classification as follows: urban (0%), rural (11.25%), and remote (22.5%).

Expected Impacts on Service Delivery

The State Plan Advisory Committee Funding Formula Task Force anticipates that the proposed methodology will result in a more responsive intrastate funding formula that will direct the limited funding available to Alaska seniors with the greatest economic and social need. The urban-rural-remote reclassification, for example, will target funding to provide enhanced compensation to communities where the cost for providing services is the highest and access to services is the most challenging due to a limited number of providers. Alaska's senior population is growing at an annual rate of more than 4%. The growth of the oldest seniors, persons most in need of health care and long-term care, has increased 29% over the last five years. This trend is expected to continue over the next 25 years. A growing number of seniors living in poverty is evidenced by the increasing numbers of seniors receiving Senior Benefits, Adult Public Assistance, heating assistance, and food stamps. The funding formula will strategically target the limited resources to serve the most vulnerable older Alaskans in order to protect their health and safety, promote their dignity and ability to age in place, and reduce the utilization of more expensive health and long-term care services.

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FY2017-2019 Funding Formula for Title III Programs - Nutrition, Transportation and Support Services

Weighting Factor→	12.5	25	12.5	27.5	22.5	0 - 11.25 - 22.5		FY2017- FY2019 Regional Distribution	NTS Base Funding Amount (FY2016)	Remaining Funds FY2017- 2019 Regional Distribution	Base Funding + FY2017-2019 Regional Distribution
Census Areas ↓	60+ 2014	80+ 2014	Minority 2014	65+ 175% of Poverty 2014	Rural	Urban * Rural ** Remote***					
Bethel	1,937	211	1,630	564	1,937	1937***					
Kusilvak	698	80	654	244	698	698***					
1 Total	2,635	291	2,284	808	2,635	2,635	4.86%	\$194,794	\$112,984	\$307,778	
Fairbanks NSB,	14,135	1,445	2,065	870	14,135	0*					
SE Fairbanks	1,294	125	215	200	1,294	1294***					
Denali	369	24	53	14	369	369***					
Yukon-Koyukuk	1,055	153	1,768	270	1,055	1055***					
2 Total	16,853	1,747	3,046	1,354	16,853	2,718	12.64%	\$552,932	\$293,852	\$846,784	
3 North Slope Borough	1,001	65	632	38	1,001	1001***	1.48%	\$71,612	\$34,407	\$106,019	
4 Muni of Anchorage	43,727	5,226	10,266	4,231	43,727	0*	29.83%	\$1,082,428	\$693,482	\$1,775,910	
Kenai Peninsula	12,827	1,404	1,094	1,151	12,827	6413.5**					
Valdez/Cordova	1,693	128	361	175	1,693	1693***					
5a Total	14,520	1,532	1,455	1,326	14,520	7,260	14.16%	\$564,651	\$329,189	\$893,840	
5b Mat-Su	15,659	1,648	1,388	1,524	15,659	0*	9.58%	\$447,901	\$222,714	\$670,615	
Aleutians East,	401	28	301	32	401	401***					
Aleutians West	765	29	482	33	765	765***					
6 Total	1,166	57	783	65	1,166	1,166	1.74%	\$40,363	\$40,451	\$80,814	
Bristol Bay	174	15	84	10	174	174***					
Dillingham,	684	74	499	129	684	684***					
Kodiak	1,951	168	824	224	1,951	1951***					
Lake & Peninsula	239	28	170	44	239	239***					
7 Total	3,048	285	1,577	407	3,048	3,048	4.68%	\$325,944	\$108,800	\$434,744	
Nome,	1,177	113	845	250	1,177	1177***					
Northwest Arctic	819	120	676	191	819	819***					
8 Total	1,996	233	1,521	441	1,996	1,996	3.46%	\$177,077	\$80,437	\$257,514	
Prince of Wales	1,274	97	573	222	1,274	1274***					
Sitka	1,833	293	489	115	1,833	1833***					
Skagway	217	14	16	8	217	217***					
Haines	709	96	105	88	709	709***					
Hoonah/Angoon	601	41	248	89	601	601***					
Juneau	5,711	572	1,163	346	5,711	2855.5**					
Ketchikan	2,778	349	676	284	2,778	1389**					
Petersburg	743	86	85	86	743	743***					
Wrangell	657	80	135	92	657	657***					
Yakutat	152	20	239	16	152	152***					
9 Total	14,675	1,648	3,729	1,346	14,675	10,431	17.57%	\$645,377	\$408,464	\$1,053,841	
							100.00%	\$4,103,079	\$ 2,324,782	\$ 6,427,861	
10 Statewide						0	5.74%	\$237,049	\$141,569	\$378,618	
Total	115,280	12,732	26,681	11,540	115,280	30,255		\$4,340,128	\$2,466,351	\$ 6,806,479	